

ONE HUNDRED SIXTH DAY

St. Paul, Minnesota, Friday, May 16, 2014

The Senate met at 9:00 a.m. and was called to order by the President.

CALL OF THE SENATE

Senator Bakk 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. Richard Carlson.

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	Eaton	Johnson	Pappas	Skoe
Bakk	Eken	Kent	Pederson, J.	Sparks
Benson	Fischbach	Koenen	Petersen, B.	Stumpf
Bonoff	Franzen	Latz	Pratt	Thompson
Brown	Gazelka	Limmer	Reinert	Tomassoni
Carlson	Goodwin	Lourey	Rest	Torres Ray
Chamberlain	Hall	Marty	Rosen	Weber
Champion	Hann	Metzen	Ruud	Westrom
Clausen	Hawj	Miller	Saxhaug	Wiger
Cohen	Hayden	Nelson	Scalze	Wiklund
Dahle	Hoffman	Newman	Schmit	
Dahms	Housley	Nienow	Senjem	
Dibble	Ingebrigtsen	Ortman	Sheran	
Dziedzic	Jensen	Osmek	Sieben	

The President declared a quorum present.

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

MESSAGES FROM THE HOUSE

Madam 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. 2255: A bill for an act relating to deposits and investments of public funds; granting the Metropolitan Council additional investment authority; making certain conforming

technical changes; amending Minnesota Statutes 2012, sections 118A.03, subdivision 5; 118A.04, subdivisions 7, 8; 118A.07; 473.543, subdivision 3.

Senate File No. 2255 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 15, 2014

CONCURRENCE AND REPASSAGE

Senator Kent moved that the Senate concur in the amendments by the House to S.F. No. 2255 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 2255: A bill for an act relating to deposits and investments of public funds; granting the Metropolitan Council additional investment authority; authorizing certain investments by a Minnesota joint powers investment trust; making certain conforming technical changes; amending Minnesota Statutes 2012, sections 118A.03, subdivision 5; 118A.04, subdivisions 7, 8; 118A.05, subdivision 4; 118A.07; 473.543, subdivision 3.

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 34 and nays 24, as follows:

Those who voted in the affirmative were:

Bakk	Dibble	Jensen	Reinert	Skoe
Bonoff	Dziedzic	Kent	Rest	Sparks
Carlson	Eaton	Koenen	Saxhaug	Stumpf
Champion	Eken	Lourey	Scalze	Tomassoni
Clausen	Franzen	Marty	Schmit	Wiger
Cohen	Hawj	Metzen	Sheran	Wiklund
Dahle	Hoffman	Pappas	Sieben	

Those who voted in the negative were:

Anderson	Gazelka	Limmer	Osmek	Ruud
Benson	Hall	Miller	Pederson, J.	Senjem
Brown	Hann	Nelson	Petersen, B.	Thompson
Dahms	Housley	Newman	Pratt	Weber
Fischbach	Ingebrigtsen	Ortman	Rosen	

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

MESSAGES FROM THE HOUSE - CONTINUED

Madam 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. 1770: A bill for an act relating to data practices; clarifying application of government data practices act to parties contracting with a government entity; amending Minnesota Statutes

2012, section 13.05, subdivision 11; proposing coding for new law in Minnesota Statutes, chapter 13.

Senate File No. 1770 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 15, 2014

CONCURRENCE AND REPASSAGE

Senator Dziejcz moved that the Senate concur in the amendments by the House to S.F. No. 1770 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 1770 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 58 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Dibble	Jensen	Osmek	Sheran
Bakk	Dziejcz	Kent	Pappas	Sieben
Benson	Eaton	Koenen	Petersen, B.	Skoe
Bonoff	Eken	Latz	Pratt	Sparks
Brown	Franzen	Limmer	Reinert	Stumpf
Carlson	Gazelka	Lourey	Rest	Thompson
Chamberlain	Hall	Marty	Rosen	Tomassoni
Champion	Hann	Metzen	Ruud	Weber
Clausen	Hawj	Miller	Saxhaug	Wiger
Cohen	Hoffman	Nelson	Scalze	Wiklund
Dahle	Housley	Newman	Schmit	
Dahms	Ingebrigtsen	Ortman	Senjem	

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

MESSAGES FROM THE HOUSE - CONTINUED

Madam President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 1068 and 2490.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 15, 2014

FIRST READING OF HOUSE BILLS

The following bills were read the first time.

H.F. No. 1068: A bill for an act relating to capital investment; appropriating money for capital improvement projects; modifying grant programs; authorizing the Housing Finance Agency to issue housing infrastructure bonds; amending Minnesota Statutes 2012, sections 12A.16,

subdivision 5; 174.50, subdivision 7; 174.52, subdivision 3; 240A.09; 462A.37, subdivision 2, by adding subdivisions.

Senator Bakk moved that H.F. No. 1068 be laid on the table. The motion prevailed.

H.F. No. 2490: A bill for an act relating to capital investment; authorizing spending to acquire and better public land and buildings and other improvements of a capital nature with certain conditions; modifying previous appropriations; establishing new programs and modifying existing programs; authorizing the use of negotiated sales; authorizing the transfer of state bond-financed property; authorizing the sale and issuance of state bonds; appropriating money; amending Minnesota Statutes 2012, sections 16A.641, by adding a subdivision; 16A.642, subdivisions 1, 2; 16B.335, subdivisions 1, 2; 134.45, subdivision 5b; 135A.034, subdivision 2; Minnesota Statutes 2013 Supplement, section 16B.335, subdivision 5; Laws 2008, chapter 179, sections 7, subdivision 27, as amended; 16, subdivision 5; Laws 2009, chapter 93, article 1, section 11, subdivision 4; Laws 2010, chapter 189, sections 15, subdivision 5; 21, subdivision 11; Laws 2011, First Special Session chapter 12, section 18, subdivision 5; Laws 2012, chapter 293, sections 19, subdivision 4; 21, subdivision 6; Laws 2012, First Special Session chapter 1, article 1, section 9, subdivision 3; article 2, section 4, subdivision 2; Laws 2013, chapter 136, sections 4; 7.

Senator Bakk moved that H.F. No. 2490 be laid on the table. The motion prevailed.

MOTIONS AND RESOLUTIONS

Senator Ingebrigtsen moved that the name of Senator Senjem be added as a co-author to S.F. No. 2983. The motion prevailed.

Senator Sieben moved that S.F. No. 556, No. 3 on General Orders, be stricken and returned to its author. The motion prevailed.

Senator Sieben moved that S.F. No. 1821, No. 34 on General Orders, be stricken and returned to its author. The motion prevailed.

Senator Sieben moved that S.F. No. 1923, No. 16 on General Orders, be stricken and returned to its author. The motion prevailed.

Senator Sieben moved that S.F. No. 2699, No. 46 on General Orders, be stricken and returned to its author. The motion prevailed.

Senator Stumpf introduced –

Senate Resolution No. 266: A Senate resolution commemorating the 90th birthday on December 21, 2013, for Henry Tweten of East Grand Forks, Minnesota, and commending his years of outstanding service.

Referred to the Committee on Rules and Administration.

Senators Hayden, Hawj, Hoffman, Champion and Dziejczak introduced –

Senate Resolution No. 267: A Senate resolution concerning the detention and torture of the Somali people in Kenya.

Referred to the Committee on Rules and Administration.

Senator Hawj introduced –

Senate Resolution No. 268: A Senate resolution honoring Soua Xiong, Hmong Minnesota Prince Charming.

Referred to the Committee on Rules and Administration.

Senators Hoffman, Hawj and Eaton introduced –

Senate Resolution No. 269: A Senate resolution commending Captain Wa Thai Yang for his exemplary service to our country.

Referred to the Committee on Rules and Administration.

S.F. No. 2065 and the Conference Committee Report thereon were reported to the Senate.

CONFERENCE COMMITTEE REPORT ON S.F. NO. 2065

A bill for an act relating to labor and industry; extending an independent contractor registration pilot project; exempting certain sawmills from high pressure boiler attendance requirements; amending Minnesota Statutes 2012, sections 181.723, subdivisions 4, 4a, 5, 7; 326B.988; proposing coding for new law in Minnesota Statutes, chapter 326B.

May 15, 2014

The Honorable Sandra L. Pappas
President of the Senate

The Honorable Paul Thissen
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 2065 report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S.F. No. 2065 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. **[178.011] DEFINITIONS.**

Subdivision 1. **Scope.** The terms defined in this section have the meanings given and apply to this chapter.

Subd. 2. **Apprentice.** "Apprentice" means a worker who is at least 16 years of age who is employed to learn an apprenticeable trade or occupation in a registered apprenticeship program under this chapter.

Subd. 3. **Apprenticeship Advisory Board.** "Apprenticeship Advisory Board" or "board" means the Apprenticeship Advisory Board established under section 178.02 and as an advisory State Apprenticeship Council as defined in Code of Federal Regulations, title 29, section 29.2.

Subd. 4. **Apprenticeship program.** "Apprenticeship program" means a program registered under this chapter that includes standards containing all terms and conditions for the qualification,

recruitment, selection, employment, and training of apprentices, as required under Code of Federal Regulations, title 29, parts 29 and 30, and a written apprenticeship agreement.

Subd. 5. **Commissioner.** "Commissioner" means the commissioner of labor and industry or a duly designated representative of the commissioner who is an employee of the department.

Subd. 6. **Department.** "Department" means the Department of Labor and Industry established under section 175.001.

Subd. 7. **Division.** "Division" means the department's Labor Standards and Apprenticeship Division, established under sections 175.16 and 178.03, and the State Apprenticeship Agency as defined in Code of Federal Regulations, title 29, part 29, section 29.2.

Subd. 8. **Employer.** "Employer" means any person or organization employing an apprentice whether or not the person or organization is a party to an apprenticeship agreement with the apprentice.

Subd. 9. **Journeyworker.** "Journeyworker" means a person who has attained a level of skill, abilities, and competencies recognized within an industry as having mastered the skills and competencies required for the trade or occupation.

Subd. 10. **Registered apprenticeship agreement.** "Registered apprenticeship agreement" or "apprenticeship agreement" means a written agreement, complying with section 178.07, between the division, sponsor, and apprentice, and, if the apprentice is a minor, the minor's parent or guardian, which contains the terms and conditions of the employment and training of the apprentice.

Subd. 11. **Related instruction.** "Related instruction" means an organized and systematic form of instruction designed to provide the apprentice with the knowledge of the theoretical and technical subjects related to the apprentice's trade or occupation. The instruction may be given in a classroom through trade, occupational, or industrial courses or, when of equivalent value, by correspondence, electronic media, or other forms of self-study approved by the commissioner.

Subd. 12. **Sponsor.** "Sponsor" means an employer, employer association, or apprenticeship committee as defined by Code of Federal Regulations, title 29, part 29, section 29.2, that operates an apprenticeship program and in whose name the program is or is to be registered or approved.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 2. **[178.012] UNIFORMITY WITH FEDERAL LAW.**

Subdivision 1. **Apprenticeship rules.** Federal regulations governing apprenticeship in effect on July 1, 2013, as provided by Code of Federal Regulations, title 29, part 29, sections 29.1 to 29.6 and 29.11, are the apprenticeship rules in this state, subject to amendment by this chapter or by rule under section 178.041.

Subd. 2. **State Apprenticeship Agency.** The commissioner shall take all necessary steps as permitted by law to obtain and maintain the status of the division as a State Apprenticeship Agency recognized by the United States Department of Labor under Code of Federal Regulations, title 29, part 29, section 29.13.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 3. Minnesota Statutes 2012, section 178.02, is amended to read:

178.02 APPRENTICESHIP ADVISORY BOARD.

Subdivision 1. **Members.** ~~The commissioner of labor and industry, hereinafter called the commissioner,~~ shall appoint an Apprenticeship Board, ~~hereinafter referred to as the board,~~ composed of three representatives each from employer and employee organizations, and two representatives of the general public. ~~The director~~ A designee of the commissioner of education responsible for career and technical education or designee shall be an ex officio member of the board and shall serve in an advisory capacity only.

Subd. 2. **Terms.** The board shall not expire. The terms, compensation, and removal of appointed members shall be as provided in section 15.059.

Subd. 4. **Duties.** The board shall meet at the call of the commissioner and shall advise the commissioner about matters relating to this chapter. It shall propose occupational classifications for apprenticeship programs; propose minimum standards for apprenticeship programs and agreements; and advise on the establishment of such policies, procedures, and rules as the board or commissioner deems necessary in implementing the intent of this chapter.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 4. Minnesota Statutes 2012, section 178.03, is amended to read:

178.03 DIVISION OF LABOR STANDARDS AND APPRENTICESHIP.

Subdivision 1. **Establishment of division.** There is established a Division of Labor Standards and Apprenticeship in the Department of Labor and Industry. This division shall be administered by a director, and be under the supervision of the commissioner ~~of labor and industry, hereinafter referred to as the commissioner.~~

Subd. 2. **Director of labor standards and apprenticeship.** The commissioner shall appoint a director of the Division of Labor Standards and Apprenticeship, hereinafter referred to as the director, and may appoint and employ such clerical, technical, and professional help as is necessary to accomplish the purposes of this chapter. The director and division staff shall be appointed and shall serve in the classified service pursuant to civil service law and rules.

Subd. 3. **Duties and functions.** ~~The director, under the supervision of the commissioner, and with the advice and consultation of the Apprenticeship Board, is authorized: to administer the provisions of this chapter; to promote apprenticeship and other forms of on-the-job learning; to establish, in cooperation and consultation with the Apprenticeship Board and with the apprenticeship committees, conditions, training, and learning standards for the approval of apprenticeship programs and agreements, which conditions and standards shall in no case be lower than those (1) prescribed by this chapter, and (2) established under~~ The division shall be administered as prescribed by this chapter and in accordance with Code of Federal Regulations, title 29, part 29; to promote equal employment opportunity in apprenticeship and other on-the-job learning and to establish a Minnesota plan for equal employment opportunity in apprenticeship which shall be consistent with standards established under Code of Federal Regulations, title 29, part 30, as amended; to issue certificates of registration to sponsors of approved apprenticeship programs; to act as secretary of the Apprenticeship Board; to approve, if of the opinion that approval is for the best interest of the apprentice, any apprenticeship agreement which meets

~~the standards established hereunder; to terminate any apprenticeship agreement in accordance with the provisions of such agreement; to keep a record of apprenticeship agreements and their disposition; to issue certificates of completion of apprenticeship; and to perform such other duties as the commissioner deems necessary to carry out the intent of this chapter; provided, that the administration and supervision of supplementary instruction in related subjects for apprentices; coordination of instruction on a concurrent basis with job experiences, and the selection and training of teachers and coordinators for such instruction shall be the function of state and local boards responsible for vocational education. The director division shall have the authority to make wage determinations applicable to the graduated schedule of wages and journeyworker wage rate for apprenticeship agreements, giving consideration to the existing wage rates prevailing throughout the state, except that no wage determination by the director shall alter an existing wage provision for apprentices or journeyworkers that is contained in a bargaining agreement in effect between an employer and an organization of employees, nor shall the director make any determination for the beginning rate for an apprentice that is below the wage minimum established by federal or state law.~~

Subd. 4. **Reciprocity approval.** ~~The director commissioner, if requested by a sponsoring entity program sponsor, shall grant reciprocity approval to apprentices, apprenticeship programs of employers and unions who jointly form a sponsoring entity on a multistate basis in other than the building construction industry if such programs are in conformity with this chapter and have been registered in compliance with Code of Federal Regulations, title 29, part 29, by a state apprenticeship council recognized by or registered with the United States Department of Labor, Office of Apprenticeship, when such approval is necessary for federal purposes under Code of Federal Regulations, title 29, section 29.13(a) or 29.13(b)(7), and standards that are registered in other states. Program sponsors seeking reciprocal approval must meet the requirements of this chapter including the wage and hour provisions and apprentice ratio standards.~~

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 5. **[178.035] REGISTRATION OF APPRENTICESHIP PROGRAMS.**

Subdivision 1. **Application.** To apply for the registration of an apprenticeship program, a sponsor shall submit a completed application to the division on a form provided by the commissioner, which shall include standards of apprenticeship that comply with the requirements of Code of Federal Regulations, title 29, part 29, section 29.5, and this chapter.

Subd. 2. **Provisional approval.** The division shall grant a provisional approval period of one year to an applicant demonstrating that the standards submitted meet the requirements of this chapter. The division may review each program granted provisional approval for quality and for conformity with the requirements of this section and section 178.036 at any time, but not less than biannually, during the provisional approval period. After review:

(1) a program that conforms with the requirements of this chapter:

(i) may be approved; or

(ii) may continue to be provisionally approved through the first full training cycle; and

(2) a program not in operation or not conforming with the requirements of this chapter during the provisional approval period shall be deregistered.

The division shall inform the applicant of the results of its review in writing at least 30 days prior to the expiration of the provisional approval period.

Subd. 3. **Review.** The division shall review all programs for quality and for conformity with the requirements of this chapter at the end of the first full training cycle. Subsequent review of a registered program must be conducted at least annually. Programs not in operation or not conforming to this chapter at the time of review may be recommended for deregistration.

Subd. 4. **Program modification.** To apply for modification of or change to a registered program, a sponsor shall submit a written request for modification to the division. The division shall approve or disapprove a modification request within 90 days from the date of receipt. If approved, the modification or change must be recorded and acknowledged within 90 days of its approval as an amendment to the registered program. If not approved, the division shall notify the sponsor in writing of the disapproval and the reasons for the disapproval. The division may provide technical assistance to a sponsor seeking to modify or change a registered program.

Subd. 5. **Notice.** When an application is submitted under subdivision 1 by an employer or employers' association, and where the standards, collective bargaining agreement, or other instrument provides for participation by a union in any manner in the operation of the substantive matters of the apprenticeship program, and the participation is exercised, a written acknowledgment of the union's agreement or a written statement specifying that the union has no objection to the registration is required. Where no union participation is evidenced and practiced, the employer or employers' association shall simultaneously furnish to the union, if any, which functions as the collective bargaining agent of the employees to be trained, a copy of its application for registration and the apprenticeship program. The commissioner shall provide a reasonable time of not less than 30 days nor more than 60 days for receipt of union comments, if any, before final action on the application for registration is taken. Union comments must be submitted to the division during the time period specified by the commissioner.

Subd. 6. **Certificate.** Upon registration of a program, the commissioner shall issue a certificate of registration to the sponsor. Within 30 days after the certificate is mailed or otherwise delivered to the sponsor, the sponsor must submit to the commissioner a copy of at least one executed apprenticeship agreement.

Subd. 7. **Policy requirement.** It must be the policy of the employer and sponsor that the recruitment, selection, employment, and training of apprentices during their apprenticeship must be without discrimination due to race, color, creed, religion, national origin, sex, sexual orientation, marital status, physical or mental disability, receipt of public assistance, or age. The employer and sponsor must take affirmative action to provide equal opportunity in apprenticeship and must operate the apprenticeship program as required under Code of Federal Regulations, title 29, part 30, and under the Minnesota plan for equal opportunity in apprenticeship.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 6. **[178.036] STANDARDS OF APPRENTICESHIP.**

Subdivision 1. **Federal uniformity.** Each program must have an organized, written plan of program standards embodying the terms and conditions of employment, training, and supervision of one or more apprentices in an apprenticeable trade or occupation, as defined in Code of Federal Regulations, title 29, part 29, section 29.4, and subscribed to by a sponsor and employer who has undertaken to carry out the apprentice training program. The program standards must contain the

provisions that address each item identified in Code of Federal Regulations, title 29, part 29, section 29.5(b).

Subd. 2. **Standards.** (a) In addition to the requirements in subdivision 1, the program standards must also contain provisions in compliance with paragraphs (b) to (k):

(b) **Related instruction.** A minimum of 144 hours of related instruction is required in each training cycle. At least 50 hours of related safety instruction is required during the term of apprenticeship. Time spent in related instruction cannot be considered as hours of work as required by the job process schedule. Every apprenticeship instructor must meet the Department of Education's requirements for a vocational-technical instructor or be a subject matter expert, which is an individual such as a journeyworker who is recognized within an industry as having expertise in a specific trade or occupation.

(c) **Job process schedule.** Each time-based apprenticeship program must include not less than 2,000 hours of reasonably continuous employment.

(d) **Ratios.** If the apprentice is covered by a collective bargaining agreement, the employer must follow the provisions of the collective bargaining agreement regarding the maximum number of apprentices to be employed at the work site for each journeyworker employed at the same work site. In the absence of a collective bargaining agreement, for the purposes of direct supervision and the safety and instruction of the apprentice, the ratio shall be:

(1) one apprentice for the first journeyworker employed at the work site plus one apprentice for each additional three journeyworkers employed at the work site;

(2) the work site ratio utilized by the majority of registered apprenticeship agreements in the same trade or occupation; or

(3) a program-specific ratio that has been approved by the Apprenticeship Advisory Board.

(e) **Graduated schedule of wages.** The graduated schedule of wages for an apprenticeship program shall be calculated as a percentage of the journeyworker rate in the majority of registered apprenticeship agreements in the same trade or occupation in the state. If there are no registered apprenticeship agreements in the same trade or occupation, the graduated schedule of wages may be determined by the sponsor.

(f) **Probationary period.** The standards must provide a period of probation of not more than 500 hours of employment and instruction extending over not more than four months, during which time the apprenticeship agreement shall be terminated by the director upon written request of either party, and providing that after such probationary period the apprenticeship agreement may be terminated by the director by mutual agreement of all parties thereto, or terminated by the director for good and sufficient reason.

(g) **Dispute resolution.** The program standards must include a provision that controversies or differences concerning the terms of the apprenticeship agreement which cannot be resolved by the parties thereto, or which are not covered by a collective bargaining agreement, may be submitted to the commissioner for determination as provided for in section 178.09.

(h) **Term of apprenticeship.** The term of apprenticeship may be measured either through:

(1) the time-based approach, which requires completion of at least 2,000 work hours of on-the-job training;

(2) the competency-based approach, which requires the attainment of competency; or

(3) the hybrid approach, which is a blend of the time-based and competency-based approaches.

(i) **Training cycle.** The training cycle for related instruction must be designated in hours, days, or months for each individual trade or occupation included in the standards.

(j) **Responsibilities of the apprentice.** An apprentice employed under the program standards shall agree to be punctual and regular in attendance, and to endeavor to the best of the apprentice's ability to perfect the required skills for the trade or occupation.

(k) **Coordination of apprentices.** The sponsor shall designate a qualified individual as a coordinator of apprentices who shall:

(1) maintain an adequate record of progress in training each apprentice;

(2) be responsible for assuring that the requirements of the applicable learning program are met during the prescribed training term; and

(3) perform other duties as may be assigned by the sponsor relative to the development and operation of an effective program of apprenticeship.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 7. Minnesota Statutes 2012, section 178.041, subdivision 2, is amended to read:

Subd. 2. **Chapter 14 applies.** Rules, modifications, amendments, and repeals thereof which may be issued by the commissioner under this section chapter shall be adopted in accordance with chapter 14 and shall have the force and effect of law.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 8. **[178.044] DETERMINATION OF APPRENTICE WAGES.**

Subdivision 1. **Maximum hours.** The maximum number of hours of work per week shall not exceed either the number prescribed by law or the customary regular number of hours per week for the employees of the company by which the apprentice is employed. Time spent in related and supplemental instruction for any apprentice shall not be included in the maximum number of hours of work per workweek.

Subd. 2. **Overtime.** An apprentice may be allowed to work overtime provided that the overtime work does not conflict with related instruction course attendance. All time in excess of the number of hours of work per week as specified in the apprenticeship agreement shall be considered overtime. For overtime, the apprentice's rate of pay shall be increased by the same percentage as the journeyworker's rate of pay for overtime is increased in the same industry or establishment.

Subd. 3. **Journeyworker wage rate.** If the apprentice is not covered by a collective bargaining agreement, the journeyworker wage rate upon which the apprentice agreement graduated schedule of wages is calculated shall be:

(1) the most current Minnesota state prevailing wage rate determination for the same trade or occupation in the county in which the apprentice's employer is located. If an apprenticeship

agreement entered into after January 1, 2015, does not specify fringe benefits, the journeyworker wage rate upon which the apprentice wage rate is calculated must be the total rate listed in the wage determination; or

(2) if there is no Minnesota prevailing wage rate determination for the same trade or occupation in the county in which the apprentice's employer is located, the journeyworker wage may be determined by the sponsor with the approval of the division.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 9. Minnesota Statutes 2012, section 178.07, is amended to read:

178.07 REGISTERED APPRENTICESHIP AGREEMENTS.

Subdivision 1. **Approval required.** All terminations, cancellations, and transfers of apprenticeship agreements shall be approved by the division in writing. The division must be notified in writing by the sponsor within 45 days of all terminations, cancellations, or transfer of apprenticeship agreements.

Subd. 2. **Signatures required.** Apprenticeship agreements shall be signed by the sponsor, and by the apprentice, and if the apprentice is a minor, by a parent or legal guardian. When a minor enters into an apprenticeship agreement under this chapter for a period of learning extending into majority, the apprenticeship agreement shall likewise be binding for such a period as may be covered during the apprentice's majority.

Subd. 3. **Contents.** Every apprenticeship agreement entered into under this chapter shall contain:

- (1) the names of the contracting parties, and the signatures required by subdivision 1;
- (2) the date of birth, and information as to the race and sex of the apprentice, and, on a voluntary basis, the apprentice's Social Security number;
- (3) a statement of the trade, craft, occupation, or business which the apprentice is to be taught, and the time at which the apprenticeship will begin and end;
- (3) contact information of the sponsor and the division;
- (4) a statement showing of the trade or occupation which the apprentice is to be taught, the date on which the apprenticeship will begin, and the number of hours to be spent by the apprentice in work and the number of hours to be spent in concurrent, supplementary instruction in related subjects, which instruction shall be not less than 144 hours during each year of the apprenticeship term. The maximum number of hours of work per week not including time spent in related and supplemental instruction for any apprentice shall not exceed either the number prescribed by law or the customary regular number of hours per week for the employees of the company by which the apprentice is employed. An apprentice may be allowed to work overtime provided that the overtime work does not conflict with supplementary instruction course attendance. All time in excess of the number of hours of work per week as specified in the apprenticeship agreement shall be considered overtime. For overtime, the apprentice's rate of pay shall be increased by the same percentage as the journeyworker's rate of pay for overtime is increased in the same industry or establishment related instruction;
- (5) a statement setting forth a schedule of the processes in the trade, occupation, or industry divisions in which the apprentice is to be taught and the approximate time to be spent at each process;

~~(6)~~ (5) a statement of the graduated scale of wages to be paid the apprentice and whether the required school time shall be compensated under sections 178.036, subdivision 2, paragraph (e), and 178.044, as applicable;

~~(7)~~ (6) a statement providing for a period of probation of not more than 500 hours of employment and instruction extending over not more than four months, during which time the apprenticeship agreement shall be terminated by the director upon written request of either party, and providing that after such probationary period the apprenticeship agreement may be terminated by the director by mutual agreement of all parties thereto, or terminated by the director for good and sufficient reason listing any fringe benefits to be provided to the apprentice;

~~(8)~~ a provision that controversies or differences concerning the terms of the apprenticeship agreement which cannot be resolved by the parties thereto, or which are not covered by a collective bargaining agreement, may be submitted to the director for determination as provided for in section 178.09;

~~(9)~~ a provision that an employer who is unable to fulfill an obligation under the apprenticeship agreement may, with the approval of the director, transfer such contract to any other employer, provided that the apprentice consents and that such other employer agrees to assume the obligations of the apprenticeship agreement; and

~~(7)~~ a statement incorporating as part of the agreement the registered standards of the apprenticeship program on the date of the agreement and as they may be amended during the period of the agreement;

~~(8)~~ a statement that the apprentice will be accorded equal opportunity in all phases of apprenticeship employment and training, without discrimination due to race, color, creed, religion, national origin, sex, sexual orientation, marital status, physical or mental disability, receipt of public assistance, or age; and

~~(10)~~ (9) such additional terms and conditions as may be prescribed or approved by the director commissioner not inconsistent with the provisions of this chapter.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 10. Minnesota Statutes 2012, section 178.09, is amended to read:

178.09 INVESTIGATIONS BY DIRECTOR AND ENFORCEMENT OF APPRENTICESHIP AGREEMENTS.

Subdivision 1. **Complaint.** Upon the complaint of any interested person or upon the director's division's own initiative, the director division may investigate to determine if there has been a violation of the terms of an apprenticeship agreement made under this chapter. Complaints must be made in writing within 60 days of the events giving rise to the complaint and must set forth the specific matters complained of together with relevant facts and circumstances. Copies of pertinent documents and correspondence must accompany the complaint. The director division may conduct such proceedings as are necessary for that investigation and determination. All such proceedings shall be on a fair and impartial basis and shall be conducted according to rules promulgated under section 178.041.

Subd. 2. **Determination; appeal.** Within 90 days after the receipt of a complaint, the division must issue a determination. The determination of the director division shall be filed with the

commissioner and written notice shall be served on all parties affected by it. Any person aggrieved by any determination or action of the director may appeal to the commissioner. If no appeal is filed with the commissioner within ten days of the date of service, the director's division's determination shall become the final order of the commissioner. If an appeal is filed, the commissioner shall appoint and convene a hearing board to be composed of three members of the Apprenticeship Advisory Board appointed under section 178.02, one member being a representative of an employer organization, one representative being a member of an employee organization, and one member representing the general public. The board shall hold a hearing on the appeal after due notice to the interested parties and shall submit to the commissioner findings of fact and a recommended decision accompanied by a memorandum of the reasons for it. Within 30 days after submission, the commissioner may adopt the recommended decision of the board, or disregard the recommended decision of the board and prepare a decision based on the findings of fact and accompanied by a memorandum of reasons for that decision. Written notice of the commissioner's determination and order shall be served on all parties affected by it. Any person aggrieved ~~or affected by any~~ the commissioner's determination or order of the commissioner may appeal from it to the district court having jurisdiction at any time within 30 days after the date of the order by service of a written notice of appeal on the commissioner. Upon service of the notice of appeal, the commissioner shall file with the court administrator of the district court to which the appeal is taken a certified copy of the order appealed from, together with findings of fact on which it is based. The person serving a notice of appeal shall, within five days after its service, file it, with proof of service, with the court administrator of the court to which the appeal is taken. The district court shall then have jurisdiction over the appeal and it shall be entered in the records of the district court and tried de novo according to the applicable rules. Any person aggrieved or affected by any determination, order, or decision of the district court may appeal as in other civil cases and order under this section is entitled to judicial review under sections 14.63 to 14.68 in the same manner that a person aggrieved by a final decision in a contested case is entitled to judicial review. The commissioner's determination and order under this section shall be a final decision and order of the department for purposes of sections 14.63 to 14.68.

Subd. 3. Service. Service under this chapter may be by certified first class mail, personal service, or in accordance with any consent to service filed with the commissioner. Service by mail shall be accomplished in the manner provided in Minnesota Rules, part 1400.5550, subpart 2. Personal service shall be accomplished in the manner provided in Minnesota Rules, part 1400.5550, subpart 3.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 11. [178.091] INVESTIGATIONS AND ENFORCEMENT; APPRENTICESHIP PROGRAMS AND STANDARDS.

Subdivision 1. Investigations. In order to carry out the purposes of this chapter, the commissioner may investigate registered apprenticeship programs and applicants for program registration to determine whether there are any grounds for deregistration of a registered program or for the denial of an application. Persons requested by the commissioner to provide information or produce documents shall respond within 30 days of the commissioner's service of the request.

Subd. 2. Grounds. (a) The commissioner may deregister a registered apprenticeship program or deny an application for registration if:

(1) the program does not comply with any requirement of Code of Federal Regulations, title 29, part 29 or 32, this chapter, or any rule adopted pursuant to section 178.041;

(2) the program does not have at least one registered apprentice in each trade or occupation, except for the following specified periods of time:

(i) within the first 30 days after the date a program is registered; or

(ii) within one year of the date that a program graduates an apprentice in a trade or occupation and the date of registration for the next apprentice in that trade or occupation; or

(3) the program is not conducted, operated, or administered in accordance with the program's registered standards or with the requirements of this chapter, including but not limited to:

(i) failure to provide on-the-job learning;

(ii) failure to provide related instruction;

(iii) failure of an employer to pay the apprentice a progressively increasing schedule of wages consistent with the apprentice's skills acquired; or

(iv) persistent and significant failure to perform successfully.

(b) The commissioner may deregister an apprenticeship program at the written request of the sponsor in a manner consistent with the provisions of Code of Federal Regulations, title 29, part 29, section 29.8(a).

Subd. 3. **Reinstatement.** If the commissioner deregisters a registered apprenticeship program, the sponsor may request reinstatement not before one year after the effective date of the deregistration. The commissioner may, as a condition of reinstatement, require the sponsor to comply with reasonable conditions the commissioner considers necessary to effectuate the purposes of this chapter.

Subd. 4. **Orders; hearings related to orders.** (a) If the commissioner determines that a registered apprenticeship program should be deregistered or that an application for registration should be denied, the commissioner shall issue to and serve on the sponsor an order deregistering the program's registration or denying the application for registration.

(b) An order issued under this subdivision must specify:

(1) the deficiency and the required remedy or corrective action;

(2) the time period to effectuate the required remedy or corrective action, which shall be no more than 90 days; and

(3) any other requirement consistent with Code of Federal Regulations, title 29, part 29, section 29.8(b).

(c) The sponsor to whom the commissioner issues an order under this subdivision may appeal to a hearing board appointed consistent with section 178.09, subdivision 2.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 12. Minnesota Statutes 2012, section 178.10, is amended to read:

178.10 LIMITATION.

(a) The provisions of this chapter shall have no application to those ~~infants~~ individuals who are apprenticed by the commissioner of corrections pursuant to sections 242.43 and 242.44.

(b) Nothing in this chapter or any apprenticeship agreement operates to invalidate:

(1) any apprenticeship provision in any collective bargaining agreement between employers and employees establishing higher apprenticeship standards; or

(2) any special provision for veterans, minority persons, or women, in the standards, apprentice qualifications, or operation of the program or in the apprenticeship agreement which is not otherwise prohibited by law.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 13. Minnesota Statutes 2012, section 181.723, subdivision 4, is amended to read:

Subd. 4. **Independent contractor.** (a) An individual is an independent contractor and not an employee of the person for whom the individual is performing services in the course of the person's trade, business, profession, or occupation only if the individual ~~is registered with the Department of Labor and Industry, if required under subdivision 4a, and the individual:~~

(1) maintains a separate business with the individual's own office, equipment, materials, and other facilities;

(2)(i) holds or has applied for a federal employer identification number or (ii) has filed business or self-employment income tax returns with the federal Internal Revenue Service if the individual has performed services in the previous year;

(3) is operating under contract to perform the specific services for the person for specific amounts of money and under which the individual controls the means of performing the services;

(4) is incurring the main expenses related to the services that the individual is performing for the person under the contract;

(5) is responsible for the satisfactory completion of the services that the individual has contracted to perform for the person and is liable for a failure to complete the services;

(6) receives compensation from the person for the services performed under the contract on a commission or per-job or competitive bid basis and not on any other basis;

(7) may realize a profit or suffer a loss under the contract to perform services for the person;

(8) has continuing or recurring business liabilities or obligations; and

(9) the success or failure of the individual's business depends on the relationship of business receipts to expenditures.

An individual who is not registered, if required by section 326B.701, is presumed to be an employee of a person for whom the individual performs services in the course of the person's trade, business, profession, or occupation. The person for whom the services were performed may rebut

this presumption by showing that the unregistered individual met all nine factors in this paragraph at the time the services were performed.

(b) If an individual is an owner or partial owner of a business entity, the individual is an employee of the person for whom the individual is performing services in the course of the person's trade, business, profession, or occupation, and is not an employee of the business entity in which the individual has an ownership interest, unless:

- (1) the business entity meets the nine factors in paragraph (a);
- (2) invoices and payments are ~~submitted~~ in the name of the business entity; and
- (3) the business entity is registered with the secretary of state, if required; ~~and~~

~~(4) the business entity is registered with the Department of Labor and Industry, if required under subdivision 4a.~~

If the business entity in which the individual has an ownership interest is not registered, if required by section 326B.701, the individual is presumed to be an employee of a person for whom the individual performs services and not an employee of the business entity in which the individual has an ownership interest. The person for whom the services were performed may rebut the presumption by showing that the business entity met the requirements of clauses (1) to (3) at the time the services were performed.

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

Sec. 14. Minnesota Statutes 2012, section 181.723, subdivision 4a, is amended to read:

Subd. 4a. **Applicability; registration pilot project requirement.** (a) ~~The commissioner shall implement a pilot project, effective July 1, 2012, for the registration of Persons who perform public or private sector commercial or residential building construction or improvement services as described in subdivision 2 must register with the commissioner as provided in this section. The purpose of the pilot project is to evaluate whether the information obtained through registration assists registration is to assist the Department of Labor and Industry, the Department of Employment and Economic Development, and the Department of Revenue to enforce laws related to misclassification of employees. The commissioner shall issue a report to the legislature no later than January 1, 2014, on recommendations for amendments to the registration program, including reasonable registration fees to be used to aid in enforcing misclassification laws. The commissioner must not charge a fee for registration under the pilot project, but may take the enforcement action specified in subdivision 8a. The pilot project shall expire on June 30, 2014, unless extended by the legislature.~~

(b) Except as provided in paragraph (c), any person who performs construction services in the state on or after September 15, 2012, must register with the commissioner as provided in subdivision 5 section 326B.701 before performing construction services for another person. The requirements for registration under this subdivision section 326B.701 are not a substitute for, and do not relieve a person from complying with, any other law requiring that the person be licensed, registered, or certified.

(c) The registration requirements in this subdivision section 326B.701 do not apply to:

(1) a person who, at the time the person is performing the construction services, holds a current license, certificate, or registration under chapter 299M or 326B;

(2) a person who holds a current independent contractor exemption certificate issued under this section that is in effect on September 15, 2012, except that the person must register under this section 326B.701 no later than the date the exemption certificate expires, is revoked, or is canceled;

(3) a person who has given a bond to the state under section 326B.197 or 326B.46;

(4) an employee of the person performing the construction services, if the person was in compliance with laws related to employment of the individual at the time the construction services were performed;

(5) an architect or professional engineer engaging in professional practice as defined in section 326.02, subdivisions 2 and 3;

(6) a school district or technical college governed under chapter 136F;

(7) a person providing construction services on a volunteer basis, including but not limited to Habitat for Humanity and Builders Outreach Foundation, and their individual volunteers when engaged in activities on their behalf; or

(8) a person exempt from licensing under section 326B.805, subdivision 6, clause (5).

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

Sec. 15. Minnesota Statutes 2012, section 181.723, subdivision 5, is amended to read:

Subd. 5. **Registration application.** (a) Persons required to register under ~~subdivision 4~~ section 326B.701 must submit electronically, in the manner prescribed by the commissioner, a complete application according to paragraphs (b) to (d).

(b) A complete application must include all of the following information about any individual who is registering as an individual or a sole proprietor, or who owns 25 percent or more of a business entity being registered:

- (1) the individual's full legal name and title at the applicant's business;
- (2) the individual's business address and telephone number;
- (3) the percentage of the applicant's business owned by the individual; and
- (4) the individual's Social Security number.

(c) A complete application must also include the following information:

(1) the applicant's legal name; assumed name filed with the secretary of state, if any; designated business address; physical address; telephone number; and e-mail address;

(2) the applicant's Minnesota tax identification number, if one is required or has been issued;

(3) the applicant's federal employer identification number, if one is required or has been issued;

(4) evidence of the active status of the applicant's business filings with the secretary of state, if one is required or has been issued;

(5) whether the applicant has any employees at the time the application is filed;

(6) the names of all other persons with an ownership interest in the business entity who are not identified in paragraph (b), and the percentage of the interest owned by each person, except that the names of shareholders with less than ten percent ownership in a publicly traded corporation need not be provided;

(7) information documenting compliance with workers' compensation and unemployment insurance laws;

(8) a certification that the person signing the application has: reviewed it; determined that the information provided is true and accurate; and determined that the person signing is authorized to sign and file the application as an agent of the applicant. The name of the person signing, entered on an electronic application, shall constitute a valid signature of the agent on behalf of the applicant; and

(9) a signed authorization for the Department of Labor and Industry to verify the information provided on or with the application.

(d) A registered person must notify the commissioner within 15 days after there is a change in any of the information on the application as approved. This notification must be provided electronically in the manner prescribed by the commissioner. However, if the business entity structure, legal form of the business entity, or business ownership has changed, the person must submit a new registration application and registration fee, if any, for the new business entity.

(e) The registered person must remain registered while providing construction services for another person. The provisions of sections 326B.091 and, 326B.094 to, 326B.095, and 326B.097 apply to this section 326B.701. A person with an expired registration shall not provide construction services for another person if registration is required under this section. Registration application and expiration time frames are as follows:

(1) all registrations issued on or before June 30, 2015, expire on June 30, 2015;

(2) all registrations issued after June 30, 2015, expire on the following June 30 of each odd-numbered year; and

(3) a person may submit a registration or renewal application starting April 1 of the year the registration expires. If a renewal application is submitted later than May 1 of the expiration year, registration may expire before the department has issued or denied the registration.

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

Sec. 16. Minnesota Statutes 2012, section 181.723, subdivision 7, is amended to read:

Subd. 7. **Prohibited activities related to independent contractor status.** (a) The prohibited activities in this subdivision are in addition to those prohibited in sections 326B.081 to 326B.085.

(b) An individual shall not hold himself or herself out as an independent contractor unless the individual meets the requirements of subdivision 4.

(c) A person who provides construction services in the course of the person's trade, business, occupation, or profession shall not:

(1) require an individual through coercion, misrepresentation, or fraudulent means to adopt independent contractor status or form a business entity;

(2) knowingly misrepresent or misclassify an individual as an independent contractor;

Subd. 7a. Prohibited activities related to registration. (a) The prohibited activities in this subdivision are in addition to those prohibited in sections 326B.081 to 326B.085.

(b) A person who provides construction services in the course of the person's trade, business, occupation, or profession shall not:

~~(3)~~ (1) contract with or perform construction services for another person without first being registered if required by ~~subdivision 4a~~ section 326B.701;

~~(4)~~ (2) contract with or pay another person to perform construction services if the other person is not registered if required by subdivision 4a. All payments to an unregistered person for construction services on a single project site shall be considered a single violation. It is not a violation of this clause:

(i) for a person to contract with or pay an unregistered person if the unregistered person was registered at the time the contract for construction services was entered into; or

(ii) for a homeowner or business to contract with or pay an unregistered person if the homeowner or business is not in the trade, business, profession, or occupation of performing building construction or improvement services; or

~~(5)~~ (3) be penalized for violations of this subdivision that are committed by another person. This clause applies only to violations of this paragraph.

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

Sec. 17. Minnesota Statutes 2012, section 181.723, subdivision 8a, is amended to read:

Subd. 8a. Enforcement; remedies; and penalties. (a) Notwithstanding the maximum penalty amount in section 326B.082, subdivisions 7 and 12, the maximum penalty for failure to register is \$2,000, but the commissioner shall forgive the penalty if the person registers within 30 days of the date of the penalty order.

(b) The penalty for contracting with or paying an unregistered person to perform construction services in violation of subdivision 7a, paragraph (b), clause (2), shall be as provided in section 326B.082, subdivisions 7 and 12, but the commissioner shall forgive the penalty for the first violation.

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

Sec. 18. Minnesota Statutes 2012, section 326B.106, subdivision 2, is amended to read:

Subd. 2. Public buildings and state-licensed facilities; administration by commissioner. Unless the commissioner has entered into an agreement under subdivision 2a or 2b, the commissioner shall administer and enforce the State Building Code as a municipality with respect to public buildings and state-licensed facilities in the state. The commissioner shall establish appropriate permit, plan review, inspection fees, and surcharges for public buildings and state-licensed facilities.

~~Municipalities other than the state having an agreement with the commissioner for code administration and enforcement service for public buildings and state licensed facilities shall charge their customary fees, including surcharge, to be paid directly to the jurisdiction by the applicant seeking authorization to construct a public building or a state licensed facility. The commissioner shall sign an agreement with a municipality other than the state for plan review, code administration, and code enforcement service for public buildings and state licensed facilities in the jurisdiction if the building officials of the municipality meet the requirements of section 326B.133 and wish to provide those services and if the commissioner determines that the municipality has enough adequately trained and qualified building inspectors to provide those services for the construction project.~~

~~The commissioner may direct the state building official to assist a community that has been affected by a natural disaster with building evaluation and other activities related to building codes.~~

~~Administration and enforcement in a municipality under this section must apply any optional provisions of the State Building Code adopted by the municipality. A municipality adopting any optional code provision shall notify the state building official within 30 days of its adoption.~~

~~The commissioner shall administer and enforce the provisions of the code relating to elevators statewide, except as provided for under section 326B.184, subdivision 4.~~

Sec. 19. Minnesota Statutes 2012, section 326B.106, is amended by adding a subdivision to read:

Subd. 2a. Public buildings and state-licensed facilities; municipal agreement for all building projects. (a) The commissioner shall enter into an agreement with a municipality other than the state for plan review, inspection, code administration, and code enforcement on public buildings and state-licensed facilities in the jurisdiction if the municipality requests to provide those services and the commissioner determines that the municipality has enough adequately trained and qualified inspectors to provide those services. In determining whether a municipality has enough adequately trained and qualified inspectors to provide the service, the commissioner must consider all inspectors who are employed by the municipality, are under contract with the municipality to provide inspection services, or are obligated to provide inspection services to the municipality under any other lawful agreement.

(b) The criteria used to make this determination shall be provided in writing to the municipality requesting an agreement.

(c) If the commissioner determines that the municipality lacks enough adequately trained and qualified inspectors to provide the required services, a written explanation of the deficiencies shall be provided to the municipality.

(d) The municipality shall be given an opportunity to remedy any deficiencies and request reconsideration of the commissioner's determination. A request for reconsideration must be in writing and accompanied by substantiating documentation. A request for reconsideration must be received by the commissioner within 90 days of the determination explanation. The commissioner shall review the information and issue a final determination to the municipality within 30 days of the request.

(e) A municipality aggrieved by a final decision of the commissioner to not enter into an agreement may appeal to be heard as a contested case in accordance with chapter 14.

Sec. 20. Minnesota Statutes 2012, section 326B.106, is amended by adding a subdivision to read:

Subd. 2b. **Public buildings and state-licensed facilities; municipal agreement for certain building projects.** The commissioner shall enter into an agreement with a municipality other than the state for inspection, code administration, and code enforcement of reserved projects occurring on public buildings and state-licensed facilities in its jurisdiction if the municipality has a designated building official as required by section 326B.133 and requests to provide those services.

For purposes of this subdivision, "reserved projects" includes the following:

- (1) roof covering replacement that does not add roof load;
- (2) towers requiring special inspection;
- (3) single-level storage buildings not exceeding 5,000 square feet;
- (4) exterior maintenance work, including replacement of siding, windows, and doors;
- (5) HVAC unit replacement that does not add roof load or ventilation capacity;
- (6) accessibility upgrades not involving building additions or structural alterations;
- (7) remodeling that does not change the building's occupancy, structural system, exit access or discharge pattern, or mechanical load; and
- (8) other projects determined to be reserved by the commissioner.

Sec. 21. Minnesota Statutes 2012, section 326B.106, is amended by adding a subdivision to read:

Subd. 2c. **Municipal fees.** Municipalities other than the state having an agreement under subdivision 2a with the commissioner for code administration and enforcement service for public buildings and state-licensed facilities or inspecting under authority of subdivision 2b shall charge their customary fees, including surcharge, to be paid directly to the jurisdiction by the applicant seeking authorization to construct a public building or a state-licensed facility.

Sec. 22. Minnesota Statutes 2012, section 326B.106, is amended by adding a subdivision to read:

Subd. 2d. **Public buildings and state-licensed facilities; municipal obligation.** An agreement with the commissioner under subdivision 2a or 2b must require the municipality to attend to applicable aspects of code administration and enforcement as described in the agreement and established by rule.

Sec. 23. Minnesota Statutes 2012, section 326B.106, is amended by adding a subdivision to read:

Subd. 2e. **Public buildings and state-licensed facilities; applicable code.** Administration and enforcement in a municipality under subdivisions 2a and 2b must apply any optional provisions of the State Building Code adopted by the municipality. A municipality adopting any optional code provision shall notify the state building official within 30 days of its adoption.

Sec. 24. Minnesota Statutes 2012, section 326B.106, is amended by adding a subdivision to read:

Subd. 2f. **Natural disasters.** The commissioner may direct the state building official to assist a community that has been affected by a natural disaster with building evaluation and other activities related to building codes.

Sec. 25. Minnesota Statutes 2012, section 326B.106, is amended by adding a subdivision to read:

Subd. 2g. **Elevators.** The commissioner shall administer and enforce the provisions of the code relating to elevators statewide, except as provided for under section 326B.184, subdivision 4.

Sec. 26. **[326B.701] CONSTRUCTION CONTRACTOR REGISTRATION.**

The following definition applies to this section: "business entity" means a person other than an individual or a sole proprietor.

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

Sec. 27. Minnesota Statutes 2012, section 326B.988, is amended to read:

326B.988 EXCEPTIONS.

(a) The provisions of sections 326B.93 to 326B.998 shall not apply to:

(1) boilers and pressure vessels in buildings occupied solely for residence purposes with accommodations for not more than five families;

(2) railroad locomotives operated by railroad companies for transportation purposes;

(3) air tanks installed on the right-of-way of railroads and used directly in the operation of trains;

(4) boilers and pressure vessels under the direct jurisdiction of the United States;

(5) unfired pressure vessels having an internal or external working pressure not exceeding 15 psig with no limit on size;

(6) pressure vessels used for storage of compressed air not exceeding five cubic feet in volume and equipped with an ASME code stamped safety valve set at a maximum of 100 psig;

(7) pressure vessels having an inside diameter not exceeding six inches;

(8) every vessel that contains water under pressure, including those containing air that serves only as a cushion, whose design pressure does not exceed 300 psig and whose design temperature does not exceed 210 degrees Fahrenheit;

(9) boiler or pressure vessels located on farms used solely for agricultural or horticultural purposes; for purposes of this section, boilers used for mint oil extraction are considered used for agricultural or horticultural purposes, provided that the owner or lessee complies with the inspection requirements contained in section 326B.958;

(10) tanks or cylinders used for storage or transfer of liquefied petroleum gases;

(11) unfired pressure vessels in petroleum refineries;

(12) an air tank or pressure vessel which is an integral part of a passenger motor bus, truck, or trailer;

(13) hot water heating and other hot liquid boilers not exceeding a heat input of 750,000 BTU per hour;

(14) hot water supply boilers (water heaters) not exceeding a heat input of 500,000 BTU per hour, a water temperature of 210 degrees Fahrenheit, a nominal water capacity of 120 gallons, or a pressure of 160 psig;

(15) a laundry and dry cleaning press not exceeding five cubic feet of steam volume;

(16) pressure vessels operated full of water or other liquid not materially more hazardous than water, if the vessel's contents' temperature does not exceed 210 degrees Fahrenheit or a pressure of 200 psig;

(17) steam-powered turbines at papermaking facilities which are powered by steam generated by steam facilities at a remote location;

(18) manually fired boilers for model locomotive, boat, tractor, stationary engine, or antique motor vehicles constructed or maintained only as a hobby for exhibition, educational or historical purposes and not for commercial use, if the boilers have an inside diameter of 12 inches or less, or a grate area of two square feet or less, and are equipped with an ASME stamped safety valve of adequate size, a water level indicator, and a pressure gauge;

(19) any pressure vessel used as an integral part of an electrical circuit breaker;

(20) pressure vessels used for the storage of refrigerant if they are built to ASME code specifications, registered with the national board, and equipped with an ASME code-stamped pressure-relieving device set no higher than the maximum allowable working pressure of the vessel. This does not include pressure vessels used in ammonia refrigeration systems;

(21) pressure vessels used for the storage of oxygen, nitrogen, helium, carbon dioxide, argon, nitrous oxide, or other medical gas, provided the vessel is constructed to ASME or Minnesota Department of Transportation specifications and equipped with an ASME code-stamped pressure-relieving device. The owner of the vessels shall perform annual visual inspections and planned maintenance on these vessels to ensure vessel integrity;

(22) pressure vessels used for the storage of compressed air for self-contained breathing apparatuses;

(23) hot water heating or other hot liquid boilers vented directly to the atmosphere; and

(24) pressure vessels used for the storage of compressed air not exceeding 1.5 cubic feet (11.22 gallons) in volume with a maximum allowable working pressure of 600 psi or less.

(b) An engineer's license is not required for hot water supply boilers.

(c) An engineer's license and annual inspection by the department is not required for boilers, steam cookers, steam kettles, steam sterilizers or other steam generators not exceeding 100,000 BTU per hour input, 25 kilowatt, and a pressure of 15 psig.

(d) Electric boilers not exceeding a maximum working pressure of 50 psig, maximum of 30 kilowatt input or three horsepower rating shall be inspected as pressure vessels and shall not require an engineer license to operate.

(e) Sawmills, located in a county with a population of less than 8,000 according to the last federal census and that utilize steam for the drying of lumber, are not required to meet the high

pressure boiler attendance requirements set forth in Minnesota Rules, part 5225.1180, only if all of the following conditions are met:

(1) the owner complies with the inspection requirements under section 326B.958, and the licensing requirements under section 326B.972; and

(2) the boiler:

(i) is equipped with electronic control systems that are remotely operated but which require on site manual reset of system faults;

(ii) is remotely monitored for log water levels, boiler pressure, and steam flow;

(iii) has automatic safety mechanisms built into the remote monitoring systems that send an alarm upon detection of a fault condition, and an on site alarm that will sound upon detection of a fault condition and which may be heard at a distance of 500 feet;

(iv) has a water treatment program that is supervised by a third party water treatment company; and

(v) is attended on site by a licensed boiler operator at least two times in a 24-hour period. If the boiler is not attended more than twice in a 24-hour period, the period between checks must not be less than eight hours.

This paragraph expires August 1, 2016.

Sec. 28. PLUMBING AT RESORTS; WORKGROUP.

The Department of Labor and Industry, in consultation with the Department of Health, must convene a workgroup to provide recommendations to the legislature on the requirements for plumbing at resorts classified as either class 1c or class 4c property under Minnesota Statutes, section 273.13, and licensed by the Department of Health under Minnesota Statutes, section 157.16. The Department must report its recommendations to the legislature not later than January 1, 2015.

Sec. 29. HIGH PRESSURE BOILER RULES AND RECOMMENDATIONS; APPROPRIATION.

\$100,000 in fiscal year 2015 is appropriated from the general fund to the commissioner of labor and industry to update and modernize rules related to high pressure boilers. The commissioner must make recommendations by October 1, 2015, to the committees of the house of representatives and senate with jurisdiction over construction codes and licensing on changes related to boilers that operate at levels of 15 PSI or higher. This is a onetime appropriation.

Sec. 30. REVISOR'S INSTRUCTION.

The revisor of statutes shall replace the phrase "Division of Voluntary Apprenticeship" with the word "division" in Minnesota Rules, chapter 5200.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 31. REVISOR'S INSTRUCTION.

The revisor of statutes shall renumber the citations in column A with the citations in column B. The revisor shall correct any cross-references required because of the renumbering and may make

necessary grammatical and technical changes, including changes to sentence structure, to preserve the meaning of the text.

<u>Column A</u>	<u>Column B</u>
<u>326B.701</u>	<u>326B.701, subd. 1, paragraphs (a) and (b)</u>
<u>181.723, subd. 1, paragraph (g)</u>	<u>326B.701, subd. 1, paragraph (c)</u>
<u>181.723, subd. 4a</u>	<u>326B.701, subd. 2</u>
<u>181.723, subd. 5</u>	<u>326B.701, subd. 3</u>
<u>181.723, subd. 5a</u>	<u>326B.701, subd. 4</u>
<u>181.723, subd. 7a</u>	<u>326B.701, subd. 5</u>
<u>181.723, subd. 8a</u>	<u>326B.701, subd. 6</u>
<u>181.723, subd. 10a</u>	<u>326B.701, subd. 7</u>
<u>181.723, subd. 16</u>	<u>326B.701, subd. 8</u>

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

Sec. 32. **REPEALER.**

(a) Minnesota Statutes 2012, sections 178.03, subdivision 2; 178.05; 178.06; and 178.08, are repealed.

(b) Minnesota Rules, parts 5200.0300; 5200.0310; 5200.0320, subparts 1, 2, 3, 4, 5, 7, 9, 10, 11, 12, 13, 14, and 15; 5200.0340; 5200.0360; and 5200.0390, are repealed.

EFFECTIVE DATE. This section is effective January 1, 2015."

Delete the title and insert:

"A bill for an act relating to labor and industry; extending an independent contractor pilot program; making federal conformity changes to the apprenticeship program; modifying municipal building code enforcement; providing an exception to high pressure boiler requirements; requiring a workgroup to study plumbing at certain resorts; appropriating money for a high pressure boiler study; amending Minnesota Statutes 2012, sections 178.02; 178.03; 178.041, subdivision 2; 178.07; 178.09; 178.10; 181.723, subdivisions 4, 4a, 5, 7, 8a; 326B.106, subdivision 2, by adding subdivisions; 326B.988; proposing coding for new law in Minnesota Statutes, chapters 178; 326B; repealing Minnesota Statutes 2012, sections 178.03, subdivision 2; 178.05; 178.06; 178.08; Minnesota Rules, parts 5200.0300; 5200.0310; 5200.0320, subparts 1, 2, 3, 4, 5, 7, 9, 10, 11, 12, 13, 14, 15; 5200.0340; 5200.0360; 5200.0390."

We request the adoption of this report and repassage of the bill.

Senate Conferees: Matt Schmit, Dan Sparks

House Conferees: Tim Mahoney, John Ward, Bob Gunther

Senator Schmit moved that the foregoing recommendations and Conference Committee Report on S.F. No. 2065 be now adopted, and that the bill be repassed as amended by the Conference

Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 2065 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

The roll was called, and there were yeas 40 and nays 18, as follows:

Those who voted in the affirmative were:

Bakk	Eaton	Koenen	Reinert	Sieben
Bonoff	Eken	Latz	Rest	Skoe
Carlson	Fischbach	Lourey	Rosen	Sparks
Clausen	Hawj	Marty	Saxhaug	Stumpf
Cohen	Hoffman	Metzen	Scalze	Tomassoni
Dahle	Housley	Miller	Schmit	Weber
Dibble	Jensen	Nelson	Senjem	Wiger
Dziedzic	Kent	Pappas	Sheran	Wiklund

Those who voted in the negative were:

Anderson	Dahms	Ingebrigtsen	Osmek	Ruud
Benson	Gazelka	Limmer	Pederson, J.	Thompson
Brown	Hall	Newman	Petersen, B.	
Chamberlain	Hann	Ortman	Pratt	

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

MOTIONS AND RESOLUTIONS - CONTINUED

Senator Bakk moved that H.F. No. 2490 be taken from the table. The motion prevailed.

H.F. No. 2490: A bill for an act relating to capital investment; authorizing spending to acquire and better public land and buildings and other improvements of a capital nature with certain conditions; modifying previous appropriations; establishing new programs and modifying existing programs; authorizing the use of negotiated sales; authorizing the transfer of state bond-financed property; authorizing the sale and issuance of state bonds; appropriating money; amending Minnesota Statutes 2012, sections 16A.641, by adding a subdivision; 16A.642, subdivisions 1, 2; 16B.335, subdivisions 1, 2; 134.45, subdivision 5b; 135A.034, subdivision 2; Minnesota Statutes 2013 Supplement, section 16B.335, subdivision 5; Laws 2008, chapter 179, sections 7, subdivision 27, as amended; 16, subdivision 5; Laws 2009, chapter 93, article 1, section 11, subdivision 4; Laws 2010, chapter 189, sections 15, subdivision 5; 21, subdivision 11; Laws 2011, First Special Session chapter 12, section 18, subdivision 5; Laws 2012, chapter 293, sections 19, subdivision 4; 21, subdivision 6; Laws 2012, First Special Session chapter 1, article 1, section 9, subdivision 3; article 2, section 4, subdivision 2; Laws 2013, chapter 136, sections 4; 7.

SUSPENSION OF RULES

Senator Bakk moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to H.F. No. 2490 and that the rules of the Senate be so far suspended as to give H.F. No. 2490 its second and third reading and place it on its final passage. The motion prevailed.

H.F. No. 2490 was read the second time.

H.F. No. 2490 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 47 and nays 17, as follows:

Those who voted in the affirmative were:

Bakk	Eaton	Kent	Reinert	Stumpf
Bonoff	Eken	Koenen	Rest	Tomassoni
Carlson	Franzen	Lourey	Rosen	Torres Ray
Champion	Goodwin	Marty	Saxhaug	Weber
Clausen	Hawj	Metzen	Scalze	Westrom
Cohen	Hayden	Miller	Senjem	Wiger
Dahle	Hoffman	Nelson	Sheran	Wiklund
Dahms	Housley	Pappas	Sieben	
Dibble	Ingebrigtsen	Pederson, J.	Skoe	
Dziedzic	Jensen	Pratt	Sparks	

Those who voted in the negative were:

Anderson	Gazelka	Limmer	Osmek	Thompson
Benson	Hall	Newman	Petersen, B.	
Brown	Hann	Nienow	Ruud	
Chamberlain	Latz	Ortman	Schmit	

So the bill passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Senator Stumpf moved that S.F. No. 2605, No. 61 on General Orders, be stricken and laid on the table. The motion prevailed.

Senator Bakk moved that H.F. No. 1068 be taken from the table. The motion prevailed.

H.F. No. 1068: A bill for an act relating to capital investment; appropriating money for capital improvement projects; modifying grant programs; authorizing the Housing Finance Agency to issue housing infrastructure bonds; amending Minnesota Statutes 2012, sections 12A.16, subdivision 5; 174.50, subdivision 7; 174.52, subdivision 3; 240A.09; 462A.37, subdivision 2, by adding subdivisions.

SUSPENSION OF RULES

Senator Bakk moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to H.F. No. 1068 and that the rules of the Senate be so far suspended as to give H.F. No. 1068 its second and third reading and place it on its final passage. The motion prevailed.

H.F. No. 1068 was read the second time.

H.F. No. 1068 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 44 and nays 19, as follows:

Those who voted in the affirmative were:

Bakk	Bonoff	Carlson	Champion	Clausen
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Cohen	Goodwin	Marty	Rosen	Stumpf
Dahle	Hawj	Metzen	Saxhaug	Tomassoni
Dahms	Hayden	Miller	Scalze	Torres Ray
Dibble	Hoffman	Nelson	Senjem	Weber
Dziedzic	Ingebrigtsen	Pappas	Sheran	Westrom
Eaton	Jensen	Pederson, J.	Sieben	Wiger
Eken	Kent	Reinert	Skoe	Wiklund
Franzen	Koenen	Rest	Sparks	

Those who voted in the negative were:

Anderson	Gazelka	Latz	Ortman	Ruud
Benson	Hall	Limmer	Osmek	Schmit
Brown	Hann	Newman	Petersen, B.	Thompson
Chamberlain	Housley	Nienow	Pratt	

So the bill passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Senator Stumpf moved that S.F. No. 882, No. 60 on General Orders, be stricken and laid on the table. The motion prevailed.

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Order of Business of Messages From the House.

MESSAGES FROM THE HOUSE

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on House File No. 1951, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 1951 is herewith transmitted to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 15, 2014

CONFERENCE COMMITTEE REPORT ON H. F. NO. 1951

A bill for an act relating to retirement; various Minnesota public employee retirement plans; allowing MSRS-General deferred members to vote in board elections; continuing Stevens County Housing and Redevelopment Authority employees in PERA-General; excluding fixed-route bus drivers employed by the St. Cloud Metropolitan Transit Commission from PERA-General coverage; increasing member and employer contribution rates for certain retirement plans; providing for the consolidation of the Duluth Teachers Retirement Fund Association retirement plan and fund into the statewide Teachers Retirement Association; revising an amortization target date, creating new state aid programs; appropriating money; extending a MnSCU early retirement incentive program; increasing the limit for certain reemployed MnSCU retirees; extending the applicability of a second chance at tenure retirement coverage election opportunity for MnSCU faculty members; revising investment authority for various defined contribution plans or programs; authorizing the State Board of Investment to revise, remove, or create investment options for the Minnesota supplemental

investment fund; expanding permissible investments under the unclassified state employees retirement program, the public employees defined contribution plan, the deferred compensation program, and the health care savings plan; revising salary reporting requirements; clarifying retirement provision applications to sheriffs; revising local government postretirement option program requirements and extending expiration date; clarifying future postretirement adjustment rates for former members of the former Minneapolis Firefighters Relief Association and the former Minneapolis Police Relief Association; making technical changes to amortization state aid and supplemental state aid; clarifying the eligibility of independent nonprofit firefighting corporations to receive police and fire supplemental retirement state aid; implementing the recommendations of the 2013-2014 state auditor volunteer fire working group; modifying the disability benefit application deadline for certain former Wadena County sheriff's deputies; authorizing city of Duluth and Duluth Airports Authority employee salary-supplement payments coverage following Court of Appeals decision; specifying interest rate for computing joint and survivor annuities; revising postretirement adjustment triggers; revising reemployed annuitant withholding in certain divorce situations; clarifying medical advisor and resumption of teaching provisions; specifying explicit postretirement adjustment assumptions; allowing volunteer firefighter relief associations to pay state fire chiefs association dues from the special fund; authorizing MnSCU employee to elect TRA coverage and transfer past service from IRAP to TRA; clarifying the applicability of 2013 postretirement adjustment modifications to certain county sheriffs; ratifying or grandparenting MSRS-Correctional plan coverage for Department of Human Services employees; allowing various service credit purchases; requiring a PERA report on certain survivor benefit amounts; amending Minnesota Statutes 2012, sections 3A.01, subdivision 1a; 11A.17, subdivisions 1, 9; 13.632, subdivision 1; 122A.18, subdivision 7a; 136F.481; 352.01, subdivisions 2b, 12; 352.03, subdivision 1, by adding a subdivision; 352.04, subdivisions 2, 3; 352.115, subdivisions 8, 10; 352.1155, subdivisions 1, 4; 352.90; 352.91, subdivisions 1, 2, 3c, 3d, 3e, 3f, by adding a subdivision; 352.92, subdivisions 1, 2; 352.965, subdivision 4, by adding subdivisions; 352.98, subdivision 2; 352B.08, subdivision 3; 352D.04, by adding subdivisions; 353.01, subdivision 14; 353.27, subdivisions 2, 3, 3b, 4, by adding a subdivision; 353.30, subdivision 3; 353.37, by adding a subdivision; 353.371, by adding a subdivision; 353.6511, subdivision 7; 353.6512, subdivision 7; 353D.05, subdivision 1, by adding a subdivision; 354.05, subdivisions 2, 7, 13; 354.42, subdivisions 2, 3; 354.44, subdivision 5; 354.445; 354.48, subdivision 6a; 354A.011, subdivisions 11, 15a, 27; 354A.021, subdivision 1; 354A.092; 354A.093, subdivision 1; 354A.096; 354A.12, subdivision 2; 354A.29, subdivision 8; 354A.31, subdivisions 1, 3a; 354A.32, subdivision 1; 354A.35, subdivision 1; 354A.37, subdivisions 3, 4; 354A.39; 354A.41; 354B.21, subdivisions 2, 3a; 355.01, subdivision 2c; 356.215, subdivision 11; 356.24, subdivision 1; 356.302, subdivision 7; 356.303, subdivision 4; 356.32, subdivision 2; 356.415, subdivision 1d; 356.42, subdivision 3; 356.465, subdivision 3; 356.47, subdivision 3; 356.635, subdivision 6; 356.99, subdivision 1; 356A.06, subdivisions 7, 7a; 424A.015, by adding a subdivision; 424A.016, subdivisions 4, 7; 424A.05, subdivision 3; 424A.08; 424B.12; 490.121, subdivision 2a; Minnesota Statutes 2013 Supplement, sections 69.051, subdivisions 1a, 3; 352.01, subdivision 2a; 352.03, subdivision 4; 353.01, subdivisions 2a, 2b; 353.651, subdivision 4; 354.436; 354.44, subdivision 6; 354A.12, subdivisions 1, 2a, 3a, 3c; 354A.27, subdivision 6a; 356.20, subdivision 2; 356.214, subdivision 1; 356.215, subdivision 8; 356.219, subdivision 8; 356.30, subdivision 3; 356.401, subdivision 3; 356.415, subdivisions 1a, 1c, 1e, 1f; 356.91; 363A.36, subdivision 1; 423A.02, subdivision 3; 423A.022, subdivisions 2, 3; 424A.016, subdivision 6; 424A.02, subdivisions 3, 7; 424A.092, subdivision 6; 424A.093, subdivisions 2, 6; 424A.094, subdivision 2; 424A.10, subdivision 2; Laws 2009, chapter 169, article 5, section 2, as amended; article 6, section 1; proposing coding for new law in Minnesota

Statutes, chapters 354; 354A; 356; repealing Minnesota Statutes 2012, sections 11A.17, subdivision 4; 352.965, subdivision 5; 352D.04, subdivision 1; 353D.05, subdivision 2; 354A.021, subdivision 5; 354A.108; 354A.24; 354A.27, subdivision 5; 356.415, subdivision 3; Minnesota Statutes 2013 Supplement, sections 354A.27, subdivisions 6a, 7; 354A.31, subdivision 4a.

May 14, 2014

The Honorable Paul Thissen
Speaker of the House of Representatives

The Honorable Sandra L. Pappas
President of the Senate

We, the undersigned conferees for H. F. No. 1951 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 1951 be further amended as follows:

Page 9, lines 19 and 20, delete "district" and insert "year"

Page 11, line 9, delete "district" and insert "year"

Page 45, line 25, delete "\$15,346,000" and insert "\$14,377,000"

Page 45, line 27, delete "\$15,346,000" and insert "\$14,377,000"

Page 76, line 8, delete "the date on which the asset transfer occurred" and insert "receipt of the list of assets that are intended to be transferred"

Page 80, line 3, delete "2014" and insert "2015"

Page 154, delete section 3

Renumber the sections in sequence and correct the internal references

We request the adoption of this report and repassage of the bill.

House Conferees: Mary Murphy, Michael V. Nelson, Phyllis Kahn, Will Morgan, Bob Gunther

Senate Conferees: Sandra L. Pappas, Alice M. Johnson, Barb Goodwin, Jeff Hayden

Senator Pappas moved that the foregoing recommendations and Conference Committee Report on H.F. No. 1951 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

H.F. No. 1951 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

The roll was called, and there were yeas 38 and nays 24, as follows:

Those who voted in the affirmative were:

Bonoff
Carlson

Champion
Clausen

Cohen
Dahle

Dibble
Dziedzic

Eaton
Eken

Franzen	Kent	Pappas	Schmit	Tomassoni
Goodwin	Koenen	Reinert	Sheran	Torres Ray
Hawj	Latz	Rest	Sieben	Wiger
Hayden	Lourey	Rosen	Skoe	Wiklund
Hoffman	Marty	Saxhaug	Sparks	
Jensen	Metzen	Scalze	Stumpf	

Those who voted in the negative were:

Anderson	Gazelka	Limmer	Osmek	Senjem
Benson	Hall	Nelson	Pederson, J.	Thompson
Brown	Hann	Newman	Petersen, B.	Weber
Chamberlain	Housley	Nienow	Pratt	Westrom
Dahms	Ingebrigtsen	Ortman	Ruud	

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

MOTIONS AND RESOLUTIONS - CONTINUED

S.F. No. 2642 and the Conference Committee Report thereon were reported to the Senate.

CONFERENCE COMMITTEE REPORT ON S.F. NO. 2642

A bill for an act relating to gambling; making clarifying, conforming, and technical changes relating to lawful gambling; modifying games, prizes, and regulatory provisions; prohibiting sale of lottery tickets online and at play at the pump devices; amending Minnesota Statutes 2012, sections 349.12, subdivision 18, by adding subdivisions; 349.16, by adding a subdivision; 349.163, by adding subdivisions; 349.1635, subdivision 4; 349.17, subdivisions 5, 6, 9; 349.1711, subdivisions 1, 2; 349.1721, subdivision 4; 349.173; 349.181, subdivision 3; 349.19, subdivision 11; 349.211, subdivisions 1, 1a, 2, by adding a subdivision; 349A.13; Minnesota Statutes 2013 Supplement, section 349.19, subdivisions 2, 10; repealing Minnesota Statutes 2012, sections 349.169; 349.19, subdivision 9.

May 15, 2014

The Honorable Sandra L. Pappas
President of the Senate

The Honorable Paul Thissen
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 2642 report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S.F. No. 2642 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2012, section 349.12, is amended by adding a subdivision to read:

Subd. 8a. Continuation raffle. "Continuation raffle" means the selection of winning entries from previously selected winning entries until a final selection of winning entries is determined and no additional consideration is required beyond the initial consideration to enter the raffle. A continuation raffle may be conducted over a period of time but cannot exceed 12 months.

Sec. 2. Minnesota Statutes 2012, section 349.12, subdivision 18, is amended to read:

Subd. 18. **Gambling equipment.** "Gambling equipment" means gambling equipment that is either disposable or permanent gambling equipment.

(a) Disposable gambling equipment includes the following:

(1) bingo hard cards or paper sheets, including linked bingo paper sheets;

(2) paper and electronic pull-tabs;

(3) jar tickets;

(4) paddle tickets and paddle ticket cards;

(5) tipboards and tipboard tickets; **and**

(6) promotional tickets that mimic a pull-tab or tipboard;

(7) raffle boards; and

(8) a disposable sealed placard, containing all 75 randomly placed bingo letter and number combinations, that, when opened, is used to select the bingo numbers in a single game of bingo.

(b) Permanent gambling equipment includes the following:

(1) devices for selecting bingo numbers;

(2) electronic bingo devices;

(3) electronic pull-tab devices;

(4) pull-tab dispensing devices;

(5) programmable electronic devices that have no effect on the outcome of a game and are used to provide a visual or auditory enhancement of a game;

(6) paddle wheels; and

(7) paddle wheel tables.

Sec. 3. Minnesota Statutes 2012, section 349.12, is amended by adding a subdivision to read:

Subd. 21a. **Hot-ball bingo prize.** "Hot-ball bingo prize" is an additional prize awarded to a winning bingo face for which the last bingo number called in the bingo game matches a previously designated bingo number announced to all players immediately prior to the beginning of the bingo game or the bingo occasion. All players participating in a bingo game that offers a hot-ball bingo prize must be eligible to win the hot-ball bingo prize at no additional cost to the player.

Sec. 4. Minnesota Statutes 2012, section 349.12, is amended by adding a subdivision to read:

Subd. 33a. **Raffle board.** "Raffle board" means a placard with up to 200 squares whereby participants in the raffle write their names to indicate entry.

Sec. 5. Minnesota Statutes 2012, section 349.16, is amended by adding a subdivision to read:

Subd. 2a. **Merged organizations.** If two or more organizations merge or otherwise join together to form a new organization and at least one of the organizations has an active lawful gambling

license, the board shall consider the new organization to have been in existence for the most recent three years if all other requirements of subdivision 2 are met.

Sec. 6. Minnesota Statutes 2012, section 349.163, is amended by adding a subdivision to read:

Subd. 3a. **Promotional materials.** A manufacturer may provide to an organization for use at a premises where lawful gambling is conducted by the licensed organization, marketing, promotional, or point-of-sale items or materials for the promotion of lawful gambling, provided the total value of the items or materials provided to the organization does not exceed \$250 per year. Any marketing, promotional, or point-of-sale items and materials used for the promotion of lawful gambling may not include items normally purchased by the lessor of a premises in the lessor's business.

Sec. 7. Minnesota Statutes 2012, section 349.163, is amended by adding a subdivision to read:

Subd. 5a. **Disposable sealed placard requirements.** A disposable sealed placard used for the selection of bingo numbers in a bingo game in this state must have imprinted on it a unique serial and form number and a symbol that is at least one inch high and one inch wide consisting of an outline of the geographic boundaries of Minnesota with the letters "MN" inside the outline.

Sec. 8. Minnesota Statutes 2012, section 349.163, is amended by adding a subdivision to read:

Subd. 8a. **Raffle board standards.** (a) A manufacturer may not ship or cause to be shipped into this state or sell for use or resale in this state any raffle board that does not have affixed to or imprinted at the bottom a bar code that provides all information required by the commissioner of revenue under section 297E.04, subdivision 2. A person other than a manufacturer may not manufacture, alter, modify, or otherwise change a raffle board as allowed by this chapter or board rules.

(b) A raffle board sold by a manufacturer for use or resale in Minnesota must have imprinted on it a symbol that is at least one inch high and one inch wide consisting of an outline of the geographic boundaries of Minnesota with the letters "MN" inside the outline and must have the serial number of the board imprinted on the bar code at the bottom of the board in numerals at least one-half inch high.

(c) A raffle board may not contain more than 200 squares.

Sec. 9. Minnesota Statutes 2012, section 349.1635, subdivision 4, is amended to read:

Subd. 4. **Prohibition.** (a) Except for services associated exclusively with a linked bingo game, a linked bingo game provider may not participate or assist in the conduct of lawful gambling by an organization. No linked bingo game provider or employee, representative, agent, affiliate, or other employee of a linked bingo game provider may:

- (1) hold any financial or managerial interest in a premises leased for the conduct of bingo;
- (2) also be licensed as a distributor or hold any financial or managerial interest in a distributor;
- (3) sell or lease linked bingo game equipment to any person not licensed as an organization;
- (4) purchase gambling equipment to be used exclusively in a linked bingo game from any person not licensed as a manufacturer under section 349.163;
- (5) provide a lessor of gambling premises or an appointed official any compensation, gift, gratuity, premium, or contribution; and

(6) provide an employee or agent of the organization any compensation, gift, gratuity, premium, or other thing of value greater than \$25 per organization in a calendar year.

(b) A linked bingo provider may provide to an organization for use at a premises where lawful gambling is conducted by the licensed organization, marketing, promotional, or point-of-sale items or materials for the promotion of lawful gambling, provided the total value of the items or materials provided to the organization does not exceed \$250 per year. Any marketing, promotional, or point-of-sale items and materials used for the promotion of lawful gambling may not include items normally purchased by the lessor of a premises in the lessor's business.

~~(b)~~ (c) Employees of the board and the Division of Alcohol and Gambling Enforcement may inspect the books, records, inventory, and business premises of a licensed linked bingo game provider without notice during the normal business hours of the linked bingo game provider. The board may charge a linked bingo game provider for the actual cost of conducting scheduled or unscheduled inspections of the licensee's facilities.

Sec. 10. Minnesota Statutes 2012, section 349.17, subdivision 5, is amended to read:

Subd. 5. **Bingo cards and sheets.** (a) The board shall by rule require that all licensed organizations: (1) conduct bingo only using a bingo paper sheet or facsimile of a bingo face that bears an individual number recorded by the distributor or linked bingo game provider; and (2) use each bingo paper sheet for no more than one bingo occasion. In lieu of the requirements of clause (2), a licensed organization may electronically record the sale of each bingo hard card or paper sheet at each bingo occasion using an electronic recording system approved by the board.

(b) The requirements of paragraph (a) shall only apply to a licensed organization that received gross receipts from bingo in excess of \$150,000 in the organization's last fiscal year.

(c) Each bingo hard card, bingo paper sheet, or a facsimile of a bingo paper sheet must have five horizontal rows of spaces with each row except one having five not more than two numbers in each space. The center row must have four spaces with not more than two numbers in each space and the center space marked "free." Each column must have one of the letters B-I-N-G-O in order at the top. Bingo paper sheets may also have numbers that are not preprinted but are filled in by players.

Sec. 11. Minnesota Statutes 2012, section 349.17, subdivision 6, is amended to read:

Subd. 6. **Conduct of bingo.** The price of a face played on an electronic bingo device may not be less than the price of a face on a bingo paper sheet sold for the same game at the same occasion. A game of bingo begins with the first letter and number called or displayed. Each player must cover, mark, or activate the numbers when bingo numbers are randomly selected and announced or displayed to the players. The game is won when a player, using bingo paper, bingo hard card, or a facsimile of a bingo paper sheet, has completed, as described in the bingo program, a previously designated pattern or previously determined requirements of the game and declared bingo. A bingo pattern or bingo game requirement may not be completed with fewer than three bingo numbers having been drawn, unless the game being played is a cover-none game. The game is completed when a winning card, sheet, or facsimile is verified and a prize awarded pursuant to subdivision 3.

Sec. 12. Minnesota Statutes 2012, section 349.17, subdivision 9, is amended to read:

Subd. 9. **Linked bingo games played exclusively on electronic bingo devices.** In addition to the requirements of subdivision 8, the following requirements and restrictions apply when linked bingo games are played exclusively on electronic bingo devices.

(a) The permitted premises must be:

(1) a premises licensed for the on-sale or off-sale of intoxicating liquor or 3.2 percent malt beverages, except for a general food store or drug store permitted to sell alcoholic beverages under section 340A.405, subdivision 1; or

(2) a premises where bingo is conducted as the primary business and has a seating capacity of at least 100.

(b) The number of electronic bingo devices is limited to:

(1) no more than six devices in play for permitted premises with 200 seats or less;

(2) no more than 12 devices in play for permitted premises with 201 seats or more; and

(3) no more than 50 devices in play for permitted premises where bingo is the primary business.

Seating capacity is determined as specified under the local fire code.

(c) Prior to a bingo occasion, the linked bingo game provider, on behalf of the participating organizations, must provide to the board a bingo program in a format prescribed by the board.

(d) Before participating in the play of a linked bingo game, a player must present ~~and register~~ a valid picture identification card that includes the player's ~~address and~~ date of birth. Except for prize receipts required by section 349.19, subdivision 10, an organization is not required to register or retain any information contained on the player's picture identification card.

(e) An organization may remove from play a device that a player has not maintained in an activated mode for a specified period of time determined by the organization. The organization must provide the notice in its house rules.

Sec. 13. Minnesota Statutes 2012, section 349.1711, subdivision 1, is amended to read:

Subdivision 1. **Sale of tickets.** (a) Tipboard games must be played using only tipboard tickets that are either (1) attached to a placard and arranged in columns or rows, or (2) separate from the placard and contained in a receptacle while the game is in play. The placard serves as the game flare.

(b) Except for a sports-themed tipboard, the placard must contain a seal or seals that ~~conceals~~ conceal the winning number numbers or symbol symbols. When a tipboard ticket is purchased and opened from a game containing more than ~~32~~ 100 tickets, each player having a tipboard ticket with one or more predesignated numbers or symbols must sign the placard at the line indicated by the number or symbol on the tipboard ticket.

Sec. 14. Minnesota Statutes 2012, section 349.1711, subdivision 2, is amended to read:

Subd. 2. **Determination of winners.** When the predesignated numbers or symbols have all been purchased, or all of the tipboard tickets for that game have been sold, ~~the~~ a seal must be removed to reveal a number or symbol that determines which of the predesignated numbers or symbols is the winning number or symbol. The seal must be opened by an employee or volunteer of the organization, but if there is more than one seal on the placard, the eligible player may select

which seal is opened. A tipboard may also contain consolation winners, or winning chances that are determined in whole or in part by the numerical outcome of one or more professional sporting events, that need not be determined by the use of the seal.

Sec. 15. Minnesota Statutes 2012, section 349.1721, subdivision 4, is amended to read:

Subd. 4. **Electronic pull-tab device requirements and restrictions.** The following pertain to the use of electronic pull-tab devices as defined under section 349.12, subdivision 12b.

(a) The use of any electronic pull-tab device may only be at a permitted premises that is:

(1) a premises licensed for the on-sale or off-sale of intoxicating liquor or 3.2 percent malt beverages, except for a general food store or drug store permitted to sell alcoholic beverages under section 340A.405, subdivision 1; or

(2) a premises where bingo is conducted as the primary business and has a seating capacity of at least 100; and

(3) where the licensed organization sells paper pull-tabs.

(b) The number of electronic pull-tab devices is limited to:

(1) no more than six devices in play at any permitted premises with 200 seats or less;

(2) no more than 12 devices in play at any permitted premises with 201 seats or more; and

(3) no more than 50 devices in play at any permitted premises where the primary business is bingo.

Seating capacity is determined as specified under the local fire code.

(c) The hours of operation for the devices are limited to 8:00 a.m. to 2:00 a.m.

(d) All electronic pull-tab games must be sold and played on the permitted premises and may not be linked to other permitted premises.

(e) Electronic pull-tab games may not be transferred electronically or otherwise to any other location by the licensed organization.

(f) Electronic pull-tab games may be commingled if the games are from the same family of games and manufacturer and contain the same game name, form number, type of game, ticket count, prize amounts, and prize denominations. Each commingled game must have a unique serial number.

(g) An organization may remove from play a device that a player has not maintained in an activated mode for a specified period of time determined by the organization. The organization must provide the notice in its house rules.

(h) Before participating in the play of an electronic pull-tab game, a player must present ~~and register~~ a valid picture identification card that includes the player's ~~address and~~ date of birth. Except for prize receipts required by section 349.19, subdivision 10, an organization is not required to register or retain any information contained on the player's picture identification card.

(i) Each player is limited to the use of one device at a time.

Sec. 16. Minnesota Statutes 2012, section 349.173, is amended to read:

349.173 CONDUCT OF RAFFLES.

(a) Raffle tickets or certificates of participation at a minimum must list the three most expensive prizes to be awarded and include the location, date, and time of the selection of the winning entries. If additional prizes will be awarded, a complete list of additional prizes must be publicly posted or visibly on display at the event and copies of the complete prize list made available upon request. Raffles conducted under the exemptions in section 349.166 may use tickets that contain only the sequential number of the raffle ticket and no other information if the organization makes a list of prizes, or visibly displays the prizes at the event, and a statement of other relevant information required by rule available to persons purchasing tickets and if tickets are only sold at the event and on the date when the tickets are drawn.

(b) Raffles must be conducted in a manner that ensures:

- (1) all entries in the raffle have an equal chance of selection;
- (2) entry in the raffle is not conditioned upon any other purchase, except that a certificate of participation may be a button with a nominal value of less than \$5;
- (3) the method of selection is conducted in a public forum;
- (4) the method of selection cannot be manipulated or based on the outcome of an event not under the control of the organization;
- (5) physical presence at the raffle is not a requirement to win; and
- (6) all sold and unsold tickets or certificates of participation are accounted for.

(c) An organization that is permitted under this section and authorized by the Gambling Control Board to conduct raffles, may conduct a raffle in conjunction with a wild game or fish taking event. The wild game or fish must be legally taken under chapters 97A to 97C, and rules adopted pursuant to those chapters. The organization may sell a combined ticket for a single price for the event and raffle, provided that the combined ticket states the amount of the price that applies to the wild game or fish event, and the amount that applies to the raffle. All other provisions of sections 349.11 to 349.23 apply to the raffle.

~~(e)~~ (d) Methods of selecting winning entries from a raffle other than prescribed in rule may be used with the prior written approval of the board.

Sec. 17. Minnesota Statutes 2012, section 349.181, subdivision 3, is amended to read:

Subd. 3. **Organization and lessor employees and volunteers.** (a) For purposes of this section, "volunteer" means a person who is not compensated by an organization but who performs activities in the conduct of lawful gambling for that organization.

(b) For purposes of this section, "conduct of pull-tabs, tipboards, and paddlewheels" includes selling tickets, redeeming tickets, auditing games, making deposits, spinning the paddlewheel, and conducting inventory.

(c) For purposes of this section, "conduct of bingo" includes selling bingo hard cards, bingo paper sheets, or facsimiles of bingo paper sheets; completing bingo occasion records; selecting or announcing bingo numbers; making deposits; and conducting inventory.

(d) An organization or lessor employee or volunteer who is involved in the conduct of pull-tabs, tipboards, or paddlewheels at a permitted premises may not participate directly or indirectly as a player in a pull-tab, tipboard, or paddlewheel game at that same premises. This restriction is in effect until six weeks after the employee or volunteer is no longer involved in the conduct of pull-tab, tipboard, or paddlewheel games at that same premises.

(e) A volunteer involved in the conduct of a tipboard or paddlewheel game that has no more than 32 chances per game may participate as a player in pull-tab, tipboard, or paddlewheel games at the same premises, except on the same business day that the volunteer was involved in the conduct of the games.

~~(e)~~ (f) An employee or volunteer who is involved in the conduct of any lawful gambling during a bingo occasion may not participate directly or indirectly as a player in any lawful gambling during that bingo occasion.

Sec. 18. Minnesota Statutes 2013 Supplement, section 349.19, subdivision 2, is amended to read:

Subd. 2. **Accounts.** (a) Gross receipts from lawful gambling by each organization must be segregated from all other revenues of the conducting organization and placed in a separate gambling bank account.

(b) All expenditures for allowable expenses, taxes, and lawful purposes must be made from the separate account except (1) in the case of expenditures previously approved by the organization's membership for emergencies as defined by board rule, (2) as provided in subdivision 2a, or (3) when restricted to one electronic fund transaction for the payment of taxes for the organization as a whole, the organization may transfer the amount of taxes related to the conduct of gambling to the general account at the time when due and payable.

(c) The name and address of the bank, the account number for the separate account, and the names of organization members authorized as signatories on the separate account must be provided to the board when the application is submitted. Changes in the information must be submitted to the board at least ten days before the change is made.

(d) Except as provided in paragraph (e), gambling receipts must be deposited into the gambling bank account within four business days of completion of the bingo occasion, deal, or game from which they are received.

(1) A deal of paper pull-tabs is considered complete when either the last pull-tab of the deal is sold or the organization does not continue the play of the deal during the next scheduled period of time in which the organization will conduct pull-tabs.

(2) A tipboard game is considered complete when the seal on the game flare is uncovered or the organization does not continue the play of the deal during the next scheduled period of time in which the organization will conduct tipboards.

(e) Gambling receipts from all electronic pull-tab games and all linked electronic bingo games gambling must be recorded on a daily basis and deposited into the gambling bank account within four business days when the total net receipts from all electronic games at the premises reach the sum of \$2,000 or on or before the first day of the month immediately following the month during which the receipts were generated, whichever occurs first.

(f) Deposit records must be sufficient to allow determination of deposits made from each bingo occasion, deal, or game at each permitted premises.

(g) The person who accounts for gambling gross receipts and profits may not be the same person who accounts for other revenues of the organization.

Sec. 19. Minnesota Statutes 2013 Supplement, section 349.19, subdivision 10, is amended to read:

Subd. 10. **Pull-tab records.** (a) The board shall by rule require a licensed organization to require each winner of a paper pull-tab prize of \$100 or more to present identification in the form of a driver's license, Minnesota identification card, or other identification the board deems sufficient to allow the identification and tracking of the winner. The rule must require the organization to retain winning paper pull-tabs of \$100 or more, and the identification of the winner of the pull-tab, for 3-1/2 years.

(b) A licensed organization must require each person cashing out an electronic pull-tab device with \$600 or more in credits to present identification in the form of a driver's license, Minnesota identification card, or other identification the board deems sufficient to allow the identification and tracking of the winner. The organization must retain the identification of the winner for 3-1/2 years.

(c) An organization must maintain separate cash banks for each deal of paper pull-tabs unless (1) the licensed organization uses a pull-tab dispensing device, or (2) the organization uses a cash register, of a type approved by the board, which records all sales of paper pull-tabs by separate deals.

~~(e)~~ (d) The board shall:

(1) by rule adopt minimum technical standards for cash registers that may be used by organizations, and shall approve for use by organizations any cash register that meets the standards; and

(2) before allowing an organization to use a cash register that commingles receipts from several different paper pull-tab games in play, adopt rules that define how cash registers may be used and that establish a procedure for organizations to reconcile all pull-tab games in play at the end of each month.

Sec. 20. Minnesota Statutes 2012, section 349.19, subdivision 11, is amended to read:

Subd. 11. **Information made part of organization minutes.** A licensed organization which receives a copy of a written audit under subdivision 9, or an audit or compliance report prepared by an agency of the state, must place the audit report or compliance report in the minutes of the next meeting of the organization following receipt of the report. Copies of such minutes must be made available to all members of the organization upon request.

Sec. 21. Minnesota Statutes 2012, section 349.211, subdivision 1, is amended to read:

Subdivision 1. **Bingo.** Except as provided in subdivisions 1a, 1b, and 2, prizes for a single bingo game may not exceed \$200 except prizes for a cover-all or cover-none game, which may exceed \$200 if the aggregate value of all cover-all or cover-none prizes in a bingo occasion does not exceed \$1,000. Total prizes awarded at a bingo occasion may not exceed \$2,800, unless a cover-all and cover-none game is played in which case the limit is ~~\$3,800~~ \$4,800. A prize may be determined based on the value of the bingo packet sold to the player. For purposes of this subdivision, a cover-all game is one in which a player must cover all spaces except a single free space to win and includes

a game in which all odd or all even numbers are designated by the organization as covered prior to the start of the game and a cover-none game is one in which a player does not cover any numbered spaces to win.

Sec. 22. Minnesota Statutes 2012, section 349.211, subdivision 1a, is amended to read:

Subd. 1a. **Linked bingo prizes.** Prizes for a linked bingo game shall be limited as follows:

~~(1) for linked bingo games played without electronic bingo devices, an organization may not contribute to a linked bingo game prize pool more than \$300 per linked bingo game per site;~~

~~(2) for linked bingo games played exclusively with electronic bingo devices, an organization may not contribute more than 85 percent of the gross receipts per permitted premises to a linked bingo game prize pool;~~

~~(3)~~ (2) no organization may award more than \$200 for a linked bingo game consolation prize. For purposes of this subdivision, a linked bingo game consolation prize is a prize awarded by an organization after a prize from the linked bingo prize pool has been won;

~~(4)~~ (3) for a progressive linked bingo game, if no player declares a valid bingo for a progressive prize or prizes based on a predetermined and posted win determination, a portion of the gross receipts may be carried over to another game until the accumulated progressive prize is won. The portion of the prize that is not carried over must be awarded to the first player or players who declares a valid bingo as additional numbers are called. If a valid bingo is declared, the entire prize pool for that game is awarded to the winner; and

~~(5)~~ (4) for linked bingo games played exclusively with electronic bingo devices, linked bingo prizes in excess of \$599 shall be paid by the linked bingo game provider to the player within three business days. Winners of linked bingo prizes in excess of \$599 will be given a receipt or claim voucher as proof of a win.

Sec. 23. Minnesota Statutes 2012, section 349.211, is amended by adding a subdivision to read:

Subd. 1b. **Hot-ball bingo prizes.** An organization may award up to \$500 for a hot-ball bingo prize in a bingo occasion.

Sec. 24. Minnesota Statutes 2012, section 349.211, subdivision 2, is amended to read:

Subd. 2. **Progressive bingo games.** Except as provided in subdivision 1a, a prize of up to \$2,000 may be awarded for a progressive bingo game, including a cover-all game. The prize for a progressive bingo game may start at up to \$500 and be increased by up to \$100 for each occasion during which the progressive bingo game is played. A consolation prize of up to \$200 for a progressive bingo game may be awarded in each occasion during which the progressive bingo game is played and the accumulated prize is not won.

Sec. 25. Minnesota Statutes 2012, section 349A.13, is amended to read:

349A.13 RESTRICTIONS.

Nothing in this chapter:

(1) authorizes the director to conduct a lottery game or contest the winner or winners of which are determined by the result of a sporting event other than a horse race conducted under chapter 240;

(2) authorizes the director to install or operate a lottery device operated by coin or currency which when operated determines the winner of a game; **and**

(3) authorizes the director to sell pull-tabs as defined under section 349.12, subdivision 32-; and

(4) authorizes the director to offer the play of, on an electronic terminal, through a Web site, or by any other means or device, casino-style games, including but not limited to blackjack, craps, keno, dice games, roulette, or poker.

Sec. 26. Laws 2014, chapter 240, section 26, is amended to read:

Sec. 26. **REPEALER.**

Laws 2012, chapter 235, section 11, is repealed.

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

Sec. 27. **STATE LOTTERY; SELF-SERVICE DEVICE AND ONLINE SALES.**

(a) By October 30, 2014, the director of the State Lottery shall suspend the sale of lottery tickets through: (1) a self-service device that is part of, shares a display with, or is adjacent to a retail petroleum dispenser under Minnesota Statutes, section 239.751, including all contracts related to this activity; and (2) a self-service device that is part of, shares a display with, or is adjacent to an electronic financial terminal under Minnesota Statutes, section 47.61, subdivision 3, including all contracts related to this activity. The suspension under this paragraph remains in effect until repealed or amended by law.

(b) By October 30, 2014, the director of the State Lottery shall suspend the sale of instant win lottery tickets through a Web site, including all contracts related to this activity. The suspension under this paragraph remains in effect until repealed or amended by law. The suspension under this paragraph does not apply to the sale of tickets of a joint lottery within the meaning of Minnesota Statutes, section 349A.02, subdivision 3, or games that rely on a drawing to select a winner.

Sec. 28. **REPEALER.**

Minnesota Statutes 2012, sections 349.169; and 349.19, subdivision 9, are repealed.

Sec. 29. **EFFECTIVE DATE.**

Sections 1 to 28 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to regulated industries; making clarifying, conforming, and technical changes relating to lawful gambling; modifying games, prizes, and other provisions regulating the conduct of lawful gambling; prohibiting director of state lottery from offering casino-style games; suspending the sale of certain tickets of the state lottery through a Web site or self-service devices; clarifying a legislative enactment; amending Minnesota Statutes 2012, sections 349.12, subdivision 18, by adding subdivisions; 349.16, by adding a subdivision; 349.163, by adding subdivisions; 349.1635, subdivision 4; 349.17, subdivisions 5, 6, 9; 349.1711, subdivisions 1, 2; 349.1721, subdivision 4; 349.173; 349.181, subdivision 3; 349.19, subdivision 11; 349.211, subdivisions 1, 1a, 2, by adding a subdivision; 349A.13; Minnesota Statutes 2013 Supplement, section 349.19, subdivisions 2, 10; Laws 2014, chapter 240, section 26; repealing Minnesota Statutes 2012, sections 349.169; 349.19, subdivision 9."

We request the adoption of this report and repassage of the bill.

Senate Conferees: Sandra L. Pappas, Chris A. Eaton, Roger C. Chamberlain

House Conferees: Joe Atkins, Leon Lillie, Joe Hoppe

Senator Pappas moved that the foregoing recommendations and Conference Committee Report on S.F. No. 2642 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 2642 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

The roll was called, and there were yeas 56 and nays 5, as follows:

Those who voted in the affirmative were:

Anderson	Dziedzic	Jensen	Osmek	Sieben
Bakk	Eaton	Kent	Pederson, J.	Skoe
Benson	Eken	Koenen	Petersen, B.	Thompson
Bonoff	Franzen	Latz	Pratt	Torres Ray
Brown	Gazelka	Limmer	Reinert	Weber
Carlson	Goodwin	Lourey	Rest	Westrom
Chamberlain	Hall	Marty	Rosen	Wiger
Champion	Hawj	Metzen	Ruud	Wiklund
Clausen	Hayden	Nelson	Saxhaug	
Cohen	Hoffman	Newman	Scalze	
Dahle	Housley	Nienow	Schmit	
Dibble	Ingebrigtsen	Ortman	Sheran	

Those who voted in the negative were:

Dahms	Pappas	Senjem	Sparks	Tomassoni
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So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

RECESS

Senator Bakk 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.

CALL OF THE SENATE

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

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Messages From the House and First Reading of House Bills.

MESSAGES FROM THE HOUSE

Madam President:

I have the honor to announce the passage by the House of the following Senate Files, herewith returned: S.F. Nos. 1360 and 2343.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 16, 2014

Madam President:

I have the honor to announce the adoption by the House of the following Senate Concurrent Resolution, herewith returned:

Senate Concurrent Resolution No. 9: A Senate concurrent resolution relating to the delivery of bills to the Governor after final adjournment.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 16, 2014

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 2175, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 2175: A bill for an act relating to state government; prohibiting state agencies from paying more than ten percent over the appraised value to acquire real property; proposing coding for new law in Minnesota Statutes, chapter 16B.

Senate File No. 2175 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 16, 2014

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 2642, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 2642: A bill for an act relating to gambling; making clarifying, conforming, and technical changes relating to lawful gambling; modifying games, prizes, and regulatory provisions; prohibiting sale of lottery tickets online and at play at the pump devices; amending Minnesota Statutes 2012, sections 349.12, subdivision 18, by adding subdivisions; 349.16, by adding a subdivision; 349.163, by adding subdivisions; 349.1635, subdivision 4; 349.17, subdivisions 5, 6, 9; 349.1711, subdivisions 1, 2; 349.1721, subdivision 4; 349.173; 349.181, subdivision 3; 349.19, subdivision 11; 349.211, subdivisions 1, 1a, 2, by adding a subdivision; 349A.13; Minnesota

Statutes 2013 Supplement, section 349.19, subdivisions 2, 10; repealing Minnesota Statutes 2012, sections 349.169; 349.19, subdivision 9.

Senate File No. 2642 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 16, 2014

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 2065, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 2065: A bill for an act relating to labor and industry; extending an independent contractor registration pilot project; exempting certain sawmills from high pressure boiler attendance requirements; amending Minnesota Statutes 2012, sections 181.723, subdivisions 4, 4a, 5, 7; 326B.988; proposing coding for new law in Minnesota Statutes, chapter 326B.

Senate File No. 2065 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 16, 2014

Madam President:

I have the honor to announce the passage by the House of the following House File, herewith transmitted: H.F. No. 2447.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 16, 2014

FIRST READING OF HOUSE BILLS

The following bill was read the first time.

H.F. No. 2447: A bill for an act relating to veterans; requiring employers to provide veterans time off for Veterans Day; proposing coding for new law in Minnesota Statutes, chapter 197.

Senator Bakk moved that H.F. No. 2447 be laid on the table. The motion prevailed.

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Order of Business of Messages From the House.

MESSAGES FROM THE HOUSE

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on House File No. 3167, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 3167 is herewith transmitted to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 16, 2014

CONFERENCE COMMITTEE REPORT ON H. F. NO. 3167

A bill for an act relating to financing of state and local government; making changes to individual income, property, sales and use, excise, estate, mineral, tobacco, alcohol, special, local, and other taxes and tax-related provisions; providing for and increasing credits; modifying local government aids; modifying exclusions, exemptions, and levy deadlines; imposing a tax on solar energy production; modifying sales, use, and excise tax exemptions; changing sales, use, and excise tax remittances; modifying certain local sales and use taxes; allowing for temporary sales and use tax amnesty; modifying income tax credits and subtractions; clarifying estate tax provisions; providing for certain local development projects; changing license revocation procedures; modifying installment payments; modifying certain county levy authority; allocating additional tax reductions for border cities; removing obsolete, redundant, and unnecessary laws and administrative rules administered by the Department of Revenue; making various policy and technical changes; requiring a report; appropriating money; amending Minnesota Statutes 2012, sections 16D.02, subdivisions 3, 6; 16D.04, subdivisions 3, 4; 16D.07; 16D.11, subdivisions 1, 3, 7; 84A.20, subdivision 2; 84A.31, subdivision 2; 115B.49, subdivision 4; 116J.8737, by adding a subdivision; 163.06, subdivision 1; 270.11, subdivision 1; 270.12, subdivisions 2, 4; 270.87; 270A.03, subdivision 2; 270B.14, subdivision 3; 270C.085; 270C.34, subdivision 2; 270C.52, subdivision 2; 270C.56, subdivision 3; 270C.72, subdivisions 1, 3; 272.01, subdivisions 1, 3; 272.02, subdivisions 10, 24; 272.0211, subdivisions 1, 2; 272.025, subdivision 1; 272.027, subdivision 1; 272.029, subdivisions 4a, 6; 272.03, subdivision 1; 273.01; 273.061, subdivision 6; 273.10; 273.11, subdivision 13; 273.112, subdivision 6a; 273.13, subdivision 34; 273.1384, subdivision 2; 273.18; 273.33, subdivision 2; 273.37, subdivision 2; 273.3711; 274.01, subdivisions 1, 2; 274.014, subdivision 3; 275.025, subdivision 2; 275.065, subdivision 1; 275.08, subdivisions 1a, 1d; 275.74, subdivision 2; 275.75; 279.03; 279.16; 279.23; 279.25; 280.001; 280.03; 280.07; 280.11; 281.03; 281.327; 282.01, subdivision 6; 282.04, subdivision 4; 282.261, subdivisions 2, 4, 5; 282.322; 287.30; 289A.02, subdivision 7, as amended; 289A.18, subdivision 2; 289A.25, subdivision 1; 289A.60, subdivision 15; 290.01, subdivisions 5, 19f, 29; 290.015, subdivision 1; 290.068, subdivision 1; 290.07, subdivisions 1, 2; 290.0922, subdivision 3; 290.095, subdivision 3; 290.9728, subdivision 2; 296A.01, subdivision 16; 297A.67, subdivision 13a, by adding a subdivision; 297A.68, by adding a subdivision; 297A.70, subdivision 10; 297A.71, by adding a subdivision; 297A.94; 297B.03; 297B.09; 297F.03, subdivision 2; 297F.09, subdivision 10; 297G.03, by adding a subdivision; 297G.09, subdivision 9; 297I.05, subdivision 14; 298.75, subdivisions 1, 2; 383D.41, by adding a subdivision; 383E.21, subdivisions 1, 2; 412.131;

469.171, subdivision 6; 469.176, subdivisions 1b, 3; 469.1763, subdivision 3; 469.177, subdivision 3; 473.665, subdivision 5; 477A.0124, subdivision 5; 477A.014, subdivision 1; 477A.03, by adding a subdivision; 611.27, subdivisions 13, 15; Minnesota Statutes 2013 Supplement, sections 116J.8737, subdivision 2, as amended; 116J.8738, subdivisions 2, 3, 4; 270B.01, subdivision 8; 270B.03, subdivision 1; 273.032; 273.1325, subdivisions 1, 2; 273.1398, subdivisions 3, 4; 275.70, subdivision 5; 279.37, subdivision 2; 281.17; 289A.20, subdivision 4; 290.01, subdivisions 19, as amended, 19b, as amended, 19d, 31, as amended; 290.068, subdivisions 3, 6a; 290.091, subdivision 2, as amended; 290.0921, subdivision 3; 290.191, subdivision 5; 290A.03, subdivision 15, as amended; 290C.03; 291.005, subdivision 1, as amended; 297A.61, subdivision 3, as amended; 297A.68, subdivisions 42, 44; 297A.70, subdivisions 2, 13, 14; 297A.75, subdivisions 1, 2, 3; 297B.01, subdivision 16; 360.531, subdivision 2; 403.162, subdivision 5; 423A.02, subdivision 3; 423A.022, subdivisions 2, 3; 465.04; 469.169, by adding a subdivision; 469.1763, subdivision 2; 477A.013, subdivision 8; 477A.03, subdivision 2a; 477A.12, subdivision 1; 477A.14, subdivision 1; Laws 1980, chapter 511, sections 1, subdivision 2, as amended; 2, as amended; Laws 2005, First Special Session chapter 3, article 5, section 38, subdivision 4; Laws 2006, chapter 259, article 3, sections 10, subdivisions 3, 4, 5; 11, subdivisions 3, 4, 5; Laws 2008, chapter 366, article 10, section 15; Laws 2013, chapter 143, article 8, sections 3; 37; article 9, section 23; article 11, section 10; Laws 2014, chapter 150, article 3, section 4; proposing coding for new law in Minnesota Statutes, chapters 69; 116J; 168A; 272; 290; 383A; 477A; repealing Minnesota Statutes 2012, sections 16D.02, subdivisions 5, 8; 16D.11, subdivision 2; 270C.131; 270C.53; 270C.991, subdivision 4; 272.02, subdivisions 1, 1a, 43, 48, 51, 53, 67, 72, 82; 272.027, subdivision 2; 272.031; 273.015, subdivision 1; 273.03, subdivision 3; 273.075; 273.13, subdivision 21a; 273.1383; 273.1386; 273.1398, subdivision 4b; 273.80; 275.77; 279.32; 281.173, subdivision 8; 281.174, subdivision 8; 281.328; 282.10; 282.23; 287.20, subdivision 4; 287.27, subdivision 2; 289A.56, subdivision 7; 290.01, subdivisions 4b, 19e, 20e; 290.06, subdivisions 30, 31; 290.0674, subdivision 3; 290.191, subdivision 4; 290.33; 290C.02, subdivisions 5, 9; 290C.06; 295.52, subdivision 7; 297A.666; 297A.68, subdivision 38; 297A.71, subdivisions 4, 5, 7, 9, 10, 17, 18, 20, 32, 41; 297F.08, subdivision 11; 297H.10, subdivision 2; 469.174, subdivision 10c; 469.175, subdivision 2b; 469.176, subdivision 1i; 469.1764; 469.177, subdivision 10; 469.330; 469.331; 469.332; 469.333; 469.334; 469.335; 469.336; 469.337; 469.338; 469.339; 469.340, subdivisions 1, 2, 3, 5; 469.341; 477A.0124, subdivisions 1, 6; 505.173; Minnesota Statutes 2013 Supplement, sections 273.1103; 469.340, subdivision 4; 477A.085; Laws 1993, chapter 375, article 9, section 47; Laws 2014, chapter 150, article 1, section 17; Minnesota Rules, parts 8002.0200, subpart 8; 8007.0200; 8100.0800; 8130.7500, subpart 7; 8130.8900, subpart 3; 8130.9500, subparts 1, 1a, 2, 3, 4, 5.

May 12, 2014

The Honorable Paul Thissen
Speaker of the House of Representatives

The Honorable Sandra L. Pappas
President of the Senate

We, the undersigned conferees for H. F. No. 3167 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 3167 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1**PROPERTY TAX AIDS AND CREDITS****Section 1. [69.022] VOLUNTEER RETENTION STIPEND AID PILOT.**

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

(b) "Commissioner," unless otherwise specified, means the commissioner of public safety.

(c) "Emergency medical services provider" means a licensee as defined under section 144E.001, subdivision 8.

(d) "Independent nonprofit firefighting corporation" has the same meaning as used in chapter 424A.

(e) "Municipality" has the meaning given in section 69.011, but only if the municipality uses one or more qualified volunteers to provide service.

(f) "Qualified entity" means an emergency medical services provider, independent nonprofit firefighting corporation, or municipality.

(g) "Qualified volunteer" means one of the following types of volunteers who has provided service, for the entire prior calendar year, to one or more qualified entities:

(1) a volunteer firefighter as defined in section 299N.03, subdivision 7;

(2) a volunteer ambulance attendant as defined in section 144E.001, subdivision 15; or

(3) an emergency medical responder as defined in section 144E.001, subdivision 6, who provides emergency medical services as a volunteer.

(h) "Pilot area" means the following groups of counties:

(1) southern Minnesota, consisting of the counties of Faribault, Fillmore, Freeborn, Houston, and Watonwan;

(2) west central Minnesota, consisting of the counties of Chippewa, Kandiyohi, Redwood, and Renville;

(3) central Minnesota, consisting of the counties of Morrison and Todd; and

(4) north central Minnesota, consisting of the counties of Beltrami, Clearwater, and Mahnomen.

Subd. 2. **Certification.** By June 1 of the calendar year following the year in which the qualified volunteer provided service, the commissioner shall certify to the commissioner of revenue each qualified volunteer's name and the qualified entity for which the qualified volunteer provided service, but the commissioner must remove duplicate listings of qualified volunteers who provided service to more than one qualified entity so that each qualified volunteer is listed only once. The commissioner shall also certify to the commissioner of revenue the total amount of aid to be paid to each qualified entity under subdivision 3. For qualified entities that are not municipalities, the commissioner must indicate the municipality to which the aid is to be paid, as designated by the qualified entity.

Subd. 3. **Aid payment and calculation.** The commissioner of revenue shall pay aid to qualified entities located in the pilot area to provide funds for the qualified entities to pay annual volunteer retention stipends to qualified volunteers who provide services to the qualified entities. A qualified entity is located in the pilot area if it is a municipality located in whole or in part in the pilot area, or if it is an emergency medical services provider or independent nonprofit firefighting corporation with its main office located in the pilot area. The amount of the aid equals \$500 multiplied by the number of qualified volunteers. For purposes of calculating this aid, each individual providing volunteer service, regardless of the different types of service provided, is one qualified volunteer. The commissioner of revenue shall pay the aid to qualified entities by July 15 of the calendar year following the year in which the qualified volunteer provided service. If a qualified entity is not a municipality, the commissioner shall pay the aid to the treasurer of the municipality designated by the qualified entity. The treasurer of the municipality shall, within 30 days of receipt of the aid, transmit the aid to the qualified entity.

Subd. 4. **Application.** Each year each qualified entity in the pilot area may apply to the commissioner for aid under this section. The application must be made at the time and in the form prescribed by the commissioner and must provide sufficient information to permit the commissioner to determine the applicant's entitlement to aid under this section.

Subd. 5. **Payment of stipends.** A qualified entity receiving state aid under this section must pay the aid as retention stipends of \$500 to qualified volunteers no later than September 15 of the year in which the aid was received.

Subd. 6. **Report.** No later than January 15, 2018, the commissioner must report to the chairs and ranking minority members of the legislative committees having jurisdiction over public safety and taxes in the senate and the house of representatives, in compliance with sections 3.195 and 3.197, on aid paid under this section. The report must include:

(1) for each county in the pilot area, a listing of the qualified entities that received aid in each of the three years of the pilot;

(2) the amount of aid paid to each qualified entity that received aid in each of the three years of the pilot; and

(3) for each qualified entity that received aid, the number of qualified volunteers who were paid stipends in each of the three years of the pilot, and the number of qualified volunteers in the year preceding the pilot.

The report must also provide information on the number of qualified volunteers providing service to qualified entities in comparison counties in each of the three years of the pilot and in the year preceding the pilot, and must summarize changes in the number of qualified volunteers during the year preceding the pilot and during the three years of the pilot both within the pilot area and in the comparison counties. For purposes of this subdivision, "comparison counties" means counties designated by the commissioner to include at least half of the counties that border each group of counties in the pilot area, as specified in subdivision 1. Qualified entities in comparison counties must provide information to the commissioner necessary to the report in this subdivision in the form and manner required by the commissioner.

Subd. 7. **Appropriation.** An amount sufficient to pay the state aid under this section is appropriated from the general fund to the commissioner of revenue.

Subd. 8. **Sunset.** This section expires for aid payable after calendar year 2017, except that the reporting requirement in subdivision 6 remains in effect through 2018.

EFFECTIVE DATE. This section is effective the day following final enactment and applies for volunteer service provided beginning in calendar years 2014, 2015, and 2016, and for aid payable in calendar years 2015, 2016, and 2017.

Sec. 2. Minnesota Statutes 2012, section 273.1384, subdivision 2, is amended to read:

Subd. 2. **Agricultural homestead market value credit.** Property classified as agricultural homestead under section 273.13, subdivision 23, paragraph (a), is eligible for an agricultural credit. The credit is computed using the property's agricultural credit market value, defined for this purpose as the property's market value excluding the market value of the house, garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of the first \$115,000 of the property's agricultural credit market value ~~minus .05~~ plus 0.1 percent of the property's agricultural credit market value in excess of \$115,000, subject to a ~~maximum reduction~~ credit of ~~\$115~~ \$490. In the case of property that is classified as part homestead and part nonhomestead solely because not all the owners occupy or farm the property, not all the owners have qualifying relatives occupying or farming the property, or solely because not all the spouses of owners occupy the property, the credit must be initially computed as if that nonhomestead agricultural land was also classified as agricultural homestead and then prorated to the owner-occupant's percentage of ownership.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2015.

Sec. 3. Minnesota Statutes 2013 Supplement, section 273.1398, subdivision 4, is amended to read:

Subd. 4. **Disparity reduction credit.** (a) ~~Beginning with taxes payable in 1989, Class 4a and class 3a property qualifies for a disparity reduction credit if: (1) the property is located in a border city that has is eligible to have an enterprise zone, as defined in section 469.166; (2) the property is located in a city with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city in the other state has a population of greater than 5,000 and less than 75,000 according to the 1980 decennial census.~~

(b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a property to ~~1.9~~ 1.6 percent of the property's taxable market value and (ii) the tax on class 3a property to ~~1.9~~ 1.6 percent of taxable market value.

(c) The county auditor shall annually certify the costs of the credits to the Department of Revenue. The department shall reimburse local governments for the property taxes forgone as the result of the credits in proportion to their total levies.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2015.

Sec. 4. Minnesota Statutes 2013 Supplement, section 423A.022, subdivision 2, is amended to read:

Subd. 2. **Allocation.** (a) Of the total amount appropriated as supplemental state aid:

(1) ~~58.065~~ 58.064 percent must be paid to the executive director of the Public Employees Retirement Association for deposit in the public employees police and fire retirement fund established by section 353.65, subdivision 1;

(2) 35.484 percent must be paid to municipalities other than municipalities solely employing firefighters with retirement coverage provided by the public employees police and fire retirement plan which qualified to receive fire state aid in that calendar year, allocated in proportion to the most recent amount of fire state aid paid under section 69.021, subdivision 7, for the municipality bears to the most recent total fire state aid for all municipalities other than the municipalities solely employing firefighters with retirement coverage provided by the public employees police and fire retirement plan paid under section 69.021, subdivision 7, with the allocated amount for fire departments participating in the voluntary statewide lump-sum volunteer firefighter retirement plan paid to the executive director of the Public Employees Retirement Association for deposit in the fund established by section 353G.02, subdivision 3, and credited to the respective account and with the balance paid to the treasurer of each municipality for transmittal within 30 days of receipt to the treasurer of the applicable volunteer firefighter relief association for deposit in its special fund; and

(3) 6.452 percent must be paid to the executive director of the Minnesota State Retirement System for deposit in the state patrol retirement fund.

(b) For purposes of this section, the term "municipalities" includes independent nonprofit firefighting corporations that participate in the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G or with subsidiary volunteer firefighter relief associations operating under chapter 424A.

Sec. 5. Minnesota Statutes 2013 Supplement, section 477A.013, subdivision 8, is amended to read:

Subd. 8. **City formula aid.** (a) For aids payable in 2014 only, the formula aid for a city is equal to the sum of (1) its 2013 certified aid, and (2) the product of (i) the difference between its unmet need and its 2013 certified aid, and (ii) the aid gap percentage.

(b) For aids payable in 2015 and thereafter, the formula aid for a city is equal to the sum of (1) its formula aid in the previous year and (2) the product of (i) the difference between its unmet need and its certified formula aid in the previous year ~~under subdivision 9~~, and (ii) the aid gap percentage.

(c) For aids payable in 2015 and thereafter, if a city's certified aid from the previous year is greater than the sum of its unmet need plus its aid adjustment under subdivision 13, its formula aid is adjusted to equal its unmet need.

(d) No city may have a formula aid amount less than zero. The aid gap percentage must be the same for all cities subject to paragraph (b).

(e) The applicable aid gap percentage must be calculated by the Department of Revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03. Data used in calculating aids to cities under sections 477A.011 to 477A.013 shall be the most recently available data as of January 1 in the year in which the aid is calculated.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2015 and thereafter.

Sec. 6. Minnesota Statutes 2013 Supplement, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. **Cities.** For aids payable in 2014, the total aid paid under section 477A.013, subdivision 9, is \$507,598,012. The total aid paid under section 477A.013, subdivision 9, is ~~\$509,098,012~~ \$516,898,012 for aids payable in 2015. For aids payable in 2016 and thereafter, the total aid paid under section 477A.013, subdivision 9, is ~~\$511,598,012~~ \$519,398,012.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2015 and thereafter.

Sec. 7. Minnesota Statutes 2013 Supplement, section 477A.12, subdivision 1, is amended to read:

Subdivision 1. **Types of land; payments.** The following amounts are annually appropriated to the commissioner of natural resources from the general fund for transfer to the commissioner of revenue. The commissioner of revenue shall pay the transferred funds to counties as required by sections 477A.11 to 477A.14. The amounts, based on the acreage as of July 1 of each year prior to the payment year, are:

(1) \$5.133 multiplied by the total number of acres of acquired natural resources land or, at the county's option three-fourths of one percent of the appraised value of all acquired natural resources land in the county, whichever is greater;

(2) \$5.133, multiplied by the total number of acres of transportation wetland or, at the county's option, three-fourths of one percent of the appraised value of all transportation wetland in the county, whichever is greater;

(3) \$5.133, multiplied by the total number of acres of wildlife management land, or, at the county's option, three-fourths of one percent of the appraised value of all wildlife management land in the county, whichever is greater;

(4) 50 percent of the dollar amount as determined under clause (1), multiplied by the number of acres of military refuge land in the county;

(5) \$1.50, multiplied by the number of acres of county-administered other natural resources land in the county;

(6) \$5.133, multiplied by the total number of acres of land utilization project land in the county;

(7) \$1.50, multiplied by the number of acres of commissioner-administered other natural resources land in the county; and

(8) without regard to acreage, and notwithstanding the rules adopted under section 84A.55, \$300,000 for local assessments under section 84A.55, subdivision 9, that shall be divided and distributed to the counties containing state-owned lands within a conservation area in proportion to each county's percentage of the total annual ditch assessments.

The commissioner of natural resources shall certify the number of acres and appraised values for wildlife management lands under clause (3) for calendar year 2013 to the commissioner of revenue by June 15, 2014. The commissioner of revenue shall make the payment for any positive difference in the 2013 payment under clause (3) by June 30, 2014.

EFFECTIVE DATE. The amendments to clause (3) are effective retroactively for payments made in calendar year 2013 and later. The amendments to clause (8) are effective for assessments payable in calendar year 2014 and later.

Sec. 8. Minnesota Statutes 2013 Supplement, section 477A.12, subdivision 2, is amended to read:

Subd. 2. **Procedure.** (a) Each county auditor shall certify to the Department of Natural Resources during July of each year prior to the payment year the number of acres of county-administered other natural resources land within the county. The Department of Natural resources may, in addition to the certification of acreage, require descriptive lists of land so certified. The commissioner of natural resources shall determine and certify to the commissioner of revenue by March 1 of the payment year:

(1) the number of acres and most recent appraised value of acquired natural resources land, wildlife management land, and military refuge land within each county;

(2) the number of acres of commissioner-administered natural resources land within each county;

(3) the number of acres of county-administered other natural resources land within each county, based on the reports filed by each county auditor with the commissioner of natural resources; and

(4) the number of acres of land utilization project land within each county.

(b) The commissioner of transportation shall determine and certify to the commissioner of revenue by March 1 of the payment year the number of acres of transportation wetland and the appraised value of the land, but only if it exceeds 500 acres in a county.

(c) Each auditor of a county that contains state-owned lands within a conservation area shall determine and certify to the commissioner of natural resources by May 31 of the payment year, the county's ditch assessments for state-owned lands subject to section 84A.55, subdivision 9. A joint certification for two or more counties may be submitted to the commissioner of natural resources through the Consolidated Conservation Counties Joint Powers Board. The commissioner of natural resources shall certify the ditch assessments to the commissioner of revenue by June 15 of the payment year. The commissioner of natural resources shall certify the ditch assessments under this paragraph for payment year 2013 by June 15, 2014. The commissioner of revenue shall make the payment for 2013 by June 30, 2014.

(d) The commissioner of revenue shall determine the distributions provided for in this section using: (1) the number of acres and appraised values certified by the commissioner of natural resources and the commissioner of transportation by March 1 of the payment year; and (2) ditch assessments under paragraph (c), by July 15 of the payment year.

EFFECTIVE DATE. This section is effective for assessments payable in calendar year 2014 and later.

Sec. 9. Minnesota Statutes 2013 Supplement, section 477A.14, subdivision 1, is amended to read:

Subdivision 1. **General distribution.** Except as provided in subdivisions 2 and 3, 40 percent of the total payment to the county shall be deposited in the county general revenue fund to be used

to provide property tax levy reduction. The remainder shall be distributed by the county in the following priority:

(a) (1) 64.2 cents, for each acre of county-administered other natural resources land shall be deposited in a resource development fund to be created within the county treasury for use in resource development, forest management, game and fish habitat improvement, and recreational development and maintenance of county-administered other natural resources land. Any county receiving less than \$5,000 annually for the resource development fund may elect to deposit that amount in the county general revenue fund;

~~(b) from the funds remaining, (2) within 30 days of receipt of the payment to the county, the county treasurer shall pay each organized township ten percent of the amount received a township with land that qualifies for payment under section 477A.12, subdivision 1, clauses (1), (2), and (5) to (7), ten percent of the payment the county received for such land within that township. Payments for natural resources lands not located in an organized township shall be deposited in the county general revenue fund. Payments to counties and townships pursuant to this paragraph shall be used to provide property tax levy reduction, except that of the payments for natural resources lands not located in an organized township, the county may allocate the amount determined to be necessary for maintenance of roads in unorganized townships. Provided that, if the total payment to the county pursuant to section 477A.12 is not sufficient to fully fund the distribution provided for in this clause, the amount available shall be distributed to each township and the county general revenue fund on a pro rata basis; and~~

~~(c) (3) any remaining funds shall be deposited in the county general revenue fund. Provided that, if the distribution to the county general revenue fund exceeds \$35,000, the excess shall be used to provide property tax levy reduction.~~

EFFECTIVE DATE. This section is effective retroactively for payments made in calendar year 2013 and thereafter.

Sec. 10. [477A.18] PRODUCTION PROPERTY TRANSITION AID.

Subdivision 1. **Definitions.** (a) When used in this section, the following terms have the meanings indicated in this subdivision.

(b) "Local unit" means a home rule charter or statutory city, or a town.

(c) "Net tax capacity differential" means the positive difference, if any, by which the local unit's net tax capacity was reduced from assessment year 2014 to assessment year 2015 due to the change in the definition of real property in section 272.03, subdivision 1, enacted by article 2, section 9. For purposes of determining the net tax capacity differential, any property in a job opportunity building zone under section 469.314 may not be included when calculating a local unit's net tax capacity.

Subd. 2. **Aid eligibility; payment.** (a) If the net tax capacity differential of the local unit exceeds five percent of its 2015 net tax capacity, the local unit is eligible for transition aid computed under paragraphs (b) to (f).

(b) For aids payable in 2016, transition aid under this section for an eligible local unit equals (1) the net tax capacity differential, times (2) the jurisdiction's tax rate for taxes payable in 2015.

(c) For aids payable in 2017, transition aid under this section for an eligible local unit equals 80 percent of (1) the net tax capacity differential, times (2) the jurisdiction's tax rate for taxes payable in 2016.

(d) For aids payable in 2018, transition aid under this section for an eligible local unit equals 60 percent of (1) the net tax capacity differential, times (2) the jurisdiction's tax rate for taxes payable in 2017.

(e) For aids payable in 2019, transition aid under this section for an eligible local unit equals 40 percent of (1) the net tax capacity differential, times (2) the jurisdiction's tax rate for taxes payable in 2018.

(f) For aids payable in 2020, transition aid under this section for an eligible local unit equals 20 percent of (1) the net tax capacity differential, times (2) the jurisdiction's tax rate for taxes payable in 2019.

(g) No aids shall be payable under this section in 2021 and thereafter.

(h) The commissioner of revenue shall compute the amount of transition aid payable to each local unit under this section. On or before August 1 of each year, the commissioner shall certify the amount of transition aid computed for aids payable in the following year for each recipient local unit. The commissioner shall pay transition aid to local units annually at the times provided in section 477A.015.

(i) The commissioner of revenue may require counties to provide any data that the commissioner deems necessary to administer this section.

Subd. 3. **Appropriation.** An amount sufficient to pay transition aid under this section is annually appropriated to the commissioner of revenue from the general fund.

EFFECTIVE DATE. This section is effective beginning with assessment year 2015.

Sec. 11. **[477A.19] AQUATIC INVASIVE SPECIES PREVENTION AID.**

Subdivision 1. **Definitions.** (a) When used in this section, the following terms have the meanings given them in this subdivision.

(b) "Aquatic invasive species" means nonnative aquatic organisms that invade water beyond their natural and historic range.

(c) "Watercraft trailer launch" means any public water access site designed for launching watercraft.

(d) "Watercraft trailer parking space" means a parking space designated for a boat trailer at any public water access site designed for launching watercraft.

Subd. 2. **Distribution.** The money appropriated to aquatic invasive species prevention aid under this section shall be allocated to all counties in the state as follows: 50 percent based on each county's share of watercraft trailer launches and 50 percent based on each county's share of watercraft trailer parking spaces.

Subd. 3. **Use of proceeds.** A county that receives a distribution under this section must use the proceeds solely to prevent the introduction or limit the spread of aquatic invasive species at all access sites within the county. The county must establish, by resolution or through adoption of a plan,

guidelines for the use of the proceeds. The guidelines set by the county board may include, but are not limited to, providing for site-level management, countywide awareness, and other procedures that the county finds necessary to achieve compliance. The county may appropriate the proceeds directly, or may use any portion of the proceeds to provide funding for a joint powers board or cooperative agreement with another political subdivision, a soil and water conservation district in the county, a watershed district in the county, or a lake association located in the county. Any money appropriated by the county to a different entity or political subdivision must be used as required under this section. Each county must submit a copy of its guidelines for use of the proceeds to the Department of Natural Resources by December 31 of the year the payments are received.

Subd. 4. **Payments.** The commissioner of revenue must compute the amount of aquatic invasive species prevention aid payable to each county under this section. On or before August 1 of each year, the commissioner shall certify the amount to be paid to each county in the following year. The commissioner shall pay aquatic invasive species prevention aid to counties annually at the times provided in section 477A.015. For aid payable in 2014 only, the commissioner shall certify the amount to be paid to each county by July 1, 2014, and payment to the counties must be made at the time provided in section 477A.015 for the first installment of local government aid.

Subd. 5. **Appropriation.** \$4,500,000 in 2014, and \$10,000,000 each year thereafter, is appropriated from the general fund to the commissioner of revenue to make the payments required under this section.

EFFECTIVE DATE. This section is effective beginning with aid payable in 2014.

Sec. 12. ADDITIONAL SUPPLEMENTAL AID REVISION FOR OMITTED 2013 INDEPENDENT NONPROFIT FIREFIGHTING CORPORATIONS.

(a) Notwithstanding any provision of Minnesota Statutes, chapter 423A, to the contrary, this section modifies the allocation of the police and fire supplemental retirement state aid under Minnesota Statutes 2013 Supplement, section 423A.022, for October 1, 2014.

(b) Before the allocation of the police and fire supplemental retirement state aid is made for October 1, 2014, the commissioner of revenue shall:

(1) determine those fire departments that qualified for fire state aid under Minnesota Statutes 2012, section 69.021, subdivision 7, on October 1, 2013, did not receive a 2013 allocation of police and fire supplemental retirement state aid, and were an independent nonprofit firefighting corporation; and

(2) determine the amount of police and fire supplemental retirement state aid under Minnesota Statutes 2013 Supplement, section 423A.022, that the fire departments described in clause (1) would have received on October 1, 2013, if the fire departments had been included in that allocation.

(c) The total amount determined in paragraph (b), clause (2), must be deducted from the amount available for allocation under Minnesota Statutes 2013 Supplement, section 423A.022, subdivision 2, clause (2), and the commissioner of revenue shall pay to the fire departments determined in paragraph (b), clause (1), their respective portion of the total as an additional payment on October 1, 2014.

(d) The remaining amount after the deduction of the total amount under paragraph (c) must be allocated as provided in section 4.

Sec. 13. SUPPLEMENTAL COUNTY PROGRAM AID FOR 2014.

(a) Each county whose certified aid for 2014 under Minnesota Statutes, section 477A.0124, is less than the aid it received under that section in 2013 shall be eligible for supplemental aid in 2014 equal to the difference between the amount received in 2013 and the amount certified for 2014.

(b) The aid under this section shall be paid in the same manner and at the same time as the regular aid payments under Minnesota Statutes, section 477A.0124.

(c) The amount necessary to pay supplemental aid under this section is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective July 1, 2014.

Sec. 14. SUPPLEMENTAL AGRICULTURAL CREDIT FOR TAXES PAYABLE IN 2014 ONLY.

Subdivision 1. **Eligibility.** Each agricultural homestead qualifying for a credit for taxes payable in 2014 under Minnesota Statutes, section 273.1384, is eligible for a supplemental credit equal to the lesser of (i) \$205, or (ii) the net property taxes payable on the property, excluding the taxes attributable to the house, garage, and surrounding one acre of land. A supplemental credit must not be paid to any property that has delinquent property taxes. By August 15, 2014, the county auditor must notify the commissioner of revenue of the name and address of the property owner of each homestead that received an agricultural credit for taxes payable in 2014, along with the net taxes due upon the agricultural homestead, whether there are any delinquent taxes on the property, and whatever other information the commissioner deems necessary, in a form prescribed by the commissioner.

Subd. 2. **Payment of supplemental credit.** The commissioner must pay supplemental credit amounts to each qualifying taxpayer by October 15, 2014.

Subd. 3. **Property tax statements for taxes payable in 2015.** In preparing proposed property tax notices for taxes payable in 2015 under Minnesota Statutes, section 275.065, and final property tax statements for taxes payable in 2015 under Minnesota Statutes, section 276.04, the auditor must indicate that the taxpayer may have received a supplemental credit under this section for taxes payable in 2014.

Subd. 4. **Appropriation.** The amount necessary to make the payments required under subdivision 2 is appropriated from the general fund to the commissioner of revenue for fiscal year 2015.

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

Sec. 15. 2013 CITY AID PENALTY FORGIVENESS; CITY OF BLUFFTON.

Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, the city of Bluffton shall receive the half of its aid payments for calendar years 2011, 2012, and 2013 under Minnesota Statutes, section 477A.013, that were withheld under Minnesota Statutes, section 477A.017, subdivision 3, provided that the state auditor certifies to the commissioner of revenue that it received audited financial statements from the city for calendar years 2010, 2011, and 2012 by December 31, 2013, and for calendar year 2013 by June 30, 2014. The commissioner of revenue shall make a payment of \$20,000 with the first payment of aids under Minnesota Statutes, section

477A.015, in calendar year 2014. The commissioner shall pay the remaining amount, totaling \$28,151.50, with the first payment of aids under Minnesota Statutes, section 477A.015, in calendar year 2015. \$20,000 in fiscal year 2015 and \$28,151.50 in fiscal year 2016 are appropriated from the general fund to the commissioner of revenue to make payments under this section.

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

Sec. 16. HOMESTEAD CREDIT REFUND AND RENTER PROPERTY TAX REFUND INCREASE.

Subdivision 1. **Homestead credit refund increase.** For claims filed based on taxes payable in 2014, the commissioner shall increase by three percent the refund otherwise payable under Minnesota Statutes, section 290A.04, subdivision 2.

Subd. 2. **Renter property tax refund increase.** For claims filed based on rent paid in 2013, the commissioner shall increase by six percent the refund otherwise payable under Minnesota Statutes, section 290A.04, subdivision 2a.

Subd. 3. **No notification of appeal rights.** In adjusting homestead credit refunds and renter property tax refunds under this section, the commissioner is not required to provide information concerning appeal rights that ordinarily must be provided whenever the commissioner adjusts refunds payable under Minnesota Statutes, chapter 290A. Taxpayers retain all rights to appeal adjustments under this section.

Subd. 4. **Appropriation.** The amount necessary to make the payments required under this section is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective for refund claims based on taxes payable in 2014 and rent paid in 2013 only.

ARTICLE 2

PROPERTY TAXES

Section 1. Minnesota Statutes 2013 Supplement, section 144F.01, subdivision 4, is amended to read:

Subd. 4. Property tax levy authority. The district's board may levy a tax on the taxable real and personal property in the district. The ad valorem tax levy may not exceed 0.048 percent of the estimated market value of the district or ~~\$400,000~~ \$550,000, whichever is less. The proceeds of the levy must be used as provided in subdivision 5. The board shall certify the levy at the times as provided under section 275.07. The board shall provide the county with whatever information is necessary to identify the property that is located within the district. If the boundaries include a part of a parcel, the entire parcel shall be included in the district. The county auditors must spread, collect, and distribute the proceeds of the tax at the same time and in the same manner as provided by law for all other property taxes.

EFFECTIVE DATE. This section is effective for assessments in 2015, taxes payable in 2016, and thereafter.

Sec. 2. Minnesota Statutes 2012, section 272.02, subdivision 10, is amended to read:

Subd. 10. **Personal property used for pollution control.** Personal property used primarily for the abatement and control of air, water, or land pollution is exempt to the extent that it is so used, and real property is exempt if it is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota Pollution Control Agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1260, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, or as part of an electric generation system. For purposes of this subdivision, personal property includes ponderous machinery and equipment used in a business or production activity that at common law is considered real property.

Any taxpayer requesting exemption of all or a portion of any real property or any equipment or device, or part thereof, operated primarily for the control or abatement of air, water, or land pollution shall file an application with the commissioner of revenue. The commissioner shall develop an electronic means to notify interested parties when electric power generation facilities have filed an application. The Minnesota Pollution Control Agency shall upon request of the commissioner furnish information and advice to the commissioner.

The information and advice furnished by the Minnesota Pollution Control Agency must include statements as to whether the equipment, device, or real property meets a standard, rule, criteria, guideline, policy, or order of the Minnesota Pollution Control Agency, and whether the equipment, device, or real property is installed or operated in accordance with it. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The commissioner shall develop an electronic means to notify interested parties when the commissioner has issued an order exempting property from taxation under this subdivision. The equipment, device, or real property shall continue to be exempt from taxation as long as the order issued by the commissioner remains in effect.

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

Sec. 3. Minnesota Statutes 2012, section 272.02, subdivision 24, is amended to read:

Subd. 24. **Electric power photovoltaic devices Solar energy generating systems.** ~~Photovoltaic devices~~ Personal property consisting of solar energy generating systems, as defined in section 216C.06, subdivision 16, installed after January 1, 1992, and used to produce or store electric power ~~are~~ 272.0295, is exempt. If the real property upon which a solar energy generating system is located is used primarily for solar energy production subject to the production tax under section 272.0295, the real property shall be classified as class 3a. If the real property upon which a solar energy generating system is located is not used primarily for solar energy production subject to the production tax under section 272.0295, the real property shall be classified without regard to the system.

EFFECTIVE DATE. This section is effective for assessments in 2015, taxes payable in 2016, and thereafter.

Sec. 4. Minnesota Statutes 2012, section 272.02, subdivision 93, is amended to read:

Subd. 93. **Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property that is part of a simple-cycle electric generation facility of more than 40 megawatts and less than 125 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;
- (4) satisfy a resource deficiency identified in an approved integrated resource plan filed under section 216B.2422; and
- (5) have an agreement with the host county, township, and school district for payment in lieu of personal property taxes to the host county, township, and school district for the operating life of the facility. Any amount distributed to the school district is not subject to the deductions under section 126C.21.

Construction of the facility must be commenced after January 1, ~~2010~~ 2015, and before January 1, ~~2014~~ 2019. 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 assessments in 2015, taxes payable in 2016, and thereafter.

Sec. 5. Minnesota Statutes 2012, section 272.0211, subdivision 1, is amended to read:

Subdivision 1. **Efficiency determination and certification.** An owner or operator of a new or existing electric power generation facility, excluding wind energy conversion systems, may apply to the commissioner of revenue for a market value exclusion on the property as provided for in this section. This exclusion shall apply only to the market value of the equipment of the facility, and shall not apply to the structures and the land upon which the facility is located. The commissioner of revenue shall prescribe the forms and procedures for this application. Upon receiving the application, the commissioner of revenue shall: (1) request the commissioner of commerce to make a determination of the efficiency of the applicant's electric power generation facility; and (2) shall develop an electronic means to notify interested parties when electric power generation facilities have filed an application. The commissioner of commerce shall calculate efficiency as the ratio of useful energy outputs to energy inputs, expressed as a percentage, based on the performance of the facility's equipment during normal full load operation. The commissioner must include in this formula the energy used in any on-site preparation of materials necessary to convert the materials into the fuel used to generate electricity, such as a process to gasify petroleum coke. The commissioner shall use the Higher Heating Value (HHV) for all substances in the commissioner's efficiency calculations, except for wood for fuel in a biomass-eligible project under section 216B.2424; for these instances, the commissioner shall adjust the heating value to allow for energy consumed for evaporation of the moisture in the wood. The applicant shall provide the commissioner of commerce with whatever information the commissioner deems necessary to make the determination. Within 30 days of the receipt of the necessary information, the commissioner of commerce shall certify the findings of the efficiency determination to the commissioner of revenue and to the applicant. The commissioner of commerce shall determine the efficiency of the facility and certify the findings of that determination to the commissioner of revenue every two years thereafter from the date of the original certification.

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

Sec. 6. Minnesota Statutes 2012, section 272.0211, subdivision 2, is amended to read:

Subd. 2. **Sliding scale exclusion.** Based upon the efficiency determination provided by the commissioner of commerce as described in subdivision 1, the commissioner of revenue shall subtract eight percent of the taxable market value of the qualifying property for each percentage point that the efficiency of the specific facility, as determined by the commissioner of commerce, is above 40 percent. The reduction in taxable market value shall be reflected in the taxable market value of the facility beginning with the assessment year immediately following the determination. The commissioner shall develop an electronic means to notify interested parties of the qualifying facilities and their respective exclusion percentages after the efficiency determination is made by the Department of Commerce. For a facility that is assessed by the county in which the facility is located, the commissioner of revenue shall certify to the assessor of that county the percentage of the taxable market value of the facility to be excluded.

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

Sec. 7. Minnesota Statutes 2012, section 272.0211, subdivision 4, is amended to read:

Subd. 4. **Eligibility.** An owner or operator of a new or existing electric power generation facility who offers electric power generated by the facility for sale is eligible for an exclusion under this section only if:

(1) the owner or operator has received a certificate of need under section 216B.243, if required under that section;

(2) the public utilities commission finds that an agreement exists or a good faith offer has been made to sell the majority of the net power generated by the facility to an electric utility which has a demonstrated need for the power. A right of first refusal satisfies the good faith offer requirement. The commission shall have 90 days from the date the commission receives notice of the application under subdivision 1 to make this determination; ~~and~~

(3) the electric utility has agreed in advance not to offer the electric power for resale to a retail customer located outside of the utility's assigned service area, or, if the utility is a generation and transmission cooperative electric association, the assigned service area of its members, unless otherwise permitted by law; and

(4) for any facility that was not certified as eligible for an exclusion under subdivision 2 for property taxes payable in 2015, the facility must be converted from coal to an alternative fuel and must have a nameplate capacity prior to conversion of less than 75 megawatts.

For the purposes of this subdivision, "electric utility" means an entity whose primary business function is to operate, maintain, or control equipment or facilities for providing electric service at retail or wholesale, and includes distribution cooperative electric associations, generation and transmission cooperative electric associations, municipal utilities, and public utilities as defined in section 216B.02, subdivision 4.

EFFECTIVE DATE. This section is effective for assessment year 2015 and thereafter.

Sec. 8. [272.0295] SOLAR ENERGY PRODUCTION TAX.

Subdivision 1. **Production tax.** A tax is imposed on the production of electricity from a solar energy generating system used as an electric power source.

Subd. 2. **Definitions.** (a) For the purposes of this section, the term "solar energy generating system" means a set of devices whose primary purpose is to produce electricity by means of any combination of collecting, transferring, or converting solar generated energy.

(b) The total size of a solar energy generating system under this subdivision shall be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of a solar energy generating system shall be combined with the nameplate capacity of any other solar energy generating system that is:

(1) constructed within the same 12-month period as the solar energy generating system; and

(2) exhibits characteristics of being a single development, including but not limited to ownership structure, an umbrella sales arrangement, shared interconnection, revenue-sharing arrangements, and common debt or equity financing.

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 solar energy generating 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. Solar energy generating systems are not under common ownership solely because the same person or entity provided equity financing for the systems.

Subd. 3. **Rate of tax.** (a) For a solar energy generating system with a capacity exceeding one megawatt alternating current, the tax is \$1.20 per megawatt-hour.

(b) A solar energy generating system with a capacity of one megawatt alternating current or less is exempt from the tax imposed under this section.

Subd. 4. **Reports.** An owner of a solar energy generating system subject to tax under this section shall file a report with the commissioner of revenue annually on or before January 15 detailing the amount of electricity in megawatt-hours that was produced by the system in 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 section for the current year. If an owner of a solar energy generating system subject to taxation under this section 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 30 percent.

Subd. 5. **Notification of tax.** (a) On or before February 28, the commissioner of revenue shall notify the owner of each solar energy generating system of the tax due to each county for the current year and shall certify to the county auditor of each county in which the system is located the tax due from each owner for the current year.

(b) If the commissioner of revenue determines that the amount of production tax has been erroneously calculated, the commissioner may correct the error. The commissioner must notify the

owner of the solar energy generating system of the correction and the amount of tax due to each county and must certify the correction to the county auditor of each county in which the system is located on or before April 1 of the current year.

Subd. 6. **Payment of tax; collection.** The amount of production tax determined under subdivision 5 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, is 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 sections 277.01 to 277.24 and 278.01 to 278.14 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. 7. **Distribution of revenues.** Revenues from the taxes imposed under this section 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 or the county treasurer to local taxing jurisdictions in which the solar energy generating system is located as follows: 80 percent to counties; and 20 percent to cities and townships.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2015.

Sec. 9. Minnesota Statutes 2012, section 272.03, subdivision 1, is amended to read:

Subdivision 1. **Real property.** (a) For the purposes of taxation, "real property" includes the land itself, rails, ties, and other track materials annexed to the land, and all buildings, structures, and improvements or other fixtures on it, bridges of bridge companies, and all rights and privileges belonging or appertaining to the land, and all mines, iron ore and taconite minerals not otherwise exempt, quarries, fossils, and trees on or under it.

(b) A building or structure shall include the building or structure itself, together with all improvements or fixtures annexed to the building or structure, which are integrated with and of permanent benefit to the building or structure, regardless of the present use of the building, and which cannot be removed without substantial damage to itself or to the building or structure.

(c)(i) Real property does not include tools, implements, machinery, and equipment attached to or installed in real property for use in the business or production activity conducted thereon, regardless of size, weight or method of attachment, and mine shafts, tunnels, and other underground openings used to extract ores and minerals taxed under chapter 298 together with steel, concrete, and other materials used to support such openings.

(ii) The exclusion provided in clause (i) shall not apply to machinery and equipment includable as real estate by paragraphs (a) and (b) even though such machinery and equipment is used in the business or production activity conducted on the real property if and to the extent such business or production activity consists of furnishing services or products to other buildings or structures which are subject to taxation under this chapter.

(iii) The exclusion provided in clause (i) does not apply to the exterior shell of a structure which constitutes walls, ceilings, roofs, or floors if the shell of the structure has structural, insulation, or temperature control functions or provides protection from the elements, unless the structure is primarily used in the production of biofuels, wine, beer, distilled beverages, or dairy products. Such an exterior shell is included in the definition of real property even if it also has special functions distinct from that of a building, or if such an exterior shell is primarily used for the storage of

ingredients or materials used in the production of biofuels, wine, beer, distilled beverages, or dairy products, or for the storage of finished biofuels, wine, beer, distilled beverages, or dairy products.

(d) The term real property does not include tools, implements, machinery, equipment, poles, lines, cables, wires, conduit, and station connections which are part of a telephone communications system, regardless of attachment to or installation in real property and regardless of size, weight, or method of attachment or installation.

EFFECTIVE DATE. This section is effective beginning with assessment year 2015.

Sec. 10. Minnesota Statutes 2012, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead under this section is excluded in determining the property's taxable market value if the veteran has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers.

(b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, \$300,000 of market value is excluded.

(c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse for the current taxes payable year and for ~~five~~ eight additional taxes payable years or until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first. Qualification under this paragraph requires an annual application under paragraph (h).

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), for ~~five~~ eight taxes payable years, or until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property, whichever comes first.

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

(f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

(h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by July 1 of each assessment year, except that an annual reapplication is not required once a property has been accepted for a valuation exclusion under paragraph (a) and qualifies for the benefit described in paragraph (b), clause (2), and the property continues to qualify until there is a change in ownership. For an application received after July 1 of any calendar year, the exclusion shall become effective for the following assessment year.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

(k) The purpose of this provision of law providing a level of homestead property tax relief for gravely disabled veterans, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.

EFFECTIVE DATE. This section is effective for taxes payable in 2015, and applies to homesteads that initially qualified for the exclusion for taxes payable in 2009 and thereafter.

Sec. 11. Minnesota Statutes 2012, section 275.065, subdivision 1, is amended to read:

Subdivision 1. **Proposed levy.** (a) Notwithstanding any law or charter to the contrary, on or before September 15, 30, each taxing authority, other than a school district, shall adopt a proposed budget and county and each home rule charter or statutory city shall certify to the county auditor the proposed or, in the case of a town, the final property tax levy for taxes payable in the following year.

(b) Notwithstanding any law or charter to the contrary, on or before September 15, each town and each special taxing district shall adopt and certify to the county auditor a proposed property tax levy for taxes payable in the following year. For towns, the final certified levy shall also be considered the proposed levy.

(c) On or before September 30, each school district that has not mutually agreed with its home county to extend this date shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. Each school district that has agreed with its home county to delay the certification of its proposed property tax levy must certify its proposed property tax levy for the following year no later than October 7. The school district shall certify the proposed levy as:

(1) a specific dollar amount by school district fund, broken down between voter-approved and non-voter-approved levies and between referendum market value and tax capacity levies; or

(2) the maximum levy limitation certified by the commissioner of education according to section 126C.48, subdivision 1.

~~(e)~~ (d) If the board of estimate and taxation or any similar board that establishes maximum tax levies for taxing jurisdictions within a first class city certifies the maximum property tax levies for funds under its jurisdiction by charter to the county auditor by September 15 the date specified in paragraph (a), the city shall be deemed to have certified its levies for those taxing jurisdictions.

~~(d)~~ (e) For purposes of this section, "taxing authority" includes all home rule and statutory cities, towns, counties, school districts, and "special taxing district" means a special taxing districts district as defined in section 275.066. Intermediate school districts that levy a tax under chapter 124 or 136D, joint powers boards established under sections 123A.44 to 123A.446, and Common School Districts No. 323, Franconia, and No. 815, Prinsburg, are also special taxing districts for purposes of this section.

~~(e)~~ (f) At the meeting at which ~~the~~ a taxing authority, other than a town, adopts its proposed tax levy under ~~paragraph (a) or (b)~~ this subdivision, the taxing authority shall announce the time and place of its subsequent regularly scheduled meetings at which the budget and levy will be discussed and at which the public will be allowed to speak. The time and place of those meetings must be included in the proceedings or summary of proceedings published in the official newspaper of the taxing authority under section 123B.09, 375.12, or 412.191.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2015.

Sec. 12. Minnesota Statutes 2012, section 279.03, subdivision 2, is amended to read:

Subd. 2. **Composite judgment.** ~~Amounts included in composite judgments authorized by section 279.37, subdivision 1, and confessed on or after July 1, 1982, are subject to interest at the rate determined pursuant to section 549.09. Amounts confessed under this authority after December 31, 1990, (a) Except as provided in paragraph (b), amounts included in composite judgments authorized by section 279.37, subdivision 1, are subject to interest at the rate calculated under subdivision 1a. During each calendar year, interest shall accrue on the unpaid balance of the composite judgment from the time it is confessed until it is paid. The rate of interest is subject to change each year in the same manner that section 549.09 or subdivision 1a, whichever is applicable, for rate changes. Interest on the unpaid contract balance on judgments confessed before July 1, 1982, is payable at the rate applicable to the judgment at the time that it was confessed. The interest rate established at the time the judgment is confessed is fixed for the duration of that judgment.~~

(b) A confession of judgment covering any part of a parcel classified as 1a or 1b, and used as the homestead of the owner, is subject to interest at the rate provided in section 279.37, subdivision 2, paragraph (b). This paragraph does not apply to a relative homestead under section 273.124, subdivision 1, paragraph (c).

EFFECTIVE DATE. This section is effective for confession judgments entered into on or after January 1, 2015.

Sec. 13. Minnesota Statutes 2013 Supplement, section 279.37, subdivision 2, is amended to read:

Subd. 2. **Installment payments.** (a) The owner of any such parcel, or any person to whom the right to pay taxes has been given by statute, mortgage, or other agreement, may make and file with the county auditor of the county in which the parcel is located a written offer to pay the current taxes each year before they become delinquent, or to contest the taxes under Minnesota Statutes 1941, sections 278.01 to 278.13, and agree to confess judgment for the amount provided, as determined by the county auditor. By filing the offer, the owner waives all irregularities in connection with the

tax proceedings affecting the parcel and any defense or objection which the owner may have to the proceedings, and also waives the requirements of any notice of default in the payment of any installment or interest to become due pursuant to the composite judgment to be so entered. Unless the property is subject to subdivision 1a, with the offer, the owner shall (i) tender one-tenth of the amount of the delinquent taxes, costs, penalty, and interest, and (ii) tender all current year taxes and penalty due at the time the confession of judgment is entered. In the offer, the owner shall agree to pay the balance in nine equal installments, with interest as provided in section 279.03, payable annually on installments remaining unpaid from time to time, on or before December 31 of each year following the year in which judgment was confessed.

(b) For property which qualifies under section 279.03, subdivision 2, paragraph (b), each year the commissioner shall set the interest rate for offers made under paragraph (a) at the greater of five percent or two percent above the prime rate charged by banks during the six-month period ending on September 30 of that year, rounded to the nearest full percent, provided that the rate must not exceed the maximum annum rate specified under section 279.03, subdivision 1a. The rate of interest becomes effective on January 1 of the immediately succeeding year. The commissioner's determination under this subdivision is not a rule subject to the Administrative Procedure Act in chapter 14, including section 14.386. If a default occurs in the payments under any confessed judgment entered under this paragraph, the taxes and penalties due are subject to the interest rate specified in section 279.03.

For the purposes of this subdivision:

(1) the term "prime rate charged by banks" means the average predominant prime rate quoted by commercial banks to large businesses, as determined by the Board of Governors of the Federal Reserve System; and

(2) "default" means the cancellation of the confession of judgment due to nonpayment of the current year tax or failure to make any installment payment required by this confessed judgment within 60 days from the date on which payment was due.

(c) The interest rate established at the time judgment is confessed is fixed for the duration of the judgment. By October 15 of each year, the commissioner of revenue must determine the rate of interest as provided under paragraph (b) and, by November 1 of each year, must certify the rate to the county auditor.

(d) A qualified property owner eligible to enter into a second confession of judgment may do so at the interest rate provided in paragraph (b).

(e) Repurchase agreements or contracts for repurchase for properties being repurchased under section 282.261 are not eligible to receive the interest rate under paragraph (b).

(f) The offer must be substantially as follows:

"To the court administrator of the district court of county, I,, am the owner of the following described parcel of real estate located in county, Minnesota:

..... Upon that real estate there are delinquent taxes for the year, and prior years, as follows: (here insert year of delinquency and the total amount of delinquent taxes, costs, interest, and penalty). By signing this document I offer to confess judgment in the sum of \$..... and waive all irregularities in the tax proceedings affecting these taxes and any defense or objection

which I may have to them, and direct judgment to be entered for the amount stated above, minus the sum of \$....., to be paid with this document, which is one-tenth or one-fifth of the amount of the taxes, costs, penalty, and interest stated above. I agree to pay the balance of the judgment in nine or four equal, annual installments, with interest as provided in section 279.03, payable annually, on the installments remaining unpaid. I agree to pay the installments and interest on or before December 31 of each year following the year in which this judgment is confessed and current taxes each year before they become delinquent, or within 30 days after the entry of final judgment in proceedings to contest the taxes under Minnesota Statutes, sections 278.01 to 278.13.

Dated,"

EFFECTIVE DATE. This section shall be effective for confession judgments entered into on or after January 1, 2015.

Sec. 14. Minnesota Statutes 2012, section 383E.21, subdivision 1, is amended to read:

Subdivision 1. **Authority to levy property taxes and incur debt.** (a) To finance the cost of designing, constructing, and acquiring countywide public safety improvements and equipment, including personal property, benefiting both Anoka County and the municipalities located within Anoka County, the governing body of Anoka County may levy property taxes for public safety improvements and equipment, and issue:

(1) capital improvement bonds under the provisions of section 373.40 as if the infrastructure and equipment qualified as a "capital improvement" within the meaning of section 373.40, subdivision 1, paragraph (b); and

(2) capital notes under the provisions of section 373.01, subdivision 3, as if the equipment qualified as "capital equipment" within the meaning of section 373.01, subdivision 3. Personal property acquired with the proceeds of the bonds or capital notes issued under this section must have an expected useful life at least as long as the term of debt.

(b) The outstanding principal amount of the bonds and the capital notes issued under this section may not exceed \$8,000,000 at any time. Any bonds or notes issued pursuant to this section must only be issued after approval by a majority vote of the Anoka County Joint Law Enforcement Council, a joint powers board.

EFFECTIVE DATE. This section is effective retroactively for taxes payable in 2013 and thereafter and expires under Minnesota Statutes, section 383E.21, subdivision 3.

Sec. 15. Minnesota Statutes 2012, section 383E.21, subdivision 2, is amended to read:

Subd. 2. **Treatment of levy.** Notwithstanding sections 275.065, subdivision 3, and 276.04, the county may report the tax attributable to any levy to fund public safety capital improvements or equipment projects approved by the Anoka County Joint Law Enforcement Council or pay principal and interest on bonds or notes issued under this section as a separate line item on the proposed property tax notice and the property tax statement. Notwithstanding any provision in chapter 275 or 373 to the contrary, bonds or notes issued by Anoka County under this section must not be included in the computation of the net debt of Anoka County.

EFFECTIVE DATE. This section is effective retroactively for taxes payable in 2013 and thereafter and expires under Minnesota Statutes, section 383E.21, subdivision 3.

Sec. 16. Laws 1999, chapter 243, article 14, section 5, subdivision 1, is amended to read:

Subdivision 1. **Board plan and program.** The board shall adopt a comprehensive plan for the collection, treatment, and disposal of sewage in the district for a designated period the board deems proper and reasonable. The board shall prepare and adopt subsequent comprehensive plans for the collection, treatment, and disposal of sewage in the district for each succeeding designated period as the board deems proper and reasonable. All comprehensive plans of the district shall be subject to the planning and zoning authority of Scott county and in conformance with all planning and zoning ordinances of Scott county. The first plan, as modified by the board, and any subsequent plan shall take into account the preservation and best and most economic use of water and other natural resources in the area; the preservation, use, and potential for use of lands adjoining waters of the state to be used for the disposal of sewage; and the impact the disposal system will have on present and future land use in the area affected. In no case shall the comprehensive plan provide for more than ~~325~~ 364 connections to the disposal system. All connections must be charged a full assessment. Connections made after the initial assessment period ends must be charged an amount equal to the initial assessment plus an adjustment for inflation and plus any other charges determined to be reasonable and necessary by the board. Deferred assessments may be permitted, as provided for in Minnesota Statutes, chapter 429. The plans shall include the general location of needed interceptors and treatment works, a description of the area that is to be served by the various interceptors and treatment works, a long-range capital improvements program, and any other details as the board deems appropriate. In developing the plans, the board shall consult with persons designated for the purpose by governing bodies of any governmental unit within the district to represent the entities and shall consider the data, resources, and input offered to the board by the entities and any planning agency acting on behalf of one or more of the entities. Each plan, when adopted, must be followed in the district and may be revised as often as the board deems necessary.

EFFECTIVE DATE. This section is effective the day after the governing body of the Cedar Lake area water and sanitary sewer district and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 17. HELENA TOWNSHIP, SCOTT COUNTY; REMOVAL OF SUBORDINATE SERVICE DISTRICT.

Subdivision 1. **Application.** This section applies to the subordinate service district established in Helena Township, Scott County, for the Silver Maple Bay Estates, under Minnesota Statutes, chapter 365A.

Subd. 2. **Special provision for removal of the district.** Notwithstanding the requirements of Minnesota Statutes, section 365A.095, subdivision 2, if the district is removed as provided in Minnesota Statutes, section 365A.095, subdivision 1, after all outstanding obligations of the district have been paid in full, the town board may vote to sell or use the surplus of any land or equipment, or the surplus of any tax revenue or service charge, or any part of it, collected from or associated with the district to connect the owners of any property within the discontinued district to another public sewer system. Any surplus not used to connect residents to such sewer system may be distributed equally to the owners of any property within the discontinued district that were charged the extra tax or service fee during the most recent tax year for which the tax or service fee was imposed. Any surplus not refunded under this section must be transferred to the town's general fund.

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

Sec. 18. CITY OF JACKSON; LIMITATION ON ABATEMENTS.

Notwithstanding the provisions of Minnesota Statutes, section 469.1813, subdivision 8, the total amount of property taxes abated by the city of Jackson in any year under Minnesota Statutes, section 469.1813, may not exceed the greater of (1) ten percent of the city's net tax capacity for the taxes payable year to which the abatement applies; or (2) \$240,000.

EFFECTIVE DATE. This section is effective for taxes payable in 2015 through taxes payable in 2019.

Sec. 19. STUDY OF ENERGY PRODUCING SYSTEMS.

(a) The commissioner of revenue shall prepare a report on the taxation of electric energy producing systems in the state of Minnesota, including both traditional and renewable energy sources. For purposes of this study, traditional sources include coal, nuclear, and natural gas production and renewable sources include, but are not limited to, solar, wind, biomass, and hydro.

(b) The report must, to the extent practicable under the appropriation and the time available:

(1) describe, analyze, and compare the various methods by which the personal and real property of energy producing systems, using both traditional and renewable energy sources, are taxed under the property tax;

(2) describe, analyze, and compare the availability of any exclusions, exemptions, or payment-in-lieu of taxation arrangements that apply to the systems and relative tax and economic effects of the arrangements;

(3) evaluate the extent to which host political subdivisions and communities are compensated under the existing Minnesota property tax system for the external costs that the various types of production facilities impose on the host political subdivisions and communities;

(4) compare the net cost of property and other taxes per unit of energy produced in Minnesota compared to its border states, for both traditional and renewable energy sources;

(5) develop and evaluate alternative tax or fee systems for appropriately compensating host political subdivisions and communities for the external costs imposed by the facilities; and

(6) make recommendations for the taxation of solar energy producing systems, including both real and personal property.

(c) The commissioner shall report the findings of the study to the committees of the house of representatives and senate having jurisdiction over taxes by February 1, 2015, and file the report as required by Minnesota Statutes, section 3.195.

(d) \$150,000 is appropriated from the general fund in fiscal year 2015 to the commissioner of revenue for purposes of preparing the report under this section. This is a onetime appropriation and is not added to the base budget.

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

Sec. 20. STUDY OF NORTH DAKOTA OIL PRODUCTION; IMPACT ON MINNESOTA.

(a) \$250,000 in fiscal year 2015 is appropriated from the general fund to the commissioner of employment and economic development, in consultation with the commissioner of revenue and the commissioner of transportation, to finance a study and analysis of the effects of current and projected oil production in North Dakota on the Minnesota economy with special focus on the northwestern region of Minnesota and area border cities as provided in paragraph (b).

(b) The study and analysis must address:

(1) current and projected economic, fiscal, and demographic effects and issues;

(2) direct and indirect costs and benefits and positive and negative effects, including those upon workforce, taxation, and transportation, including the transportation of passengers and agricultural products by railroads; and

(3) economic challenges and opportunities for economic growth or diversification.

(c) The study must be objective, evidence-based, and designed to produce empirical data. Study data must be utilized to formulate policy recommendations on how the state, the northwestern region of the state, and border cities may respond to the challenges and opportunities for economic growth and financial investment that may be derived from the regional economic changes that are the result of oil production in North Dakota.

(d) For the purposes of this section, "border cities" has the meaning given in Minnesota Statutes, section 469.1731.

(e) The study and analysis must be conducted by an independent entity with demonstrated knowledge in the following areas:

(1) the economy and demography of Minnesota;

(2) the domestic and foreign oil industry; and

(3) technologies, markets, and geopolitical factors that have an impact on current and future oil production in the region.

(f) The commissioner shall report on the findings and recommendations of the study to the committees of the house of representatives and senate having jurisdiction over economic development, workforce issues, and taxation by February 15, 2015.

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

ARTICLE 3

SALES, USE, AND EXCISE TAXES

Section 1. Minnesota Statutes 2013 Supplement, section 116J.8738, subdivision 2, is amended to read:

Subd. 2. **Qualified business.** (a) A business is a qualified business if it satisfies the requirement of this paragraph and is not disqualified under the provisions of paragraph (b). To qualify, the business must:

(1) have operated its trade or business in a city or cities in greater Minnesota for at least one year before applying under subdivision 3;

(2) pay or agree to pay in the future each employee compensation, including benefits not mandated by law, that on an annualized basis equal at least 120 percent of the federal poverty level for a family of four;

(3) plan and agree to expand its employment in one or more cities in greater Minnesota by the minimum number of employees required under subdivision 3, paragraph (c); and

(4) have received certification from the commissioner under subdivision 3 that it is a qualified business.

(b) A business is not a qualified business if it is either:

(1) primarily engaged in making retail sales to purchasers who are physically present at the business's location or locations in greater Minnesota; ~~or~~

(2) a public utility, as defined in section 336B.01; or

(3) primarily engaged in lobbying; gambling; entertainment; professional sports; political consulting; leisure; hospitality; or professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants.

(c) The requirements in paragraph (a) that the business's operations and expansion be located in a city do not apply to an agricultural processing facility.

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

Sec. 2. Minnesota Statutes 2013 Supplement, section 116J.8738, subdivision 3, is amended to read:

Subd. 3. **Certification of qualified business.** (a) A business may apply to the commissioner for certification as a qualified business under this section. The commissioner shall specify the form of the application, the manner and times for applying, and the information required to be included in the application. The commissioner may impose an application fee in an amount sufficient to defray the commissioner's cost of processing certifications. A business must file a copy of its application with the chief clerical officer of the city at the same time it applies to the commissioner. For an agricultural processing facility located outside the boundaries of a city, the business must file a copy of the application with the county auditor.

(b) The commissioner shall certify each business as a qualified business that:

(1) satisfies the requirements of subdivision 2;

(2) the commissioner determines would not expand its operations in greater Minnesota without the tax incentives available under subdivision 4; and

(3) enters a business subsidy agreement with the commissioner that pledges to satisfy the minimum expansion requirements of paragraph (c) within three years or less following execution of the agreement.

The commissioner must act on an application within ~~60~~ 90 days after its filing. Failure by the commissioner to take action within the ~~60-day~~ 90-day period is deemed approval of the application.

~~(c) The following minimum expansion requirements apply, based on the number of employees of the business at locations in greater Minnesota:~~

~~(1) a business that employs 50 or fewer full-time equivalent employees in greater Minnesota when the agreement is executed must increase its employment by five or more full-time equivalent employees;~~

~~(2) a business that employs more than 50 but fewer than 200 full-time equivalent employees in greater Minnesota when the agreement is executed must increase the number of its full-time equivalent employees in greater Minnesota by at least ten percent; or~~

~~(3) a business that employs 200 or more full-time equivalent employees in greater Minnesota when the agreement is executed must increase its employment by at least 21 full-time equivalent employees~~ (c) The business must increase the number of full-time equivalent employees in greater Minnesota from the time the business subsidy agreement is executed by two employees or ten percent, whichever is greater.

(d) The city, or a county for an agricultural processing facility located outside the boundaries of a city, in which the business proposes to expand its operations may file comments supporting or opposing the application with the commissioner. The comments must be filed within 30 days after receipt by the city of the application and may include a notice of any contribution the city or county intends to make to encourage or support the business expansion, such as the use of tax increment financing, property tax abatement, additional city or county services, or other financial assistance.

(e) Certification of a qualified business is effective for the ~~12-year~~ seven-year period beginning on the first day of the calendar month immediately following ~~execution of the business subsidy agreement~~ the date that the commissioner informs the business of the award of the benefit.

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

Sec. 3. Minnesota Statutes 2013 Supplement, section 116J.8738, subdivision 4, is amended to read:

Subd. 4. **Available tax incentives.** A qualified business is entitled to a sales tax exemption, up to \$2,000,000 annually and \$10,000,000 during the total period of the agreement, as provided in section 297A.68, subdivision 44, for purchases made during the period the business was certified as a qualified business under this section. The commissioner has discretion to set the maximum amounts of the annual and total sales tax exemption allowed for each qualifying business as part of the business subsidy agreement.

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

Sec. 4. Minnesota Statutes 2013 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) or (g), 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) A vendor having a liability of ~~\$120,000~~ \$250,000 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 ~~90~~ 81.4 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:

(1) \$10,000 or more, but less than ~~\$120,000~~ \$250,000 during a fiscal year ending June 30, 2013, and fiscal years thereafter, must remit by electronic means all liabilities on returns due for periods beginning in all subsequent calendar years 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; or

(2) ~~\$120,000~~ \$250,000 or more, during a fiscal year ending June 30, ~~2009~~ 2013, and fiscal years thereafter, must remit by electronic means all liabilities in the manner provided in paragraph (a) on returns due for periods beginning in the subsequent calendar year, except for ~~90~~ 81.4 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.

(d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's religious beliefs from paying electronically shall be allowed to remit the payment by mail. The filer must notify the commissioner of revenue of the intent to pay by mail before doing so on a form prescribed by the commissioner. No extra fee may be charged to a person making payment by mail under this paragraph. The payment must be postmarked at least two business days before the due date for making the payment in order to be considered paid on a timely basis.

EFFECTIVE DATE. This section is effective for taxes remitted after May 30, 2014.

Sec. 5. Minnesota Statutes 2012, section 289A.60, subdivision 15, is amended to read:

Subd. 15. **Accelerated payment of June sales tax liability; penalty for underpayment.** For payments made after December 31, ~~2006~~ 2013, if a vendor is required by law to submit an estimation of June sales tax liabilities and ~~90~~ 81.4 percent payment by a certain date, the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty must not be imposed, however, if the amount remitted in June equals the lesser of ~~90~~ 81.4 percent of the preceding May's liability or ~~90~~ 81.4 percent of the average monthly liability for the previous calendar year.

EFFECTIVE DATE. This section is effective for taxes remitted after May 30, 2014.

Sec. 6. Minnesota Statutes 2012, section 297A.67, subdivision 13a, is amended 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 postsecondary 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, digital audio works, digital audiovisual works, 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 the day following final enactment.

Sec. 7. Minnesota Statutes 2012, section 297A.67, is amended by adding a subdivision to read:

Subd. 33. Presentations accessed as digital audio and audiovisual works. The charge for a live or prerecorded presentation, such as a lecture, seminar, workshop, or course, where participants access the presentation as a digital audio work or digital audiovisual work, and are connected to the presentation via the Internet, telecommunications equipment or other device that transfers the presentation electronically, is exempt if:

(1) participants and the presenter, during the time that participants access the presentation, are able to give, receive, and discuss the presentation with each other, although the amount of interaction and when in the presentation the interaction occurs may be limited by the presenter; and

(2) for those presentations where participants are given the option to attend the same presentation in person:

(i) any limitations on the amount of interaction and when it occurs during the presentation are the same for those participants accessing the presentation electronically as those attending in person; and

(ii) the admission to the in person presentation is not subject to tax under this chapter.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2014.

Sec. 8. Minnesota Statutes 2012, section 297A.68, is amended by adding a subdivision to read:

Subd. 3a. Coin-operated entertainment and amusement devices. Coin-operated entertainment and amusement devices including, but not limited to, fortune-telling machines, cranes, foosball and pool tables, video and pinball games, batting cages, rides, photo or video booths, and jukeboxes, are exempt when purchased by retailers selling admission to places of amusement and making available amusement devices as provided in section 297A.61, subdivision 3, paragraph (g), clause (1). Coin-operated entertainment and amusement devices do not include vending machines, lottery devices, or gaming devices as described in chapters 297E and 349.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2014.

Sec. 9. Minnesota Statutes 2013 Supplement, section 297A.68, subdivision 42, is amended to read:

Subd. 42. Qualified data centers. (a) Purchases of enterprise information technology equipment and computer software for use in a qualified data center, or a qualified refurbished data center, are exempt, except that computer software maintenance agreements are exempt for purchases made after June 30, 2013. The tax on purchases exempt under this paragraph must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded after June 30, 2013, in the manner provided in section 297A.75. This exemption includes enterprise information technology equipment and computer software purchased to replace or upgrade enterprise information technology equipment and computer software in a qualified data center, or a qualified refurbished data center.

(b) Electricity used or consumed in the operation of a qualified data center or qualified refurbished data center is exempt.

(c) For purposes of this subdivision, "~~qualified data center, or a qualified refurbished data center,~~" means a facility in Minnesota:

(1) that is comprised of one or more buildings that consist in the aggregate of at least 25,000 square feet, and that are located on a single parcel or on contiguous parcels, where the total cost of construction or refurbishment, investment in enterprise information technology equipment, and computer software is at least \$30,000,000 within a 48-month period. The 48-month period begins no sooner than July 1, 2012, except that costs for computer software maintenance agreements purchased before July 1, 2013, are not included in determining if the \$30,000,000 threshold has been met;

(2) that is constructed or substantially refurbished after June 30, 2012, where "substantially refurbished" means that at least 25,000 square feet have been rebuilt or modified, including:

(i) installation of enterprise information technology equipment;₂ environmental control, computer software, and energy efficiency improvements; and

(ii) building improvements; and

(3) that is used to house enterprise information technology equipment, where the facility has the following characteristics:

(i) uninterruptible power supplies, generator backup power, or both;

(ii) sophisticated fire suppression and prevention systems; and

(iii) enhanced security. A facility will be considered to have enhanced security if it has restricted access to the facility to selected personnel; permanent security guards; video camera surveillance; an electronic system requiring pass codes, keycards, or biometric scans, such as hand scans and retinal or fingerprint recognition; or similar security features.

In determining whether the facility has the required square footage, the square footage of the following spaces shall be included if the spaces support the operation of enterprise information technology equipment: office space, meeting space, and mechanical and other support facilities. For purposes of this subdivision, "computer software" includes, but is not limited to, software utilized or loaded at ~~the~~ a qualified data center or qualified refurbished data center, including maintenance, licensing, and software customization.

(d) For purposes of this subdivision, a "qualified refurbished data center" means an existing facility that qualifies as a data center under paragraph (c), clauses (2) and (3), but that is comprised of one or more buildings that consist in the aggregate of at least 25,000 square feet, and that are located on a single parcel or contiguous parcels, where the total cost of construction or refurbishment, investment in enterprise information technology equipment, and computer software is at least \$50,000,000 within a 24-month period.

(e) For purposes of this subdivision, "enterprise information technology equipment" means computers and equipment supporting computing, networking, or data storage, including servers and routers. It includes, but is not limited to: cooling systems, cooling towers, and other temperature control infrastructure; power infrastructure for transformation, distribution, or management of electricity used for the maintenance and operation of a qualified data center or qualified refurbished

data center, including but not limited to exterior dedicated business-owned substations, backup power generation systems, battery systems, and related infrastructure; and racking systems, cabling, and trays, which are necessary for the a maintenance and operation of the qualified data center or qualified refurbished data center.

(f) A qualified data center or qualified refurbished data center may claim the exemptions in this subdivision for purchases made either within 20 years of the date of its first purchase qualifying for the exemption under paragraph (a), or by June 30, 2042, whichever is earlier.

(g) The purpose of this exemption is to create jobs in the construction and data center industries.

(h) This subdivision is effective for sales and purchases made ~~after June 30, 2012, and before July 1, 2042.~~

(i)(1) The commissioner of employment and economic development must certify to the commissioner of revenue, in a format approved by the commissioner of revenue, when a qualified data center has met the requirements under paragraph (c) or a qualified refurbished data center has met the requirements under paragraph (d). The certification must provide the following information regarding each qualified data center or qualified refurbished data center:

(i) the total square footage amount;

(ii) the total amount of construction or refurbishment costs and the total amount of qualifying investments in enterprise information technology equipment and computer software; and

(iii) the beginning and ending of the applicable period under either paragraph (c) or (d) in which the qualifying expenditures and purchases under item (ii) were made, but in no case shall the period begin before July 1, 2012;

(2) Any refund for sales tax paid on qualifying purchases under this subdivision must not be issued unless the commissioner of revenue has received the certification required under clause (1) either from the commissioner of employment and economic development or the qualified data center or qualified refurbished data center claiming the refund; and

(3) The commissioner of employment and economic development must annually notify the commissioner of revenue of the qualified data centers that are projected to meet the requirements under paragraph (c) and the qualified refurbished data centers that are projected to meet the requirements under paragraph (d) in each of the next four years. The notification must provide the information required under clause (1), items (i) to (iii), for each qualified data center or qualified refurbished data center.

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

Sec. 10. Minnesota Statutes 2013 Supplement, section 297A.68, subdivision 44, is amended to read:

Subd. 44. **Greater Minnesota business expansions.** (a) Purchases and use of tangible personal property or taxable services by a qualified business, as defined in section 116J.8738, are exempt if:

(1) the business subsidy agreement provides that the exemption under this subdivision applies;

(2) the property or services are primarily used or consumed at the facility in greater Minnesota identified in the business subsidy agreement; and

(3) the purchase was made and delivery received during the duration of the certification of the business as a qualified business under section 116J.8738.

(b) Purchase and use of construction materials and supplies used or consumed in, and equipment incorporated into, the construction of improvements to real property in greater Minnesota are exempt if the improvements after completion of construction are to be used in the conduct of the trade or business of the qualified business, as defined in section 116J.8738. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax.

(d) The tax on purchases imposed under this subdivision must be imposed and collected as if the rate under section 297A.62 applied, and then refunded in the manner provided in section 297A.75. The total amount refunded for a facility over the certification period is limited to the amount listed in the business subsidy agreement. No more than \$7,000,000 may be refunded in a fiscal year for all purchases under this subdivision. Refunds must be allocated on a first-come, first-served basis. If more than \$7,000,000 of eligible claims are made in a fiscal year, claims by qualified businesses carry over to the next fiscal year, and the commissioner must first allocate refunds to qualified businesses eligible for a refund in the preceding fiscal year. Any portion of the balance of funds allocated for refunds under this paragraph does not cancel and shall be carried forward to and available for refunds in subsequent fiscal years. Notwithstanding section 297A.75, subdivision 4, for an eligible refund claim that carries over to a subsequent fiscal year, the interest on the amount carried over must be paid on the refund no sooner than from 90 days after July 1 of the fiscal year in which funds are available for the eligible claim.

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

Sec. 11. Minnesota Statutes 2013 Supplement, section 297A.70, subdivision 2, is amended to read:

Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b), to the following governments and political subdivisions, or to the listed agencies or instrumentalities of governments and political subdivisions, are exempt:

(1) the United States and its agencies and instrumentalities;

(2) school districts, local governments, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Perpich Minnesota Center for Arts Education, and an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools;

(3) hospitals and nursing homes owned and operated by political subdivisions of the state of tangible personal property and taxable services used at or by hospitals and nursing homes;

(4) notwithstanding paragraph (d), the sales and purchases by the Metropolitan Council, for its purchases of vehicles and repair parts to equip operations provided for in section 473.4051 are exempt through December 31, 2016;

(5) other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state; and

(6) public libraries, public library systems, multicounty, multitype library systems as defined in section 134.001, county law libraries under chapter 134A, state agency libraries, the state library under section 480.09, and the Legislative Reference Library.

(b) This exemption does not apply to the sales of the following products and services:

(1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility;

(2) construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

(3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except for leases entered into by the United States or its agencies or instrumentalities;

(4) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except for lodging, prepared food, candy, soft drinks, and alcoholic beverages purchased directly by the United States or its agencies or instrumentalities; or

(5) goods or services purchased by a local government as inputs to ~~goods and services that are generally provided by a private business and the purchases would be taxable if made by a private business engaged in the same activity~~ a liquor store, gas or electric utility, solid waste hauling service, solid waste recycling service, landfill, golf course, marina, campground, cafe, or laundromat.

(c) As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, and any instrumentality of a school district, as defined in section 471.59.

(d) ~~As used in this subdivision~~ For purposes of the exemption granted under this subdivision, "local governments" means has the following meaning:

(1) for the period prior to January 1, 2016, local governments means statutory or home rule charter cities, counties, and townships;

(2) for the period of January 1, 2016, to December 31, 2016, local governments means statutory or home rule charter cities, counties, and townships; special districts as defined under section 6.465, except for the Metropolitan Council under sections 473.123 to 473.549; any instrumentality of a statutory or home rule charter city, county, or township as defined in section 471.59; and any joint powers board or organization created under section 471.59; and

(3) beginning January 1, 2017, local governments means statutory or home rule charter cities, counties, and townships; special districts as defined under section 6.465; any instrumentality of a statutory or home rule charter city, county, or township as defined in section 471.59; and any joint powers board or organization created under section 471.59.

(e) ~~As used in this subdivision, "goods or services generally provided by a private business" include, but are not limited to, goods or services provided by liquor stores, gas and electric utilities, golf courses, marinas, health and fitness centers, campgrounds, cafes, and laundromats. "Goods~~

or services generally provided by a private business" do not include housing services, sewer and water services, wastewater treatment, ambulance and other public safety services, correctional services, chore or homemaking services provided to elderly or disabled individuals, or road and street maintenance or lighting.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2014.

Sec. 12. Minnesota Statutes 2013 Supplement, section 297A.70, subdivision 13, is amended to read:

Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following sales by the specified organizations for fund-raising purposes are exempt, subject to the limitations listed in paragraph (b):

(1) all sales made by a nonprofit organization that exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under;

(2) all sales made by an organization that is a senior citizen group or association of groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii) no part of its net earnings inures to the benefit of any private shareholders;

(3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code; and

(4) sales of candy sold for fund-raising purposes by a nonprofit organization that provides educational and social activities primarily for young people age 18 and under.

(b) The exemptions listed in paragraph (a) are limited in the following manner:

(1) the exemption under paragraph (a), clauses (1) and (2), applies only if to the first \$20,000 of the gross annual receipts of the organization from fund-raising ~~do not exceed \$10,000~~; and

(2) the exemption under paragraph (a), clause (1), does not apply if the sales are derived from admission charges or from activities for which the money must be deposited with the school district treasurer under section 123B.49, subdivision 2, or be recorded in the same manner as other revenues or expenditures of the school district under section 123B.49, subdivision 4.

(c) Sales of tangible personal property and services are exempt if the entire proceeds, less the necessary expenses for obtaining the property or services, will be contributed to a registered combined charitable organization described in section 43A.50, to be used exclusively for charitable, religious, or educational purposes, and the registered combined charitable organization has given its written permission for the sale. Sales that occur over a period of more than 24 days per year are not exempt under this paragraph.

(d) For purposes of this subdivision, a club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports, educational, or other extracurricular activities is a separate organization from the school district or school for purposes of applying the ~~\$10,000~~ \$20,000 limit.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2014.

Sec. 13. Minnesota Statutes 2013 Supplement, section 297A.70, subdivision 14, is amended to read:

Subd. 14. **Fund-raising events sponsored by nonprofit groups.** (a) Sales of tangible personal property or services at, and admission charges for fund-raising events sponsored by, a nonprofit organization are exempt if:

(1) all gross receipts are recorded as such, in accordance with generally accepted accounting practices, on the books of the nonprofit organization; and

(2) the entire proceeds, less the necessary expenses for the event, will be used solely and exclusively for charitable, religious, or educational purposes. Exempt sales include the sale of prepared food, candy, and soft drinks at the fund-raising event.

(b) This exemption is limited in the following manner:

(1) it does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities;

(2) all gross receipts are taxable if the profits are not used solely and exclusively for charitable, religious, or educational purposes;

(3) it does not apply unless the organization keeps a separate accounting record, including receipts and disbursements from each fund-raising event that documents all deductions from gross receipts with receipts and other records;

(4) it does not apply to any sale made by or in the name of a nonprofit corporation as the active or passive agent of a person that is not a nonprofit corporation;

(5) all gross receipts are taxable if fund-raising events exceed 24 days per year;

(6) it does not apply to fund-raising events conducted on premises leased for more than five days but less than 30 days; and

(7) it does not apply if the risk of the event is not borne by the nonprofit organization and the benefit to the nonprofit organization is less than the total amount of the state and local tax revenues forgone by this exemption.

(c) For purposes of this subdivision, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans' purposes, no part of the net earnings of which inures to the benefit of a private individual.

(d) For purposes of this subdivision, "fund-raising events" means activities of limited duration, not regularly carried out in the normal course of business, that attract patrons for community, social, and entertainment purposes, such as auctions, bake sales, ice cream socials, block parties, carnivals, competitions, concerts, concession stands, craft sales, bazaars, dinners, dances, door-to-door sales of merchandise, fairs, fashion shows, festivals, galas, special event workshops, sporting activities such as marathons and tournaments, and similar events. Fund-raising events do not include the operation of a regular place of business in which services are provided or sales are made during regular hours such as bookstores, thrift stores, gift shops, restaurants, ongoing Internet sales, regularly scheduled classes, or other activities carried out in the normal course of business.

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

Sec. 14. Minnesota Statutes 2012, section 297A.70, is amended by adding a subdivision to read:

Subd. 19. **Nonprofit snowmobile clubs; machinery and equipment.** Sales of tangible personal property to a nonprofit snowmobile club that is used primarily and directly for the grooming of state or grant-in-aid snowmobile trails are exempt. The exemption applies to grooming machines, attachments, other associated accessories, and repair parts. A nonprofit snowmobile club is eligible for the exemption under this subdivision if it received, in the current year or in the previous three-year period, a state grant-in-aid maintenance and grooming grant administered by the Department of Natural Resources by applying for the grant with a local unit of government sponsor.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2014.

Sec. 15. Minnesota Statutes 2013 Supplement, section 297F.05, subdivision 1, is amended to read:

Subdivision 1. **Rates; cigarettes.** 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:~~ rate of

(1) ~~on cigarettes weighing not more than three pounds per thousand, 141.5 mills, or 14.15 cents on each such cigarette; and~~

(2) ~~on cigarettes weighing more than three pounds per thousand, 283 mills on each such cigarette.~~

EFFECTIVE DATE. This section is effective July 1, 2014.

Sec. 16. Minnesota Statutes 2012, section 297F.09, subdivision 10, is amended to read:

Subd. 10. **Accelerated tax payment; cigarette or tobacco products distributor.** A cigarette or tobacco products distributor having a liability of ~~\$120,000~~ \$250,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of the year, the distributor shall remit the actual May liability and ~~90~~ 81.4 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the distributor shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June, less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

(1) ~~90~~ 81.4 percent of the actual June liability; or

(2) ~~90~~ 81.4 percent of the preceding ~~May's~~ May liability.

EFFECTIVE DATE. This section is effective for taxes remitted after May 30, 2014.

Sec. 17. Minnesota Statutes 2012, section 297G.03, is amended by adding a subdivision to read:

Subd. 5. **Microdistillery credit.** (a) A qualified distiller producing distilled spirits is entitled to a tax credit of \$1.33 per liter on 100,000 liters sold in any fiscal year beginning July 1. A qualified

distiller may take the credit on the 18th day of each month, but the total credit allowed may not exceed in any fiscal year the lesser of:

- (1) the liability for tax; or
- (2) \$133,000.

(b) For purposes of this subdivision, "qualified distiller" means a microdistillery qualifying under section 340A.101, subdivision 17a, in the calendar year immediately preceding the calendar year for which the credit under this subdivision is claimed.

EFFECTIVE DATE. This section is effective July 1, 2014.

Sec. 18. [297G.032] MICRODISTILLERIES.

A microdistillery, licensed under section 340A.301, is a wholesaler for purposes of the excise tax imposed on distilled spirits given by the microdistillery as samples or sold in cocktail rooms permitted under chapter 340A. Returns must be made in a form and manner prescribed by the commissioner, and must contain any other information required by the commissioner.

EFFECTIVE DATE. This section is effective July 1, 2014.

Sec. 19. Minnesota Statutes 2012, section 297G.09, subdivision 9, is amended to read:

Subd. 9. **Accelerated tax payment; penalty.** A person liable for tax under this chapter having a liability of ~~\$120,000~~ \$250,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of the year, the taxpayer shall remit the actual May liability and ~~90~~ 81.4 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the taxpayer shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

- (1) ~~90~~ 81.4 percent of the actual June liability; or
- (2) ~~90~~ 81.4 percent of the preceding May liability.

EFFECTIVE DATE. This section is effective for taxes remitted after May 30, 2014.

Sec. 20. Minnesota Statutes 2013 Supplement, section 360.531, subdivision 2, is amended to read:

Subd. 2. **Rate.** The tax shall be as follows:

Base Price	Tax
Under \$499,999	
<u>Not over \$500,000</u>	\$100
over \$500,000 to \$999,999	
<u>but not over \$1,000,000</u>	\$200

<u>over \$1,000,000 to \$2,499,999</u> <u>but not over \$2,500,000</u>	\$2,000
<u>over \$2,500,000 to \$4,999,999</u> <u>but not over \$5,000,000</u>	\$4,000
<u>over \$5,000,000 to \$7,499,999</u> <u>but not over \$7,500,000</u>	\$7,500
<u>over \$7,500,000 to \$9,999,999</u> <u>but not over \$10,000,000</u>	\$10,000
<u>over \$10,000,000 to \$12,499,999</u> <u>but not over \$12,500,000</u>	\$12,500
<u>over \$12,500,000 to \$14,999,999</u> <u>but not over \$15,000,000</u>	\$15,000
<u>over \$15,000,000 to \$17,499,999</u> <u>but not over \$17,500,000</u>	\$17,500
<u>over \$17,500,000 to \$19,999,999</u> <u>but not over \$20,000,000</u>	\$20,000
<u>over \$20,000,000 to \$22,499,999</u> <u>but not over \$22,500,000</u>	\$22,500
<u>over \$22,500,000 to \$24,999,999</u> <u>but not over \$25,000,000</u>	\$25,000
<u>over \$25,000,000 to \$27,499,999</u> <u>but not over \$27,500,000</u>	\$27,500
<u>over \$27,500,000 to \$29,999,999</u> <u>but not over \$30,000,000</u>	\$30,000
<u>over \$30,000,000 to \$39,999,999</u> <u>but not over \$40,000,000</u>	\$50,000
<u>over \$40,000,000 and over</u>	\$75,000

EFFECTIVE DATE. This section is effective July 1, 2014, and applies to aircraft tax due on or after that date.

Sec. 21. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991, chapter 291, article 8, section 22, Laws 1998, chapter 389, article 8, section 25, Laws 2003, First Special Session chapter 21, article 8, section 11, and Laws 2008, chapter 154, article 5, section 2, is amended to read:

Subd. 2. (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to ~~two and one-quarter~~ one and three-quarter percent on sales transactions which are described in Minnesota Statutes 2000, section 297A.01, subdivision 3, clause (c). ~~When the city council determines that the taxes imposed under this subdivision and under Laws 1998, chapter 389, article 8, section 26, at a rate of one-half of one percent have produced revenue sufficient to pay (1)~~

the debt service on bonds in a principal amount of \$8,000,000 issued for capital improvements to the Duluth Entertainment and Convention Center, and (2) debt service on outstanding bonds originally issued in the principal amount of \$4,970,000 to finance capital improvements to the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half percent, the rate of the tax under this subdivision is reduced by one-half of one percent. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions. When the city council determines that the taxes imposed under this subdivision paragraph at a rate of three-quarters of one percent and other sources of revenue produce revenue sufficient to pay debt service on bonds in the principal amount of \$40,285,000 plus issuance and discount costs, issued for capital improvements at the Duluth Entertainment and Convention Center, which include a new arena, the rate of tax under this subdivision must be reduced by three-quarters of one percent.

(b) In addition to the tax in paragraph (a) and notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to one-half of one percent on sales transactions which are described in Minnesota Statutes 2000, section 297A.01, subdivision 3, clause (c). This tax expires when the city council determines that the tax imposed under this paragraph, along with the tax imposed under section 22, paragraph (b), has produced revenues sufficient to pay the debt service on bonds in a principal amount of no more than \$18,000,000, plus issuance and discount costs, to finance capital improvements to public facilities to support tourism and recreational activities in that portion of the city west of 34th Avenue West.

(c) The city of Duluth may sell and issue up to \$18,000,000 in general obligation bonds under Minnesota Statutes, chapter 475, plus an additional amount to pay for the costs of issuance and any premiums. The proceeds may be used to finance capital improvements to public facilities that support tourism and recreational activities in the portion of the city west of 34th Avenue West, as described in paragraph (b). The issuance of the bonds is subject to the provisions of Minnesota Statutes, chapter 475, except no election shall be required unless required by the city charter. The bonds shall not be included in computing net debt. The revenues from the taxes that the city of Duluth may impose under paragraph (b) and under section 22, paragraph (b), may be pledged to pay principal of and interest on such bonds.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 22. Laws 1980, chapter 511, section 2, as amended by Laws 1998, chapter 389, article 8, section 26, and Laws 2003, First Special Session chapter 21, article 8, section 12, is amended to read:

Sec. 22. CITY OF DULUTH; TAX ON RECEIPTS BY HOTELS AND MOTELS.

(a) ~~Notwithstanding Minnesota Statutes, section 477A.016, or any other law, or ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional tax of one and one-half percent upon the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. When the city council determines that the taxes imposed under this section and section 25 at a rate of one-half of one percent have produced revenue sufficient to pay (1) the debt service on bonds in a principal amount of \$8,000,000 issued for capital improvements for the Duluth Entertainment and Convention Center, and (2) the debt service on outstanding bonds originally issued in the principal amount of \$4,970,000 to finance~~

~~capital improvements to the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half percent, the rate of the tax under this section is reduced to one percent. The tax shall be collected in the same manner as the tax set forth in the Duluth city charter, section 54(d), paragraph one. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions.~~

(b) In addition to the tax in paragraph (a) and notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to one-half of one percent on the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. This tax expires when the city council first determines that the tax imposed under this paragraph, along with the tax imposed under section 21, paragraph (b), has produced revenues sufficient to pay the debt service on bonds in a principal amount of no more than \$18,000,000, plus issuance and discount costs, to finance capital improvements to public facilities to support tourism and recreational activities in that portion of the city west of 34th Avenue West.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 23. Laws 2005, First Special Session chapter 3, article 5, section 38, subdivision 4, is amended to read:

Subd. 4. **Termination of taxes.** The taxes imposed under this section expire at the earlier of (1) ~~ten~~ 15 years after the taxes are 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 \$15,000,000. Any funds remaining after completion of the projects may be placed in the general fund of the city.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Albert Lea and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 24. Laws 2006, chapter 259, article 3, section 10, subdivision 3, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from the taxes authorized by subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax and to finance the acquisition and betterment of water and wastewater facilities to serve the cities of Brainerd and Baxter, building and equipping a fire substation, as approved by the voters at the referendum authorizing the tax. Authorized costs include, but are not limited to, acquiring property and paying construction and engineering costs related to the projects.

(b) In addition to the projects authorized in paragraph (a), the city of Baxter may, if approved by the voters at an election under subdivision 5, paragraph (b), allocate up to an additional \$40,000,000 of the revenues received from the taxes authorized by subdivisions 1 and 2 to a capital infrastructure fund. Money from this fund may only be used to finance (1) sanitary sewer, storm sewer, and water projects, (2) transportation safety improvements, and (3) improvements to the Brainerd Lakes Area Airport.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Baxter and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 25. Laws 2006, chapter 259, article 3, section 10, subdivision 4, is amended to read:

Subd. 4. **Bonds.** (a) The city of Baxter, pursuant to the approval of the voters at the November 2, 2004, referendum authorizing the imposition of the taxes in this section, may issue general obligation bonds of the city, in one or more series, in the aggregate principal amount not to exceed \$15,000,000 to finance the projects listed in subdivision 3, paragraph (a). The debt represented by the bonds is not included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation or included in computing or applying any levy limitation applicable to the city of Baxter.

(b) The city of Baxter, pursuant to the approval of the voters at the 2014 general election to extend the tax under this section, may issue general obligation bonds of the city, in one or more series, in the aggregate principal amount not to exceed (1) \$32,000,000 plus an amount equal to the costs of issuance of the bonds to finance the projects listed in subdivision 3, paragraph (b), clauses (1) and (2), and (2) \$8,000,000 plus an amount equal to the costs of the issuance of the bonds to finance the project listed in subdivision 3, paragraph (b), clause (3). The debt represented by the bonds is not included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation or included in computing or applying any levy limitation applicable to the city of Baxter.

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

Sec. 26. Laws 2006, chapter 259, article 3, section 10, subdivision 5, is amended to read:

Subd. 5. **Termination of taxes.** (a) The taxes imposed under subdivisions 1 and 2 expire at the earlier of a date 12 years after the imposition of the tax or when the Baxter City Council first determines that the amount of revenues raised from the taxes to pay for the projects under subdivision 3 equals or exceeds \$15,000,000 plus any interest on bonds issued for the projects under subdivision 4, paragraph (a). Any funds remaining after the expiration of the taxes and retirement of the bonds shall be placed in a capital project fund of the city of Baxter. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city of Baxter so determines by ordinance.

(b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Baxter may, by ordinance, extend the taxes authorized under subdivisions 1 and 2 beyond the termination date in paragraph (a) if approved by the voters of the city at a general election held in 2014. The question put to the voters must indicate that an affirmative vote would extend the imposition of the taxes through 2037 or until an additional \$40,000,000, plus an amount equal to interest and issuance costs associated with bonds issued under subdivision 4, paragraph (b), above the initial amount authorized to pay for \$15,000,000 in bonds and associated bond cost and projects, listed in subdivision 3, paragraph (a), is raised. If extended under this paragraph, the taxes authorized in subdivisions 1 and 2 will terminate at the earlier of (1) when an additional \$40,000,000, plus an amount equal to interest and issuance costs associated with

bonds issued under subdivision 4, paragraph (b), above the amount authorized under paragraph (a), is raised, or (2) December 31, 2037.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Baxter and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 27. Laws 2006, chapter 259, article 3, section 11, subdivision 3, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from the taxes authorized by subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax and to finance all or part of the costs of constructing upgraded water and wastewater treatment facilities to serve the cities of Brainerd and Baxter, water infrastructure improvements, and trail development, contingent on approval by Brainerd voters at the November 7, 2006, referendum. Authorized costs include, but are not limited to, acquiring property and paying construction and engineering costs related to the projects.

(b) In addition to the projects authorized in paragraph (a), the city of Brainerd may, if approved by the voters at an election under subdivision 5, paragraph (b), spend up to an additional \$15,000,000 from revenues raised from the taxes authorized in subdivisions 1 and 2 on the following projects:

- (1) an upgraded waste treatment facility jointly serving the cities of Brainerd and Baxter;
 - (2) with any funds not needed for the project in clause (1), water infrastructure improvements;
- and
- (3) with any funds not needed for the projects in clauses (1) and (2), trail improvements.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Brainerd and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 28. Laws 2006, chapter 259, article 3, section 11, subdivision 4, is amended to read:

Subd. 4. **Bonds.** The city of Brainerd, contingent on approval of the voters at the November 7, 2006, referendum authorizing the imposition of taxes in this section, may issue general obligation bonds of the city, in one or more series, in the aggregate principal amount not to exceed \$22,030,000 to finance the projects listed in subdivision 3, paragraph (a). The debt represented by the bonds is not included in computing any debt limitations applicable to Brainerd, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal and interest on the bonds is not subject to any levy limitation or included in computing any levy limitation applicable to the city of Brainerd.

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

Sec. 29. Laws 2006, chapter 259, article 3, section 11, subdivision 5, is amended to read:

Subd. 5. **Termination of taxes.** (a) The taxes imposed under subdivisions 1 and 2 expire at the earlier of a date 12 years after the imposition of the tax or when the city council first determines that the amount of revenues raised from the taxes to pay for projects under subdivision 3 equals or exceeds \$22,030,000 plus any interest on bonds issued for the projects under subdivision 4. Any funds remaining after the expiration of the taxes and retirement of the bonds shall be placed in a capital project fund of the city of Brainerd. The taxes imposed under subdivision 1 and 2 may expire at an earlier time if the city of Brainerd so determines by ordinance.

(b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Brainerd may, by ordinance, extend the taxes authorized under subdivisions 1 and 2 beyond the termination date in paragraph (a) if approved by the voters of the city at a general election held in 2014. The question put to the voters must indicate that an affirmative vote would extend the imposition of the taxes for an additional 18 years or until an additional \$15,000,000 above the initial amount authorized to pay for \$22,030,000 in bonds is raised. If extended under this paragraph, the taxes authorized in subdivisions 1 and 2 will terminate at the earlier of (1) when an additional \$15,000,000 above the amount authorized under paragraph (a) is raised, or (2) 18 years after the taxes would have expired under paragraph (a).

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Brainerd and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 30. Laws 2013, chapter 143, article 8, section 22, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2013. Subdivision 7, paragraph (c), clause (2), is effective for sales and purchases made after June 30, 2013. The provisions of subdivision 7, paragraph (b), and paragraph (c), clause (8), are effective retroactively for sales and purchases made after April 1, 2009. Any vendor who paid sales or use tax on items now exempt under subdivision 7, paragraph (b), and paragraph (c), clause (8), that were sold after April 1, 2009, and before July 1, 2013, may apply for a refund of the sales or use tax paid in the manner provided in Minnesota Statutes, section 289A.50, subdivision 1, but only if the vendor did not collect and remit sales tax on the items for which a refund is claimed. Interest on the refund shall be paid at the rate in Minnesota Statutes, section 270C.405, from 90 days after the refund claim is filed with the commissioner of revenue. The amount to make the refunds is annually appropriated to the commissioner of revenue from the general fund. Notwithstanding limitations on claims for refunds under Minnesota Statutes, section 289A.40, claims may be filed with the commissioner until June 30, 2015.

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

Sec. 31. Laws 2013, chapter 143, article 8, section 23, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2013. This section is effective for sales and purchases made after June 30, 2013, except that the provision regarding accessories and supplies purchased in a transaction covered by Medicare or Medicaid that are not already exempt under Minnesota Statutes, section 297A.67, subdivision 7, and the provision defining "Medicare" and "Medicaid" are effective retroactively for sales and purchases made after April 1, 2009. Any vendor who paid sales or use tax on accessories and supplies purchased in a transaction covered by Medicare or Medicaid that are not already exempt under Minnesota Statutes, section 297A.67, subdivision 7, and that were sold after April 1, 2009, and before July 1, 2013, may apply for a refund of the sales or use tax paid in the manner provided in Minnesota Statutes, section 289A.50, subdivision 1, but only if the vendor did not collect and remit sales tax on the accessories and supplies for which a refund is claimed. Interest on the refund shall be paid at the rate in Minnesota Statutes, section 270C.405, from 90 days after the refund claim is filed with the commissioner of revenue. The amount to make the refunds is annually appropriated to the commissioner of revenue from the general fund. Notwithstanding limitations on claims for refunds under Minnesota Statutes, section 289A.40, claims may be filed with the commissioner until June 30, 2015.

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

Sec. 32. Laws 2013, chapter 143, article 8, section 27, the effective date, is amended to read:

EFFECTIVE DATE. For the purpose of qualifying under paragraphs (c) and (d), this section is effective retroactively for sales and purchases made after June 30, 2013 2012. For the purpose of determining eligibility for the exemptions provided in this section, this section is effective for sales and purchases of computer software maintenance agreements made after June 30, 2013, and for sales and purchases for either a "qualified refurbished data center" or a "qualified data center" made after June 30, 2013, except that if the data center qualifies as a "qualified data center" as defined in Laws 2011, First Special Session chapter 7, article 3, section 7, then the exemptions provided in this section, other than for computer software maintenance agreements, continue to be effective for sales and purchases made after June 30, 2012.

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

Sec. 33. Laws 2013, chapter 143, article 8, section 37, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective retroactively to capital investments made and jobs created after December 31, 2012, and effective retroactively for sales and purchases made after December 31, 2012, and before July 1, 2019. Applications for refunds on purchases exempt under this section must not be filed before June 30, 2015.

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

Sec. 34. **CITY OF PROCTOR; LOCAL TAXES AUTHORIZED.**

Subdivision 1. Food and beverage tax authorized. Notwithstanding Minnesota Statutes, section 297A.99 or 477A.016, or any ordinance, city charter, or other provision of law, the city of Proctor may, by ordinance, impose a sales tax of up to one percent on the gross receipts of all food and beverages sold by a restaurant or place of refreshment, as defined by resolution of the city, that is located within the city. For purposes of this section, "food and beverages" include retail on-sale of intoxicating liquor and fermented malt beverages.

Subd. 2. Use of proceeds from authorized taxes. The proceeds of the taxes imposed under subdivision 1 must be used by the city to fund: (1) construction and improvement of walking and bicycle trails; (2) a multiuse civic center facility and parking improvements; and (3) improvements related to the redevelopment and realignment of a road through the fairgrounds property ceded to the city of Proctor by the city of Duluth.

Subd. 3. Collection, administration, and enforcement. The city may enter into an agreement with the commissioner of revenue to administer, collect, and enforce the taxes under subdivision 1. If the commissioner agrees to collect the tax, the provisions of Minnesota Statutes, section 297A.99, related to collection, administration, and enforcement, and Minnesota Statutes, section 270C.171, apply.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Proctor and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 35. **DONATED MATERIALS FOR A LIBRARY EXPANSION.**

Building materials and supplies purchased and donated by a private entity and used in the construction of an addition to a city library facility occurring before July 1, 2015, are exempt.

EFFECTIVE DATE. This section is effective for materials and supplies used in the construction of the addition between April 1, 2014, and July 1, 2015.

Sec. 36. VALIDATION OF PRIOR ACT; AUTHORIZATION.

Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city of Albert Lea may approve Laws 2005, First Special Session chapter 3, article 5, section 38, as amended by Laws 2006, chapter 259, article 3, section 6, and file its approval with the secretary of state by June 15, 2014. If approved as authorized under this section, actions undertaken by the city pursuant to the approval of the voters on November 8, 2005, and otherwise in accordance with Laws 2005, First Special Session chapter 3, article 5, section 38, as amended by Laws 2006, chapter 259, article 3, section 6, are validated.

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

Sec. 37. SALES TO INSTRUMENTALITIES OF THE STATES.

Sales of the following items to an organization defined by the Internal Revenue Service as an instrumentality of each, and all, of the states relating to the holding of an annual meeting in this state are exempt:

(1) prepared food, soft drinks, and candy, as defined in Minnesota Statutes, section 297A.61, subdivisions 31 to 33; and

(2) alcoholic beverages, as defined in Minnesota Statutes, section 297A.67, subdivision 2.

EFFECTIVE DATE. This section is applicable to sales and purchases made after June 30, 2014, and before January 1, 2015.

Sec. 38. VOLUNTARY COMPLIANCE PROGRAM; ANIMAL SHELTERS.

(a) Any Minnesota nonprofit organization that is primarily engaged in the business of rescuing, sheltering, and finding homes for unwanted animals, for periods prior to the organization registering to collect and remit sales and use tax under Minnesota Statutes, chapter 297A, shall not be liable for any state or local uncollected and unpaid sales and use tax, penalties, or interest incurred in providing animal rescue, shelter, and home placement services, if the nonprofit organization registers through the voluntary compliance program to collect and remit sales and use tax under Minnesota Statutes, chapter 297A, before January 1, 2015.

(b) The voluntary compliance program under paragraph (a) also applies to organizations described in paragraph (a) that received notice of the commencement of an audit prior to registering to collect and remit sales and use tax under Minnesota Statutes, chapter 297A, as long as the audit is not finally resolved and the organization registers before January 1, 2015. Paragraph (a) shall not apply to sales and use taxes already paid or remitted to the state or to sales taxes already collected by the organization.

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

ARTICLE 4**INCOME AND ESTATE TAXES**

Section 1. Minnesota Statutes 2013 Supplement, section 116J.8737, subdivision 2, as amended by Laws 2014, chapter 150, article 1, section 2, is amended to read:

Subd. 2. **Certification of qualified small businesses.** (a) Businesses may apply to the commissioner for certification as a qualified small business or qualified greater Minnesota small business for a calendar year. The application must be in the form and be made under the procedures specified by the commissioner, accompanied by an application fee of \$150. Application fees are deposited in the small business investment tax credit administration account in the special revenue fund. The application for certification for 2010 must be made available on the department's Web site by August 1, 2010. Applications for subsequent years' certification must be made available on the department's Web site by November 1 of the preceding year.

(b) Within 30 days of receiving an application for certification under this subdivision, the commissioner must either certify the business as satisfying the conditions required of a qualified small business or qualified greater Minnesota small business, request additional information from the business, or reject the application for certification. If the commissioner requests additional information from the business, the commissioner must either certify the business or reject the application within 30 days of receiving the additional information. If the commissioner neither certifies the business nor rejects the application within 30 days of receiving the original application or within 30 days of receiving the additional information requested, whichever is later, then the application is deemed rejected, and the commissioner must refund the \$150 application fee. A business that applies for certification and is rejected may reapply.

(c) To receive certification as a qualified small business, a business must satisfy all of the following conditions:

(1) the business has its headquarters in Minnesota;

(2) at least 51 percent of the business's employees are employed in Minnesota, and 51 percent of the business's total payroll is paid or incurred in the state;

(3) the business is engaged in, or is committed to engage in, innovation in Minnesota in one of the following as its primary business activity:

(i) using proprietary technology to add value to a product, process, or service in a qualified high-technology field;

(ii) researching or developing a proprietary product, process, or service in a qualified high-technology field; or

(iii) researching or developing a proprietary product, process, or service in the fields of agriculture, tourism, forestry, mining, manufacturing, or transportation; or

~~(iii)~~ (iv) researching, developing, or producing a new proprietary technology for use in the fields of agriculture, tourism, forestry, mining, manufacturing, or transportation;

(4) other than the activities specifically listed in clause (3), the business is not engaged in real estate development, insurance, banking, lending, lobbying, political consulting, information technology consulting, wholesale or retail trade, leisure, hospitality, transportation, construction,

ethanol production from corn, or professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants;

(5) the business has fewer than 25 employees;

(6) the business must pay its employees annual wages of at least 175 percent of the federal poverty guideline for the year for a family of four and must pay its interns annual wages of at least 175 percent of the federal minimum wage used for federally covered employers, except that this requirement must be reduced proportionately for employees and interns who work less than full-time, and does not apply to an executive, officer, or member of the board of the business, or to any employee who owns, controls, or holds power to vote more than 20 percent of the outstanding securities of the business;

(7) the business has (i) not been in operation for more than ten years, or (ii) not been in operation for more than 20 years if the business is engaged in the research, development, or production of medical devices or pharmaceuticals for which United States Food and Drug Administration approval is required for use in the treatment or diagnosis of a disease or condition;

(8) the business has not previously received private equity investments of more than \$4,000,000;

(9) the business is not an entity disqualified under section 80A.50, paragraph (b), clause (3); and

(10) the business has not issued securities that are traded on a public exchange.

(d) In applying the limit under paragraph (c), clause (5), the employees in all members of the unitary business, as defined in section 290.17, subdivision 4, must be included.

(e) In order for a qualified investment in a business to be eligible for tax credits:

(1) the business must have applied for and received certification for the calendar year in which the investment was made prior to the date on which the qualified investment was made;

(2) the business must not have issued securities that are traded on a public exchange;

(3) the business must not issue securities that are traded on a public exchange within 180 days after the date on which the qualified investment was made; and

(4) the business must not have a liquidation event within 180 days after the date on which the qualified investment was made.

(f) The commissioner must maintain a list of qualified small businesses and qualified greater Minnesota businesses certified under this subdivision for the calendar year and make the list accessible to the public on the department's Web site.

(g) For purposes of this subdivision, the following terms have the meanings given:

(1) "qualified high-technology field" includes aerospace, agricultural processing, renewable energy, energy efficiency and conservation, environmental engineering, food technology, cellulosic ethanol, information technology, materials science technology, nanotechnology, telecommunications, biotechnology, medical device products, pharmaceuticals, diagnostics, biologicals, chemistry, veterinary science, and similar fields;

(2) "proprietary technology" means the technical innovations that are unique and legally owned or licensed by a business and includes, without limitation, those innovations that are patented, patent pending, a subject of trade secrets, or copyrighted; and

(3) "greater Minnesota" means the area of Minnesota located outside of the metropolitan area as defined in section 473.121, subdivision 2.

(h) To receive certification as a qualified greater Minnesota business, a business must satisfy all of the requirements of paragraph (c) and must satisfy the following conditions:

(1) the business has its headquarters in greater Minnesota; and

(2) at least 51 percent of the business's employees are employed in greater Minnesota, and 51 percent of the business's total payroll is paid or incurred in greater Minnesota.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 2. Minnesota Statutes 2012, section 116J.8737, subdivision 5, as amended by Laws 2014, chapter 150, article 1, section 3, is amended to read:

Subd. 5. **Credit allowed.** (a) (1) A qualified investor or qualified fund is eligible for a credit equal to 25 percent of the qualified investment in a qualified small business. Investments made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The commissioner must not allocate more than \$15,000,000

\$15,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, 2013, and before January 1, 2017; and

(2) for taxable years beginning after December 31, 2014, and before January 1, 2017, \$7,500,000 must be allocated to credits for qualifying investments in qualified greater Minnesota businesses and minority- or women-owned qualified small businesses in Minnesota. Any portion of a taxable year's credits that is reserved for qualifying investments in greater Minnesota businesses and minority- or women-owned qualified small businesses in Minnesota that is not allocated by September 30 of the taxable year is available for allocation to other credit applications beginning on October 1. Any portion of a taxable year's credits that is not allocated by the commissioner does not cancel and may be carried forward to subsequent taxable years until all credits have been allocated.

(b) The commissioner may not allocate more than a total maximum amount in credits for a taxable year to a qualified investor for the investor's cumulative qualified investments as an individual qualified investor and as an investor in a qualified fund; for married couples filing joint returns the maximum is \$250,000, and for all other filers the maximum is \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits over all taxable years for qualified investments in any one qualified small business.

(c) The commissioner may not allocate a credit to a qualified investor either as an individual qualified investor or as an investor in a qualified fund if, at the time the investment is proposed:

(1) the investor is an officer or principal of the qualified small business; or

(2) the investor, either individually or in combination with one or more members of the investor's family, owns, controls, or holds the power to vote 20 percent or more of the outstanding securities of the qualified small business.

A member of the family of an individual disqualified by this paragraph is not eligible for a credit under this section. For a married couple filing a joint return, the limitations in this paragraph apply collectively to the investor and spouse. For purposes of determining the ownership interest of an investor under this paragraph, the rules under section 267(c) and 267(e) of the Internal Revenue Code apply.

(d) Applications for tax credits for 2010 must be made available on the department's Web site by September 1, 2010, and the department must begin accepting applications by September 1, 2010. Applications for subsequent years must be made available by November 1 of the preceding year.

(e) Qualified investors and qualified funds must apply to the commissioner for tax credits. Tax credits must be allocated to qualified investors or qualified funds in the order that the tax credit request applications are filed with the department. The commissioner must approve or reject tax credit request applications within 15 days of receiving the application. ~~The commissioner must allocate credits to approved applications if credits remain available.~~ The investment specified in the application must be made within 60 days of the allocation of the credits. If the investment is not made within 60 days, the credit allocation is canceled and available for reallocation. A qualified investor or qualified fund that fails to invest as specified in the application, within 60 days of allocation of the credits, must notify the commissioner of the failure to invest within five business days of the expiration of the 60-day investment period. ~~Credit applications that were approved but that did not receive an allocation of credits at the time of approval because the aggregate limit of credits for the year was exhausted remain eligible for allocation of credits if additional credits become available due to cancellations under this paragraph or due to termination of the time period for credits reserved for investment in qualified greater Minnesota businesses and minority- and women-owned small businesses under paragraph (a). Approved credit applications that do not receive credit allocations in the tax year must be resubmitted to be eligible for credit allocations in the following tax year.~~

(f) All tax credit request applications filed with the department on the same day must be treated as having been filed contemporaneously. If two or more qualified investors or qualified funds file tax credit request applications on the same day, and the aggregate amount of credit allocation claims exceeds the aggregate limit of credits under this section or the lesser amount of credits that remain unallocated on that day, then the credits must be allocated among the qualified investors or qualified funds who filed on that day on a pro rata basis with respect to the amounts claimed. The pro rata allocation for any one qualified investor or qualified fund is the product obtained by multiplying a fraction, the numerator of which is the amount of the credit allocation claim filed on behalf of a qualified investor and the denominator of which is the total of all credit allocation claims filed on behalf of all applicants on that day, by the amount of credits that remain unallocated on that day for the taxable year.

(g) A qualified investor or qualified fund, or a qualified small business acting on their behalf, must notify the commissioner when an investment for which credits were allocated has been made, and the taxable year in which the investment was made. A qualified fund must also provide the commissioner with a statement indicating the amount invested by each investor in the qualified fund based on each investor's share of the assets of the qualified fund at the time of the qualified investment. After receiving notification that the investment was made, the commissioner must issue credit certificates for the taxable year in which the investment was made to the qualified investor or, for an investment made by a qualified fund, to each qualified investor who is an investor in the fund. The certificate must state that the credit is subject to revocation if the qualified investor or qualified fund does not hold the investment in the qualified small business for at least three years, consisting

of the calendar year in which the investment was made and the two following years. The three-year holding period does not apply if:

- (1) the investment by the qualified investor or qualified fund becomes worthless before the end of the three-year period;
 - (2) 80 percent or more of the assets of the qualified small business is sold before the end of the three-year period;
 - (3) the qualified small business is sold before the end of the three-year period;
 - (4) the qualified small business's common stock begins trading on a public exchange before the end of the three-year period; or
 - (5) the qualified investor dies before the end of the three-year period.
- (h) The commissioner must notify the commissioner of revenue of credit certificates issued under this section.

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

Sec. 3. Minnesota Statutes 2012, section 116J.8737, is amended by adding a subdivision to read:

Subd. 5a. **Promotion of credit in greater Minnesota.** (a) By July 1, 2014, the commissioner shall develop a plan to increase awareness of and use of the credit for investments in qualified greater Minnesota businesses and minority-owned and women-owned qualified small businesses with the goal that the portion of the credit reserved for investments in qualified greater Minnesota businesses and minority-owned and women-owned qualified small businesses is allocated in full to those investments.

(b) Beginning with the legislative report due on March 15, 2015, under subdivision 9, the commissioner shall report on its plan under this subdivision and the results achieved.

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

Sec. 4. Minnesota Statutes 2013 Supplement, section 136A.129, subdivision 1, is amended to read:

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

(b) "Eligible employer" means a taxpayer under section 290.01 with employees located in greater Minnesota.

(c) "Eligible institution" means a Minnesota public postsecondary institution or a Minnesota private, nonprofit, baccalaureate, or graduate degree-granting college or university.

(d) "Eligible student" means a student enrolled in an eligible institution who has completed one-half of the credits necessary for the respective degree or certification, including a graduate degree.

(e) "Greater Minnesota" means the area of the state outside of the counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright.

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

Sec. 5. Minnesota Statutes 2013 Supplement, section 136A.129, subdivision 3, is amended to read:

Subd. 3. **Program components.** (a) An intern must be an eligible student who has been admitted to a major program that is related to the intern experience as determined by the eligible institution.

(b) To participate in the program, an eligible institution must:

(1) enter into written agreements with eligible employers to provide internships that are at least ~~12~~ eight weeks long and located in greater Minnesota;

~~(2) determine that the work experience of the internship is related to the eligible student's course of study; and~~

~~(3)~~ (2) provide academic credit for the successful completion of the internship or ensure that it fulfills requirements necessary to complete a vocational technical education program.

(c) To participate in the program, an eligible employer must enter into a written agreement with an eligible institution specifying that the intern:

(1) would not have been hired without the tax credit described in subdivision 4;

(2) did not work for the employer in the same or a similar job prior to entering the agreement;

(3) does not replace an existing employee;

(4) has not previously participated in the program;

(5) will be employed at a location in greater Minnesota;

(6) will be paid at least minimum wage for a minimum of 16 hours per week for a period of at least ~~12~~ eight weeks; and

(7) will be supervised and evaluated by the employer.

(d) The written agreement between the eligible institution and the eligible employer must certify a credit amount to the employer, not to exceed \$2,000 per intern. The total dollar amount of credits that an eligible institution certifies to eligible employers in a calendar year may not exceed the amount of its allocation under subdivision 4.

(e) Participating eligible institutions and eligible employers must report annually to the office. The report must include at least the following:

(1) the number of interns hired;

(2) the number of hours and weeks worked by interns; and

(3) the compensation paid to interns.

(f) An internship required to complete an academic program does not qualify for the greater Minnesota internship program under this section.

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

Sec. 6. Minnesota Statutes 2013 Supplement, section 136A.129, subdivision 5, is amended to read:

Subd. 5. **Reports to the legislature.** (a) By February 1, ~~2015~~ 2016, the office and the Department of Revenue shall report to the legislature on the greater Minnesota internship program. The report must include at least the following:

- (1) the number and dollar amount of credits allowed;
- (2) the number of interns employed under the program; and
- (3) the cost of administering the program.

(b) By February 1, ~~2016~~ 2017, the office and the Department of Revenue shall report to the legislature with an analysis of the effectiveness of the program in stimulating businesses to hire interns and in assisting participating interns in finding permanent career positions. This report must include the number of students who participated in the program who were subsequently employed full-time by the employer.

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

Sec. 7. Minnesota Statutes 2013 Supplement, 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:

(1) the taxes, refunds, and fees administered by or paid to the commissioner under chapters 115B, 289A (except taxes imposed under sections 298.01, 298.015, and 298.24), 290, 290A, 291, ~~292~~, 295, 297A, 297B, 297H, and 403, 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; and

- (2) section 273.1315.

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

Sec. 8. Minnesota Statutes 2013 Supplement, section 270B.03, subdivision 1, is amended to read:

Subdivision 1. **Who may inspect.** Returns and return information must, on request, be made open to inspection by or disclosure to the data subject. The request must be made in writing or in accordance with written procedures of the chief disclosure officer of the department that have been approved by the commissioner to establish the identification of the person making the request as the data subject. For purposes of this chapter, the following are the data subject:

- (1) in the case of an individual return, that individual;
- (2) in the case of an income tax return filed jointly, either of the individuals with respect to whom the return is filed;

(3) in the case of a return filed by a business entity, an officer of a corporation, a shareholder owning more than one percent of the stock, or any shareholder of an S corporation; a general partner in a partnership; the owner of a sole proprietorship; a member or manager of a limited liability company; a participant in a joint venture; the individual who signed the return on behalf of the business entity; or an employee who is responsible for handling the tax matters of the business entity, such as the tax manager, bookkeeper, or managing agent;

(4) in the case of an estate return:

(i) the personal representative or trustee of the estate; and

(ii) any beneficiary of the estate as shown on the federal estate tax return;

(5) in the case of a trust return:

(i) the trustee or trustees, jointly or separately; and

(ii) any beneficiary of the trust as shown in the trust instrument;

(6) if liability has been assessed to a transferee under section 270C.58, subdivision 1, the transferee is the data subject with regard to the returns and return information relating to the assessed liability;

(7) in the case of an Indian tribal government or an Indian tribal government-owned entity,

(i) the chair of the tribal government, or

(ii) any person authorized by the tribal government; and

(8) in the case of a successor as defined in section 270C.57, subdivision 1, paragraph (b), the successor is the data subject and information may be disclosed as provided by section 270C.57, subdivision 4; and

~~(9) in the case of a gift return, the donor.~~

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

Sec. 9. Minnesota Statutes 2012, section 289A.02, subdivision 7, as amended by Laws 2014, chapter 150, article 1, section 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 ~~December 20, 2013~~ March 26, 2014.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2012.

Sec. 10. Minnesota Statutes 2013 Supplement, section 290.01, subdivision 19, as amended by Laws 2014, chapter 150, article 1, section 9, 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 the federal effective dates of changes to the Internal Revenue Code and 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 Internal Revenue Code of 1986, as amended through ~~December 20, 2013~~ March 26, 2014, shall be in effect for taxable years beginning after December 31, 1996.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19 to 19f 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, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes.

Sec. 11. Minnesota Statutes 2012, section 290.01, subdivision 19a, as amended by Laws 2014, chapter 150, article 1, section 10, is amended to read:

Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute; and

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except:

(A) the portion of the exempt-interest dividends exempt from state taxation under the laws of the United States; and

(B) the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends, including any dividends exempt under subitem (A), that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code, making the payment; and

(iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal government described in section 7871(c) of the Internal Revenue Code shall be treated as interest income on obligations of the state in which the tribe is located;

(2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the state itemized deduction exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, minus any addition that would have been required under clause (17) if the taxpayer had claimed the standard deduction. For the purpose of this clause, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under clause (15);

(3) the capital gain amount of a lump-sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and taxes based on net income paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10 other than expenses or interest used in computing net interest income for the subtraction allowed under subdivision 19b, clause (1);

(6) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed;

(8) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(9) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

(10) the amount of expenses disallowed under section 290.10, subdivision 2;

(11) for taxable years beginning before January 1, 2010, the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income;

(12) for taxable years beginning before January 1, 2010, the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income;

(13) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code;

(14) changes to federal taxable income attributable to a net operating loss that the taxpayer elected to carry back for more than two years for federal purposes but for which the losses can be carried back for only two years under section 290.095, subdivision 11, paragraph (c);

(15) ~~to the extent included in the computation of federal taxable income in taxable years beginning after December 31, 2010;~~ the amount of disallowed itemized deductions, but the amount of disallowed itemized deductions plus the addition required under clause (2) may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, and reduced by any addition that would have been required under clause (17) if the taxpayer had claimed the standard deduction:

(i) the amount of disallowed itemized deductions is equal to the lesser of:

(A) three percent of the excess of the taxpayer's federal adjusted gross income over the applicable amount; or

(B) 80 percent of the amount of the itemized deductions otherwise allowable to the taxpayer under the Internal Revenue Code for the taxable year;

(ii) the term "applicable amount" means \$100,000, or \$50,000 in the case of a married individual filing a separate return. Each dollar amount shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof;

(iii) the term "itemized deductions" does not include:

(A) the deduction for medical expenses under section 213 of the Internal Revenue Code;

(B) any deduction for investment interest as defined in section 163(d) of the Internal Revenue Code; and

(C) the deduction under section 165(a) of the Internal Revenue Code for casualty or theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue Code or for losses described in section 165(d) of the Internal Revenue Code;

(16) ~~to the extent included in federal taxable income in taxable years beginning after December 31, 2010;~~ the amount of disallowed personal exemptions for taxpayers with federal adjusted gross income over the threshold amount:

(i) the disallowed personal exemption amount is equal to the ~~dollar amount of the number of personal exemptions claimed by the taxpayer in the computation of federal taxable income~~ allowed under section 151(b) and (c) of the Internal Revenue Code multiplied by the dollar amount for personal exemptions under section 151(d)(1) and (2) of the Internal Revenue Code, as adjusted for inflation by section 151(d)(4) of the Internal Revenue Code, and by the applicable percentage;

(ii) "applicable percentage" means two percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. In the case of a married individual filing a separate return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In no event shall the applicable percentage exceed 100 percent;

(iii) the term "threshold amount" means:

(A) \$150,000 in the case of a joint return or a surviving spouse;

(B) \$125,000 in the case of a head of a household;

(C) \$100,000 in the case of an individual who is not married and who is not a surviving spouse or head of a household; and

(D) \$75,000 in the case of a married individual filing a separate return; and

(iv) the thresholds shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; and

(17) to the extent deducted in the computation of federal taxable income, for taxable years beginning after December 31, 2010, and before January 1, 2014, the difference between the standard deduction allowed under section 63(c) of the Internal Revenue Code and the standard deduction allowed for 2011, 2012, and 2013 under the Internal Revenue Code as amended through December 1, 2010.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2012.

Sec. 12. Minnesota Statutes 2013 Supplement, section 290.01, subdivision 19b, as amended by Laws 2014, chapter 150, article 1, section 11, 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) net 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 363A. 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. No deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle to provide such transportation for a qualifying child. 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) income as provided under section 290.0802;

(5) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code 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 over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code, under the provisions of Public Law 109-1 and Public Law 111-126;

(7) 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;

(8) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (12), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (12), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

(9) job opportunity building zone income as provided under section 469.316;

(10) to the extent included in federal taxable income, the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service, ~~excluding~~ including compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); or (ii) federally funded state active service as defined in section 190.05, subdivision 5b, ~~but~~ and "active service" ~~excludes~~ includes service performed in accordance with section 190.08, subdivision 3;

(11) to the extent included in federal taxable income, the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed under United States Code, title 10; or the authority of the United Nations;

(12) an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

(13) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (13), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (13), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(14) to the extent included in the federal taxable income of a nonresident of Minnesota, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

(15) to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved Americorps National Service program;

(16) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under section 290.01, subdivision 19a, clause (13);

(17) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c);

(18) the amount of expenses not allowed for federal income tax purposes due to claiming the railroad track maintenance credit under section 45G(a) of the Internal Revenue Code;

(19) the amount of the limitation on itemized deductions under section 68(b) of the Internal Revenue Code; ~~and~~

(20) the amount of the phaseout of personal exemptions under section 151(d) of the Internal Revenue Code; and

(21) to the extent included in federal taxable income, the amount of qualified transportation fringe benefits described in section 132(f)(1)(A) and (B) of the Internal Revenue Code. The subtraction is limited to the lesser of the amount of qualified transportation fringe benefits received in excess of the limitations under section 132(f)(2)(A) of the Internal Revenue Code for the year or the difference between the maximum qualified parking benefits excludable under section 132(f)(2)(B) of the Internal Revenue Code minus the amount of transit benefits excludable under section 132(f)(2)(A) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 13. Minnesota Statutes 2013 Supplement, section 290.01, subdivision 31, as amended by Laws 2014, chapter 150, article 1, section 13, 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 ~~December 20, 2013~~ March 26, 2014. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as amended through March 18, 2010.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes.

Sec. 14. Minnesota Statutes 2012, 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 paragraph (a) shall not apply. As long as the provisions of paragraph (a) apply between Minnesota and Wisconsin, the provisions of paragraph (a) shall apply to any individual who is domiciled in Wisconsin.

(c) For the purposes of paragraph (a), whenever the Wisconsin tax on Minnesota residents which would have been paid Wisconsin without paragraph (a) exceeds the Minnesota tax on Wisconsin

residents which would have been paid Minnesota without paragraph (a), or vice versa, then the state with the net revenue loss resulting from paragraph (a) ~~must be compensated by~~ shall receive from the other state as ~~provided in the agreement under paragraph (d)~~ 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.

(d)(1) Interest is payable on all amounts calculated under paragraph (c) relating to taxable years beginning after December 31, 2000. Interest accrues from July 1 of the taxable year.

(2) The commissioner of revenue is authorized to enter into agreements with the state of Wisconsin specifying ~~the compensation required under paragraph (b); the reciprocity payment due date dates,~~ conditions constituting delinquency, interest rates, and a method for computing interest due. ~~Calculation of compensation under the agreement must specify if the revenue loss is determined before or after the allowance of each state's credit for taxes paid to the other state.~~

(3) For agreements entered into before October 1, 2014, the annual compensation required under paragraph (c) must equal at least the net revenue loss minus \$1,000,000 per fiscal year.

(4) For agreements entered into after September 30, 2014, the annual compensation required under paragraph (c) must equal the net revenue loss per fiscal year.

(5) For the purposes of clauses (3) and (4), "net revenue loss" means the difference between the amount of Minnesota income taxes Minnesota forgoes by not taxing Wisconsin residents on income subject to reciprocity and the credit Minnesota would have been required to give under section 290.06, subdivision 22, to Minnesota residents working in Wisconsin had there not been reciprocity.

(e) 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.

(f) 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 the day following final enactment.

Sec. 15. Minnesota Statutes 2013 Supplement, section 290.091, subdivision 2, as amended by Laws 2014, chapter 150, article 1, section 21, 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 charitable contribution deduction under section 170 of the Internal Revenue Code;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; and

(iv) the impairment-related work expenses of a disabled person;

(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);

(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); and

(6) the amount of addition required by section 290.01, subdivision 19a, clauses (7) to (9), and (11) to (14);

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;

(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;

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (6), (8) to (14), ~~and (16), and (21)~~; and

(5) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c).

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) "Net minimum tax" means the minimum tax imposed by this section.

(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) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 16. Minnesota Statutes 2013 Supplement, section 290A.03, subdivision 15, as amended by Laws 2014, chapter 150, article 1, section 22, is amended to read:

Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 20, 2013~~ March 26, 2014.

EFFECTIVE DATE. This section is effective retroactively for property tax refunds based on property taxes payable after December 31, 2013, and rent paid after December 31, 2012.

Sec. 17. Minnesota Statutes 2013 Supplement, section 291.005, subdivision 1, as amended by Laws 2014, chapter 150, article 3, section 3, is amended to read:

Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes under the Internal Revenue Code, increased by the value of any property in which the decedent had a qualifying income interest for life and for which an election was made under section 291.03, subdivision 1d, for Minnesota estate tax purposes, but was not made for federal estate tax purposes.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through ~~March 1~~ March 26, 2014.

(4) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included in the estate which has its situs outside Minnesota, and (b) including any property omitted from the federal gross estate which is includable in the estate, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(7) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(8) "Situs of property" means, with respect to:

(i) real property, the state or country in which it is located;

(ii) tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death or for a gift of tangible personal property within three years of death, the state or country in which it was normally kept or located when the gift was executed; ~~and~~

(iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue Code, owned by a nonresident decedent and that is normally kept or located in this state because it is on loan to an organization, qualifying as exempt from taxation under section 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

(iv) intangible personal property, the state or country in which the decedent was domiciled at death or for a gift of intangible personal property within three years of death, the state or country in which the decedent was domiciled when the gift was executed.

For a nonresident decedent with an ownership interest in a pass-through entity with assets that include real or tangible personal property, situs of the real or tangible personal property, including qualified works of art, is determined as if the pass-through entity does not exist and the real or tangible personal property is personally owned by the decedent. If the pass-through entity is owned by a person or persons in addition to the decedent, ownership of the property is attributed to the decedent in proportion to the decedent's capital ownership share of the pass-through entity.

(9) "Pass-through entity" includes the following:

(i) an entity electing S corporation status under section 1362 of the Internal Revenue Code;

(ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

(iii) a single-member limited liability company or similar entity, regardless of whether it is taxed as an association or is disregarded for federal income tax purposes under Code of Federal Regulations, title 26, section 301.7701-3; or

(iv) a trust to the extent the property is includible in the decedent's federal gross estate; but excludes

(v) an entity whose ownership interest securities are traded on an exchange regulated by the Securities and Exchange Commission as a national securities exchange under section 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2013.

Sec. 18. Minnesota Statutes 2012, section 291.016, subdivision 1, as added by Laws 2014, chapter 150, article 3, section 4, is amended to read:

Subdivision 1. **General.** For purposes of the tax under this chapter, the Minnesota taxable estate equals the federal taxable estate as provided under section 2051 of the Internal Revenue Code, without regard to whether the estate is subject to the federal estate tax:

(1) increased by the value of any property in which the decedent had a qualifying income interest for life and for which an election was made under section 291.03, subdivision 1d, for Minnesota estate tax purposes, but was not made for federal estate tax purposes;

(2) increased by the additions under subdivision 2; and

~~(2)~~ (3) decreased by the subtraction under subdivision 3.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2013.

Sec. 19. Minnesota Statutes 2012, section 291.031, as added by Laws 2014, chapter 150, article 3, section 7, is amended to read:

291.031 CREDITS.

(a) The estate of a nonresident decedent that is subject to tax under this chapter on the value of Minnesota situs property held in a pass-through entity is allowed a credit against the tax due under this section 291.03 equal to the lesser of:

(1) the amount of estate or inheritance tax paid to another state that is attributable to the Minnesota situs property held in the pass-through entity; or

(2) the amount of tax paid under this section attributable to the Minnesota situs property held in the pass-through entity.

(b) The amount of tax attributable to the Minnesota situs property held in the pass-through entity must be determined by the increase in the estate or inheritance tax that results from including the market value of the property in the estate or treating the value as a taxable inheritance to the recipient of the property.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2013.

Sec. 20. Laws 2014, chapter 150, article 3, section 4, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2013, and for taxable gifts made after June 30, 2013.

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

Sec. 21. **DEFINITION OF TAXABLE GIFT FOR DECEDENTS DYING BEFORE JANUARY 1, 2014.**

For estates of decedents dying before January 1, 2014, "taxable gift" as used by Minnesota Statutes, section 291.005, subdivision 1, paragraph (4), means a transfer by gift which is included in taxable gifts for federal gift tax purposes under the following sections of the Internal Revenue Code: section 529; section 530; section 2501(a)(4); section 2503; sections 2511 to 2514; and sections 2516 to 2519; less the deductions allowed in sections 2522 to 2524 of the Internal Revenue Code, and after excluding taxable gifts of any property that has its situs outside Minnesota and including taxable gifts of any property that has its situs in Minnesota and were not disclosed to federal taxing authorities.

EFFECTIVE DATE. This section is effective retroactively for taxable gifts made after June 30, 2013.

Sec. 22. **TEMPORARY READING CREDIT.**

Subdivision 1. **Reading credit.** (a) A taxpayer is allowed a credit, up to \$2,000, against the tax imposed by Minnesota Statutes, chapter 290. The credit amount equals 75 percent of the amount of eligible expenses paid by a taxpayer who is a parent or guardian of a qualifying child:

(1) who has been evaluated for determination of a specific learning disability under Minnesota Rules, part 3525.1341, and was not found to meet the criteria under Minnesota Rules, part 3525.1341, subpart 2, to have a specific learning disability; and

(2) for whom the evaluation indicated a determination of a deficiency in basic reading skills, reading comprehension, or reading fluency that impair a child to meet expected age or grade-level standards.

(b) For purposes of this subdivision, the following definitions apply:

(1) "eligible expenses" means actual expenses, less the amount of expenses used to claim the credit under Minnesota Statutes, section 290.0674, subdivision 1, paid by the taxpayer for tutoring, instruction, or treatment by an instructor and not compensated by insurance, pretax account, or otherwise, for purposes of meeting the academic standards required under Minnesota Statutes, section 120B.021;

(2) "instructor" means a person qualifying under Minnesota Statutes, section 120A.22, subdivision 10, clauses (1) to (5), who is not a lineal ancestor or sibling of the qualifying child;

(3) "treatment" means instruction that:

(i) teaches language decoding skills in a systematic manner;

(ii) uses recognized diagnostic assessments to determine what intervention would be most appropriate for individual students; and

(iii) employs a research-based method; and

(4) "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code.

(c) A taxpayer claiming the credit under this subdivision must provide documentation of eligibility for the credit in a form and manner prescribed by the commissioner of revenue in consultation with the commissioner of education. The documentation under this paragraph must not disclose any information other than that necessary to prove eligibility for the credit allowed under this subdivision.

(d) For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e).

(e) The amount used to claim the credit under this section must be excluded from any amount subtracted from federal taxable income under section 290.01, subdivision 19b, clause (3).

Subd. 2. Assignment of refunds. The provisions of Minnesota Statutes, section 290.0679, except for subdivision 1, paragraphs (a) and (b), apply to the assignment of refunds authorized under this section. For purposes of assignment of refund under this section, a "qualifying taxpayer" means a taxpayer qualified to receive a credit under this section. In no case shall any condition for assignment require disclosure of the specific findings of an evaluation for a specific learning disability.

Subd. 3. Credit to be refundable. If the amount of total credits that the claimant is eligible to receive under this section exceeds the claimant's tax liability under Minnesota Statutes, chapter 290, the commissioner of revenue shall refund the excess to the claimant.

Subd. 4. Appropriation. An amount sufficient to pay the refunds authorized under this section is appropriated to the commissioner of revenue from the general fund.

Subd. 5. Report. By March 1, 2016, the commissioner of revenue, in compliance with Minnesota Statutes, sections 3.195 and 3.197, must provide a report to the chairs and ranking minority members of the committees of the house of representatives and senate with jurisdiction over taxes and education on:

(1) the number of taxpayers claiming the credit under this section and the average amount of credits claimed; and

(2) the administration of the credit, including recommendations for ensuring compliance.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013, and before January 1, 2015 only.

ARTICLE 5

MINERALS TAXES

Section 1. Minnesota Statutes 2012, section 276A.06, subdivision 3, as amended by Laws 2014, chapter 150, article 6, section 5, is amended to read:

Subd. 3. Apportionment of levy. The county auditor shall apportion the levy of each governmental unit in the county in the manner prescribed by this subdivision. The auditor shall:

(a) by August 20 of 2014 and each subsequent year, determine the preliminary areawide portion of the levy for each governmental unit by multiplying the local tax rate of the governmental unit for the preceding levy year times the distribution value set forth in subdivision 2, clause (b);

(b) by September 5 of 2014 and each subsequent year, determine the areawide portion of the levy for each governmental unit by multiplying the preliminary areawide portion of the levy for each governmental unit times a fraction, the numerator of which is the difference between the sum of the preliminary areawide levies for all governmental units in the area minus the school fund

allocation and the denominator is the sum of the preliminary areawide levy for all governmental units in the area; and

(b) (c) by September 5 of 2014 and each subsequent year, determine the local portion of the current year's levy by subtracting the resulting amount from clause (a) from the governmental unit's current year's levy.

EFFECTIVE DATE. This section is effective for taxes payable in 2015 and thereafter.

Sec. 2. Minnesota Statutes 2012, section 276A.06, subdivision 5, as amended by Laws 2014, chapter 150, article 6, section 6, is amended to read:

Subd. 5. **Areawide tax rate.** On or before August 25 of 1997 and each subsequent year, the county auditor shall certify to the administrative auditor ~~that the preliminary~~ portion of the levy of each governmental unit determined pursuant to subdivision 3, clause (a). The administrative auditor shall then determine the areawide tax rate sufficient to yield an amount equal to the sum of the levies from the preliminary areawide net tax capacity plus the school fund allocation. On or before September 1, the administrative auditor shall certify the areawide tax rate to each of the county auditors.

EFFECTIVE DATE. This section is effective for taxes payable in 2015 and thereafter.

Sec. 3. Minnesota Statutes 2013 Supplement, section 298.018, subdivision 1, is amended to read:

Subdivision 1. **Within taconite assistance area.** The proceeds of the tax paid under sections 298.015 and 298.016 on ores, metals, or minerals mined or extracted within the taconite assistance area defined in section 273.1341, shall be allocated as follows:

(1) five percent to the city or town within which the minerals or energy resources are mined or extracted, or within which the concentrate was produced. If the mining and concentration, or different steps in either process, are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds among the cities and towns by attributing 50 percent of the proceeds of the tax to the operation of mining or extraction, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of the respective operations performed in each taxing district;

(2) ten percent to the taconite municipal aid account to be distributed as provided in section 298.282;

(3) ten percent to the school district within which the minerals or energy resources are mined or extracted, or within which the concentrate was produced. If the mining and concentration, or different steps in either process, are carried on in more than one school district, distribution among the school districts must be based on the apportionment formula prescribed in clause (1);

(4) 20 percent to a group of school districts comprised of those school districts wherein the mineral or energy resource was mined or extracted 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;

(5) 20 percent to the county within which the minerals or energy resources are mined or extracted, or within which the concentrate was produced. If the mining and concentration, or different steps in either process, are carried on in more than one county, distribution among the counties must be based on the apportionment formula prescribed in clause (1), provided that any county receiving distributions under this clause shall pay one percent of its proceeds to the Range Association of Municipalities and Schools;

(6) 20 percent to St. Louis County acting as the counties' fiscal agent to be distributed as provided in sections 273.134 to 273.136;

(7) five percent to the Iron Range Resources and Rehabilitation Board for the purposes of section 298.22;

(8) ~~five~~ three percent to the Douglas J. Johnson economic protection trust fund; and

(9) ~~five~~ seven percent to the taconite environmental protection fund.

The proceeds of the tax shall be distributed on July 15 each year.

EFFECTIVE DATE. This section is effective July 1, 2014.

Sec. 4. Minnesota Statutes 2012, section 298.28, subdivision 5, as amended by Laws 2014, chapter 150, article 6, section 11, is amended to read:

Subd. 5. **Counties.** (a) 21.05 cents per taxable ton for distributions in 2015 through 2023, and 26.05 cents per taxable ton for distributions beginning in 2024 is allocated to counties to be distributed, based upon certification by the commissioner of revenue, under paragraphs (b) to (d).

(b) 10.525 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) 10.525 cents per taxable ton for distributions in 2015 through 2023, and 15.525 cents per taxable ton for distributions beginning in 2024 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 for distributions beginning in 2015 and thereafter.

Sec. 5. Minnesota Statutes 2012, section 298.28, subdivision 7a, as added by Laws 2014, chapter 150, article 6, section 13, is amended to read:

Subd. 7a. **Iron Range school consolidation and cooperatively operated school account.** The following amounts must be allocated to the Iron Range Resources and Rehabilitation Board to be deposited in the Iron Range school consolidation and cooperatively operated school account that is hereby created:

(1) (i) for distributions in 2015 through 2023, ten cents per taxable ton of the tax imposed under section 298.24; and (ii) for distributions beginning in 2024, five cents per taxable ton of the tax imposed under section 298.24;

(2) the amount as determined under section 298.17, paragraph (b), clause (3); ~~and~~

~~(3) for distributions in 2015 through 2017, an amount equal to two-thirds of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1~~ (i) for distributions in 2015, an amount equal to two-thirds of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, with the remaining one-third to be distributed to the Douglas J. Johnson Economic Protection Trust Fund;

(ii) for distributions in 2016, an amount equal to two-thirds of the sum of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, for distribution years 2015 and 2016, with the remaining one-third to be distributed to the Douglas J. Johnson Economic Protection Trust Fund; and

(iii) for distributions in 2017, an amount equal to two-thirds of the sum of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, for distribution years 2015, 2016, and 2017, with the remaining one-third to be distributed to the Douglas J. Johnson Economic Protection Trust Fund; and

(4) any other amount as provided by law.

Expenditures from this account shall be made only to provide disbursements to assist school districts with the payment of bonds that were issued for qualified school projects, or for any other school disbursement as approved by the Iron Range Resources and Rehabilitation Board. For purposes of this section, "qualified school projects" means school projects within the taconite assistance area as defined in section 273.1341, that were (1) approved, by referendum, after ~~December 7, 2009~~ April 3, 2006; and (2) approved by the commissioner of education pursuant to section 123B.71.

No expenditure under this section shall be made unless approved by seven members of the Iron Range Resources and Rehabilitation Board.

EFFECTIVE DATE. This section is effective for distributions beginning in 2015 and thereafter.

Sec. 6. Minnesota Statutes 2013 Supplement, section 298.28, subdivision 10, as amended by Laws 2014, chapter 150, article 6, section 15, is amended to read:

Subd. 10. **Increase.** (a) Except as provided in paragraph (b), for distributions in 2000 through 2014 and for distributions in 2018 and subsequent years, 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 2018, 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.

(b) For distributions in 2005 and subsequent years, an amount equal to the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, for taxes paid in 2005, except for the amount of revenue increases provided in subdivision 4, paragraph (d), is distributed to the grant and loan fund established in section 298.2961, subdivision 4.

~~(c) For distributions in 2015 through 2017, an amount equal to two-thirds of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, is distributed to the Iron Range school consolidation and cooperatively operated school account in section 298.28, subdivision 7a, with the remaining one-third to be distributed to the Douglas J. Johnson Economic Protection Trust Fund.~~

EFFECTIVE DATE. This section is effective for distributions beginning in 2015 and thereafter.

Sec. 7. Minnesota Statutes 2012, section 298.75, subdivision 2, is amended to read:

Subd. 2. **Tax imposed.** (a) Except as provided in paragraph (e), a county that imposes the aggregate production tax shall impose upon every operator a production tax of 21.5 cents per cubic yard or 15 cents per ton of aggregate material excavated in the county except that the county board may decide not to impose this tax if it determines that in the previous year operators removed less than 20,000 tons or 14,000 cubic yards of aggregate material from that county. The tax shall not be imposed on aggregate material excavated in the county until the aggregate material is transported from the extraction site or sold, whichever occurs first. When aggregate material is stored in a stockpile within the state of Minnesota and a public highway, road or street is not used for transporting the aggregate material, the tax shall not be imposed until either when the aggregate material is sold, or when it is transported from the stockpile site, or when it is used from the stockpile, whichever occurs first.

(b) Except as provided in paragraph (e), a county that imposes the aggregate production tax under paragraph (a) shall impose upon every importer a production tax of 21.5 cents per cubic yard or 15 cents per ton of aggregate material imported into the county. The tax shall be imposed when the aggregate material is imported from the extraction site or sold. When imported aggregate material is stored in a stockpile within the state of Minnesota and a public highway, road, or street is not used for transporting the aggregate material, the tax shall be imposed either when the aggregate material is sold, when it is transported from the stockpile site, or when it is used from the stockpile, whichever occurs first. The tax shall be imposed on an importer when the aggregate material is imported into the county that imposes the tax.

(c) If the aggregate material is transported directly from the extraction site to a waterway, railway, or another mode of transportation other than a highway, road or street, the tax imposed by this section shall be apportioned equally between the county where the aggregate material is extracted and the county to which the aggregate material is originally transported. If that destination is not located in Minnesota, then the county where the aggregate material was extracted shall receive all of the proceeds of the tax.

(d) A county, city, or town that receives revenue under this section is prohibited from imposing any additional host community fees on aggregate production within that county, city, or town.

(e) A county that borders two other states and that is not contiguous to a county that imposes a tax under this section may impose the taxes under paragraphs (a) and (b) at the rate of ten cents per cubic yard or seven cents per ton. This paragraph expires December 31, ~~2014~~ 2024.

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

Sec. 8. Laws 2008, chapter 366, article 10, section 15, is amended to read:

Sec. 15. 2008 DISTRIBUTIONS ONLY.

For distribution in 2008 only, a special fund is established to receive 11.4 cents per ton that otherwise would be allocated under Minnesota Statutes, section 298.28, subdivision 6. If sufficient funds are not available under Minnesota Statutes, section 298.28, subdivision 6, to make the payments required under this section and under Minnesota Statutes, section 298.28, subdivision 6, the remaining amount needed to total 11.4 cents per ton may be taken from funds available under Minnesota Statutes, section 298.28, subdivision 9. If 2008 H.F. No. 1812 is enacted and includes a provision that distributes funds that would otherwise be allocated under Minnesota Statutes, section 298.28, subdivision 6, in a manner different from the distribution required in this section, the distribution in this section supersedes the distribution set in 2008 H.F. No. 1812 notwithstanding Minnesota Statutes, section 645.26. The following amounts are allocated to St. Louis County acting as the fiscal agent for the recipients for the following specified purposes:

(1) two cents per ton must be paid to the Hibbing Economic Development Authority to retire bonds and for economic development purposes;

(2) one cent per ton must be divided among and paid in equal shares to each of the board of St. Louis County School District No. 2142, the board of Ely School District No. 696, the board of Mountain Iron-Buhl School District No. 712, and the board of Virginia School District No. 706 for each to study the potential for and impact of consolidation and streamlining the operations of their school districts;

(3) 0.25 cent per ton must be paid to the city of Grand Rapids, for industrial park work;

(4) 0.65 cent per ton must be paid to the city of Aitkin, for ~~sewer and water~~ for housing economic development projects;

(5) 0.5 cent per ton must be paid to the city of Crosby, for well and water tower infrastructure;

(6) 0.5 cent per ton must be paid to the city of Two Harbors, for well and water tower infrastructure;

(7) 1.5 cents per ton must be paid to the city of Silver Bay to pay for health and safety and maintenance improvements at a former elementary school building that is currently owned by the city, to be used for economic development purposes;

(8) 1.5 cents per ton must be paid to St. Louis County to extend water and sewer lines from the city of Chisholm to the St. Louis County fairgrounds;

(9) 1.5 cents per ton must be paid to the White Community Hospital for debt restructuring;

(10) 0.5 cent per ton must be paid to the city of Keewatin for street, sewer, and water improvements;

(11) 0.5 cent per ton must be paid to the city of Calumet for street, sewer, and water improvements; and

(12) one cent per ton must be paid to Breitung township for sewer and water extensions associated with the development of a state park, provided that if a new state park is not established

in Breitung township by July 1, 2009, the money provided in this clause must be transferred to the northeast Minnesota economic development fund established in Minnesota Statutes, section 298.2213.

EFFECTIVE DATE. This section is effective the day following final enactment. Upon enactment, the city of Aitkin must release all funds under this section to St. Louis County acting as fiscal agent by July 1, 2014.

Sec. 9. Laws 2013, chapter 143, article 11, section 10, is amended to read:

Sec. 10. 2013 DISTRIBUTION ONLY.

For the 2013 distribution, a special fund is established to receive 38.7 cents per ton of any excess of the balance remaining after distribution of amounts required under Minnesota Statutes, section 298.28, subdivision 6. The following amounts are allocated to St. Louis County acting as the fiscal agent for the recipients for the following specific purposes:

- (1) 5.1 cents per ton to the city of Hibbing for improvements to the city's water supply system;
- (2) 4.3 cents per ton to the city of Mountain Iron for the cost of moving utilities required as a result of actions undertaken by United States Steel Corporation;
- (3) 2.5 cents per ton to the city of Biwabik for improvements to the city's water supply system, payable upon agreement with ArcelorMittal to satisfy water permit conditions;
- (4) 2 cents per ton to the city of Tower for the Tower Marina;
- (5) 2.4 cents per ton to the city of Grand Rapids for an eco-friendly heat transfer system to replace aging effluent lines and for parking lot repaving;
- (6) 2.4 cents per ton to the city of Two Harbors for wastewater treatment plant improvements;
- (7) 0.9 cents per ton to the city of Ely for the sanitary sewer replacement project;
- (8) 0.6 cents per ton to the town of Crystal Bay for debt service of the Claire Nelson Intermodal Transportation Center;
- (9) 0.5 cents per ton to the Greenway Joint Recreation Board for the Coleraine hockey arena renovations;
- (10) 1.2 cents per ton for the West Range Regional Fire Hall and Training Center to merge the existing fire services of Coleraine, Bovey, Taconite Marble, Calumet, and Greenway Township;
- (11) 2.5 cents per ton to the city of Hibbing for the Memorial Building;
- (12) 0.7 cents per ton to the city of Chisholm for public works infrastructure;
- (13) 1.8 cents per ton to the Crane Lake Water and Sanitary District for sanitary sewer extension;
- (14) 2.5 cents per ton for the city of Buhl for the roof on the Mesabi Academy;
- (15) 1.2 cents per ton to the city of Gilbert for the New Jersey/Ohio Avenue project;
- (16) ~~1.5~~ 2.0 cents per ton to the city of Cook for street improvements, business park infrastructure, and a maintenance garage;

~~(17)~~ 0.5 cents per ton to the city of Cook for a water line project;

~~(18)~~ (17) 1.8 cents per ton to the city of Eveleth to be used for Jones Street reconstruction and the city auditorium;

~~(19)~~ (18) 0.5 cents per ton for the city of Keewatin for an electrical substation and water line replacements;

~~(20)~~ (19) 3.3 cents per ton for the city of Virginia for Fourth Street North infrastructure and Franklin Park improvement; and

~~(21)~~ (20) 0.5 cents per ton to the city of Grand Rapids for an economic development project.

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

Sec. 10. **REALLOCATION OF BOND PAYMENTS.**

In each year subsequent to the year in which the following appropriations terminate under their terms, an amount equal to the amount payable in 2013 based upon 2012 production of the terminating appropriation is appropriated from the same sources listed in this section to the Iron Range school consolidation and cooperatively operated school account under Laws 2014, chapter 150, article 6, section 13:

(1) Laws 1996, chapter 412, article 5, section 21, subdivision 3, appropriation for bonds of Independent School District No. 166, Cook County;

(2) Laws 1996, chapter 412, article 5, section 20, subdivision 2, appropriation for bonds of Independent School District No. 696, Ely;

(3) Laws 1996, chapter 412, article 5, section 20, subdivision 2, appropriation for bonds of Independent School District No. 706, Virginia;

(4) Laws 1996, chapter 412, article 5, section 20, subdivision 2, appropriation for bonds of Independent School District No. 2154, Eveleth-Gilbert;

(5) Laws 1998, chapter 398, article 4, section 17, subdivision 2, appropriation for bonds of Independent School District No. 712, Mountain Iron-Buhl;

(6) Laws 2000, chapter 489, article 5, section 24, subdivision 1, appropriation for bonds of Independent School District No. 695, Chisholm;

(7) Laws 2000, chapter 489, article 5, section 25, subdivision 1, appropriation for bonds of Independent School District No. 316, Greenway-Coleraine;

(8) Laws 2000, chapter 489, article 5, section 26, subdivision 1, appropriation for bonds of Independent School District No. 381, Lake Superior; and

(9) Laws 2008, chapter 154, article 8, section 18, appropriation for bonds of Independent School District No. 2711, Mesabi East.

EFFECTIVE DATE. This section is effective beginning with the distribution in 2015.

Sec. 11. **2014 DISTRIBUTION ONLY.**

For the 2014 distribution, a special fund is established to receive 18.84 cents per ton of any excess of the balance remaining after distribution of amounts required under Minnesota Statutes, section 298.28, subdivision 6. The following amounts are allocated to St. Louis County acting as the fiscal agent for the recipients for the following specific purposes:

- (1) 1.3 cents per ton to the city of Silver Bay for a water project under Highway 61;
- (2) 0.5 cents per ton to the city of Grand Rapids for soil and landscape remediation at the Reif Center;
- (3) 0.65 cents per ton to the city of LaPrairie for sewer, water, and road improvements to accommodate business expansion in the city;
- (4) 0.78 cents per ton to the city of Cohasset for an infrastructure project;
- (5) 0.39 cents per ton to Balkan Township for a salt storage building and energy-efficient cold storage building;
- (6) 3.0 cents per ton to the city of McKinley to construct a water line from the city of Gilbert or the city of Biwabik to the city of McKinley's distribution center in order to secure a potable water source for the city, provided that the city of McKinley secures the remainder of the project costs from other sources, and expires three years following the date of distribution;
- (7) 6.5 cents per ton to the Iron Range Resources and Rehabilitation Board for township block grants to be distributed by the board;
- (8) 0.5 cents per ton to the city of Marble for a water main and looping project;
- (9) 0.65 cents per ton to the city of Nashwauk for an infrastructure project;
- (10) 0.35 cents per ton to the city of Babbitt for demolition of a public building;
- (11) 0.65 cents per ton to the city of Hoyt Lakes for a storm water project;
- (12) 0.65 cents per ton to the city of Aurora for an infrastructure project;
- (13) 0.65 cents per ton to the town of Silver Creek for an infrastructure project;
- (14) 0.5 cents per ton to the city of Calumet for an infrastructure project;
- (15) 0.5 cents per ton to Nashwauk Township for the Nashwauk town hall;
- (16) 0.5 cents per ton to the city of Biwabik for emergency repair of a wastewater treatment project;
- (17) 0.47 cents per ton to the city of Cuyuna for improvements to city properties and facilities, including construction, electrical, water, sewer, and site preparation; and
- (18) 0.3 cents per ton to Morse Township for a recreational trail.

EFFECTIVE DATE. This section is effective for the 2014 distribution, and all payments must be made separately and within ten days of the date of the August 2014 payment.

ARTICLE 6**LOCAL DEVELOPMENT****Section 1. [383A.155] HOUSING IMPROVEMENT AREAS.**

Subdivision 1. **Powers of a housing improvement authority.** The Ramsey County Housing and Redevelopment Authority shall have the powers of a city under sections 428A.11 to 428A.21 to establish housing improvement areas in Ramsey County.

Subd. 2. **Definitions.** (a) For purposes of exercising the powers in sections 428A.11 to 428A.21, references in those sections to the terms in paragraphs (b) to (e) have the meanings given them for purposes of this section.

(b) "Mayor" means the chair of the Ramsey County Housing and Redevelopment Authority.

(c) "Council" or "governing body of the city" means the Ramsey County Housing and Redevelopment Authority.

(d) "City clerk" means the person designated by the Ramsey County Housing and Redevelopment Authority to carry out the duties of the city clerk under sections 428A.11 to 428A.21.

(e) "Enabling ordinance" means a resolution adopted under subdivision 3 by the Ramsey County Housing and Redevelopment Authority.

Subd. 3. **Establishment of housing improvement areas.** The Ramsey County Housing and Redevelopment Authority may adopt a resolution establishing one or more housing improvement areas within the county under this section. The Ramsey County Housing and Redevelopment Authority shall send a copy of each petition for the establishment of a housing improvement area to the city in which the proposed housing improvement area is located. The public hearings under sections 428A.13 and 428A.14 may be held at the times and places determined by the Ramsey County Housing and Redevelopment Authority, except that they must be held at least 30 days after the date the applicable petition was sent to the city. If the city council adopts a resolution opposing the establishment within 30 days of the date the copy of the petition was sent to the city under this subdivision, the Ramsey County Housing and Redevelopment Authority may not establish the proposed housing improvement area.

Subd. 4. **Applicability.** Except as otherwise provided in this section, sections 428A.11 to 428A.21 apply to the establishment of a housing improvement area by the Ramsey County Housing and Redevelopment Authority.

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

Sec. 2. Minnesota Statutes 2012, section 383D.41, is amended by adding a subdivision to read:

Subd. 11. **Tax credit allocation threshold criteria.** (a) In addition to the projects described in section 462A.222, subdivision 3, paragraph (d), the Dakota County Community Development Agency may allocate tax credits in the first round for up to three projects of the following type: new construction or substantial rehabilitation multifamily housing projects that are not restricted to persons who are 55 years of age or older and that are located within one of the following areas at the time a reservation for tax credits is made:

(1) an area within one-half mile of a completed or planned light rail transit way, bus rapid transit way, or commuter rail station;

(2) an area within one-fourth mile from any stop along a high-frequency local bus line;

(3) an area within one-half mile from a bus stop or station on a high-frequency express route;

(4) an area within one-half mile from a park and ride lot; or

(5) an area within one-fourth mile of a high-service public transportation fixed route stop.

(b) For purposes of this section, the following terms have the meaning given them:

(1) "high-frequency local bus line" means a local bus route providing service at least every 15 minutes and running between 6:00 a.m. and 7:00 p.m. on weekdays and between 9:00 a.m. and 6:00 p.m. on Saturdays;

(2) "high-frequency express route" means an express route with bus service providing six or more trips during at least one of the peak morning hours between 6:00 a.m. and 9:00 a.m. and every ten minutes during the peak morning hour; and

(3) "high-service public transportation fixed route stop" means a stop serviced between 6:00 a.m. and 7:00 p.m. on weekdays and 9:00 a.m. and 6:00 p.m. on Saturdays and with service approximately every 30 minutes during that time.

EFFECTIVE DATE. This section is effective beginning with the 2015 allocation of tax credit.

Sec. 3. Minnesota Statutes 2012, section 469.1763, subdivision 3, is amended to read:

Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments are considered to have been expended on an activity within the district under subdivision 2 only if one of the following occurs:

(1) before or within five years after certification of the district, the revenues are actually paid to a third party with respect to the activity;

(2) bonds, the proceeds of which must be used to finance the activity, are issued and sold to a third party before or within five years after certification, the revenues are spent to repay the bonds, and the proceeds of the bonds either are, on the date of issuance, reasonably expected to be spent before the end of the later of (i) the five-year period, or (ii) a reasonable temporary period within the meaning of the use of that term under section 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve or replacement fund;

(3) binding contracts with a third party are entered into for performance of the activity before or within five years after certification of the district and the revenues are spent under the contractual obligation;

(4) costs with respect to the activity are paid before or within five years after certification of the district and the revenues are spent to reimburse a party for payment of the costs, including interest on unreimbursed costs; or

(5) expenditures are made for housing purposes as permitted by subdivision 2, paragraphs (b) and (d), or for public infrastructure purposes within a zone as permitted by subdivision 2, paragraph (e).

(b) For purposes of this subdivision, bonds include subsequent refunding bonds if the original refunded bonds meet the requirements of paragraph (a), clause (2).

(c) For a redevelopment district or a renewal and renovation district certified after June 30, 2003, and before April 20, 2009, the five-year periods described in paragraph (a) are extended to ten years after certification of the district. For a redevelopment district certified after April 20, 2009, and before June 30, 2012, the five-year periods described in paragraph (a) are extended to eight years after certification of the district. This extension is provided primarily to accommodate delays in development activities due to unanticipated economic circumstances.

EFFECTIVE DATE. This section is effective for districts for which the request for certification was made after April 20, 2009.

Sec. 4. Minnesota Statutes 2012, section 469.177, subdivision 3, is amended to read:

Subd. 3. **Tax increment, relationship to chapters 276A and 473F.** (a) Unless the governing body elects pursuant to paragraph (b) the following method of computation shall apply to a district ~~other than an economic development district for which the request for certification was made after June 30, 1997:~~

(1) The original net tax capacity and the current net tax capacity shall be determined before the application of the fiscal disparity provisions of chapter 276A or 473F. Where the original net tax capacity is equal to or greater than the current net tax capacity, there is no captured net tax capacity and no tax increment determination. Where the original net tax capacity is less than the current net tax capacity, the difference between the original net tax capacity and the current net tax capacity is the captured net tax capacity. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured net tax capacity of the authority.

(2) The county auditor shall exclude the retained captured net tax capacity of the authority from the net tax capacity of the local taxing districts in determining local taxing district tax rates. The local tax rates so determined are to be extended against the retained captured net tax capacity of the authority as well as the net tax capacity of the local taxing districts. The tax generated by the extension of the lesser of (A) the local taxing district tax rates or (B) the original local tax rate to the retained captured net tax capacity of the authority is the tax increment of the authority.

(b) The following method of computation applies to any ~~economic development district for which the request for certification was made after June 30, 1997,~~ and to any other district for which the governing body, by resolution approving the tax increment financing plan pursuant to section 469.175, subdivision 3, elects:

(1) The original net tax capacity shall be determined before the application of the fiscal disparity provisions of chapter 276A or 473F. The current net tax capacity shall exclude any fiscal disparity commercial-industrial net tax capacity increase between the original year and the current year multiplied by the fiscal disparity ratio determined pursuant to section 276A.06, subdivision 7, or 473F.08, subdivision 6. Where the original net tax capacity is equal to or greater than the current net tax capacity, there is no captured net tax capacity and no tax increment determination. Where the original net tax capacity is less than the current net tax capacity, the difference between the original net tax capacity and the current net tax capacity is the captured net tax capacity. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured net tax capacity of the authority.

(2) The county auditor shall exclude the retained captured net tax capacity of the authority from the net tax capacity of the local taxing districts in determining local taxing district tax rates. The local tax rates so determined are to be extended against the retained captured net tax capacity of the authority as well as the net tax capacity of the local taxing districts. The tax generated by the extension of the lesser of (A) the local taxing district tax rates or (B) the original local tax rate to the retained captured net tax capacity of the authority is the tax increment of the authority.

(3) An election by the governing body pursuant to paragraph (b) shall be submitted to the county auditor by the authority at the time of the request for certification pursuant to subdivision 1.

(c) The method of computation of tax increment applied to a district pursuant to paragraph (a) or (b) shall remain the same for the duration of the district, except that the governing body may elect to change its election from the method of computation in paragraph (a) to the method in paragraph (b).

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after June 30, 2014.

Sec. 5. Laws 2013, chapter 143, article 9, section 23, is amended to read:

Sec. 23. CITY OF BLOOMINGTON; OLD CEDAR AVENUE BRIDGE.

(a) Notwithstanding any law to the contrary, the city of Bloomington shall transfer from the tax increment financing accounts for its Tax Increment Financing District No. 1-C and Tax Increment Financing District No. 1-G an amount equal to the tax increment for each district that is computed under the provisions of Minnesota Statutes, section 473F.08, subdivision 3c, for taxes payable in 2014 to an account or fund established for the repair, restoration, or replacement of the Old Cedar Avenue bridge for use by bicycle commuters and recreational users. The city is authorized to and must use the transferred funds to complete the repair, renovation, or replacement of the bridge.

(b) Upon completion of the repair, restoration, or replacement of the bridge, the city may use any remaining funds in the account for expenditures as provided in this paragraph and that use is deemed to be a permitted use of the increments, regardless of whether it is for improvements within the project area. If the city elects to use the authority under this paragraph, the remaining funds must be spent for the following items and improvements in the following order of priority:

(1) signage for the Old Cedar Avenue bridge that is consistent with the number, design, size, and placement of the city's signage for the Normandale Lake District;

(2) kiosks and other wayfinding aids for users of the Old Cedar Avenue bridge and immediately adjacent parkland areas; and

(3) bicycle and pedestrian trail improvements that provide access to the Old Cedar Avenue bridge.

~~(b)~~(c) No signs, plaques, or markers acknowledging or crediting donations for, sponsorships of, or naming rights may be posted on or in the vicinity of the Old Cedar Avenue bridge.

EFFECTIVE DATE. This section is effective without local approval under Minnesota Statutes, section 645.023, subdivision 1, paragraph (a).

Sec. 6. CITY OF BAXTER; TAX INCREMENT FINANCING DISTRICT; PROJECT REQUIREMENT.

Subdivision 1. **Addition of parcels to district.** Notwithstanding Minnesota Statutes, sections 469.174, subdivision 12; 469.176, subdivision 4c; or any other law to the contrary, the governing body of the city of Baxter may elect to expand the boundaries of the Isle Drive Tax Increment Financing District to include the real property described as tax parcel number 034120010010009 in the city of Baxter, Crow Wing County, Minnesota.

Subd. 2. **Original tax capacity of district.** Upon addition of the property described in subdivision 1 to the Isle Drive Tax Increment Financing District, the Crow Wing County auditor shall increase the original tax capacity of Isle Drive Tax Increment Financing District by the amount required by Minnesota Statutes, section 469.177, except as provided in subdivision 3.

Subd. 3. **Prior planned improvements.** Minnesota Statutes, section 469.177, subdivision 4, does not apply to the property described in subdivision 1 added to the Isle Drive Tax Increment Financing District.

Subd. 4. **Use of increments.** Tax increments and other revenues derived from any portion of the Isle Drive Tax Increment Financing District, as expanded under this section, may be used to reimburse or otherwise pay for allowable expenditures under the plan budget for the Isle Drive Tax Increment Financing District, as amended in accordance with Minnesota Statutes, section 469.175, subdivision 4.

Subd. 5. **Approval and effect of modification.** If the governing body of the city elects to exercise the authority provided in subdivision 1 to modify the district, the following conditions apply:

(1) the city must comply with Minnesota Statutes, section 469.175, subdivision 4; and

(2) beginning with the subsequent calendar year, except as otherwise provided in this section, the district is subject to the provisions of Minnesota Statutes, sections 469.174 to 469.1794, as if the request for certification of the entire district was made on December 30, 2011, the date the original request for certification for the Isle Drive Tax Increment Financing District was made.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of Baxter and upon compliance by the city with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 7. **CITY OF EAGAN; TAX INCREMENT FINANCING.**

(a) Effective for taxes payable in 2015, the city of Eagan may elect to compute tax increment for the Cedar Grove Tax Increment Financing District using the current local tax rate, notwithstanding the provisions of Minnesota Statutes, section 469.177, subdivision 1a.

(b) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is considered to be met for the Cedar Grove Tax Increment Financing District in the city of Eagan if the activities are undertaken within 13 years from the date of certification of the district.

(c) Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the city of Eagan may collect tax increment from the Cedar Grove Tax Increment Financing District through December 31, 2032.

EFFECTIVE DATE. Paragraphs (a) and (b) are effective upon compliance by the governing body of the city of Eagan with the requirements of Minnesota Statutes, section 645.021, subdivision

3. Paragraph (c) is effective upon compliance by the governing bodies of the city of Eagan, Dakota County, and Independent School District No. 191 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 8. CITY OF EDINA; TAX INCREMENT FINANCING.

Subdivision 1. **Authority to create districts.** (a) The governing body of the city of Edina or its development authority may establish one or more tax increment financing housing districts in the Southeast Edina Redevelopment Project Area, as the boundaries exist on March 31, 2014.

(b) The authority to request certification of districts under this section expires on June 30, 2017.

Subd. 2. **Rules governing districts.** (a) Housing districts established under this section are subject to the provisions of Minnesota Statutes, sections 469.174 to 469.1794, except as otherwise provided in this subdivision.

(b) Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, no increment must be paid to the authority after 20 years after receipt by the authority of the first increment from a district established under this section.

(c) Notwithstanding the provisions of Minnesota Statutes, section 469.1761, subdivision 3, for a residential rental project, the city may elect to substitute "20 percent" for "40 percent" in the 40-60 test under section 142(d)(1)(B) of the Internal Revenue Code in determining the applicable income limits.

(d) The provisions of Minnesota Statutes, section 469.1761, subdivision 3, apply for a 25-year period beginning on the date of certification of the district.

Subd. 3. **Pooling authority.** The city may elect to treat expenditures of increment from the Southdale 2 district for a housing project of a district established under this section as expenditures qualifying under Minnesota Statutes, section 469.1763, subdivision 2, paragraph (d): (1) without regard to whether the housing meets the requirement of a qualified building under section 42 of the Internal Revenue Code; and (2) may increase by an additional 25 percentage points the permitted amount of expenditures for activities located outside the geographic area of the district permitted under that section.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Edina with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 9. CITY OF MAPLE GROVE; TAX INCREMENT FINANCING DISTRICT.

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

(b) "City" means the city of Maple Grove.

(c) "Project area" means the area in the city commencing at a point 130 feet East and 120 feet North of the southwest corner of the Southeast Quarter of Section 23, Township 119, Range 22, Hennepin County, said point being on the easterly right-of-way line of Hemlock Lane; thence northerly along said easterly right-of-way line of Hemlock Lane to a point on the west line of the east one-half of the Southeast Quarter of section 23, thence south along said west line a distance of 1,200 feet; thence easterly to the east line of Section 23, 1,030 feet North from the southeast corner thereof; thence South 74 degrees East 1,285 feet; thence East a distance of 1,000 feet; thence North

59 degrees West a distance of 650 feet; thence northerly to a point on the northerly right-of-way line of 81st Avenue North, 650 feet westerly measured at right angles, from the east line of the Northwest Quarter of Section 24; thence North 13 degrees West a distance of 795 feet; thence West to the west line of the Southeast Quarter of the Northwest Quarter of Section 24; thence North 55 degrees West to the south line of the Northwest Quarter of the Northwest Quarter of Section 24; thence West along said south line to the east right-of-way line of Zachary Lane; thence North along the east right-of-way line of Zachary Lane to the southwest corner of Lot 1, Block 1, Metropolitan Industrial Park 5th Addition; thence East along the south line of said Lot 1 to the northeast corner of Outlot A, Metropolitan Industrial Park 5th Addition; thence South along the east line of said Outlot A and its southerly extension to the south right-of-way line of County State-Aid Highway (CSAH) 109; thence easterly along the south right-of-way line of CSAH 109 to the east line of the Northwest Quarter of the Northeast Quarter of Section 24; thence South along said east line to the north line of the South Half of the Northeast Quarter of Section 24; thence East along said north line to the westerly right-of-way line of Jefferson Highway North; thence southerly along the westerly right-of-way line of Jefferson Highway to the centerline of CSAH 130; thence continuing South along the west right-of-way line of Pilgrim Lane North to the westerly extension of the north line of Outlot A, Park North Fourth Addition; thence easterly along the north line of Outlot A, Park North Fourth Addition to the northeast corner of said Outlot A; thence southerly along the east line of said Outlot A to the southeast corner of said Outlot A; thence easterly along the south line of Lot 1, Block 1, Park North Fourth Addition to the westerly right-of-way line of State Highway 169; thence southerly, southwesterly, westerly, and northwesterly along the westerly right-of-way line of State Highway 169 and the northerly right-of-way line of Interstate 694 to its intersection with the southerly extension of the easterly right-of-way line of Zachary Lane North; thence northerly along the easterly right-of-way line of Zachary Lane North and its northerly extension to the north right-of-way line of CSAH 130; thence westerly, southerly, northerly, southwesterly, and northwesterly to the point of beginning and there terminating, provided that the project area includes the rights-of-way for all present and future highway interchanges abutting the area described in this paragraph.

(d) "Soil deficiency district" means a type of tax increment financing district consisting of a portion of the project area in which the city finds by resolution that the following conditions exist:

(1) unusual terrain or soil deficiencies that occurred over 80 percent of the acreage in the district require substantial filling, grading, or other physical preparation for use; and

(2) the estimated cost of the physical preparation under clause (1), but excluding costs directly related to roads as defined in Minnesota Statutes, section 160.01, and local improvements as described in Minnesota Statutes, sections 429.021, subdivision 1, clauses (1) to (7), (11), and (12), and 430.01, exceeds the fair market value of the land before completion of the preparation.

Subd. 2. **Special rules.** (a) If the city elects, upon the adoption of the tax increment financing plan for a district, the rules under this section apply to a redevelopment district, renewal and renovation district, soil condition district, or soil deficiency district established by the city or a development authority of the city in the project area.

(b) Prior to or upon the adoption of the first tax increment plan subject to the special rules under this subdivision, the city must find by resolution that parcels consisting of at least 80 percent of the acreage of the project area, excluding street and railroad rights-of-way, are characterized by one or more of the following conditions:

(1) peat or other soils with geotechnical deficiencies that impair development of commercial buildings or infrastructure;

(2) soils or terrain that require substantial filling in order to permit the development of commercial buildings or infrastructure;

(3) landfills, dumps, or similar deposits of municipal or private waste;

(4) quarries or similar resource extraction sites;

(5) floodway; and

(6) substandard buildings, within the meaning of Minnesota Statutes, section 469.174, subdivision 10.

(c) For the purposes of paragraph (b), clauses (1) to (5), a parcel is characterized by the relevant condition if at least 70 percent of the area of the parcel contains the relevant condition. For the purposes of paragraph (b), clause (6), a parcel is characterized by substandard buildings if substandard buildings occupy at least 30 percent of the area of the parcel.

(d) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to eight years for any district, and Minnesota Statutes, section 469.1763, subdivision 4, does not apply to any district.

(e) Notwithstanding any provision to the contrary in Minnesota Statutes, section 469.1763, subdivision 2, paragraph (a), not more than 40 percent of the total revenue derived from tax increments paid by properties in any district, measured over the life of the district, may be expended on activities outside the district but within the project area.

(f) For a soil deficiency district:

(1) increments may be collected through 20 years after the receipt by the authority of the first increment from the district;

(2) increments may be used only to:

(i) acquire parcels on which the improvements described in item (ii) will occur;

(ii) pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost of installing public improvements directly caused by the deficiencies; and

(iii) pay for the administrative expenses of the authority allocable to the district; and

(3) any parcel acquired with increments from the district must be sold at no less than their fair market value.

(g) Increments spent for any infrastructure costs, whether inside a district or outside a district but within the project area, are deemed to satisfy the requirements of Minnesota Statutes, section 469.176, subdivision 4j.

(h) The authority to approve tax increment financing plans to establish tax increment financing districts under this section expires June 30, 2020.

EFFECTIVE DATE. This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 10. CITY OF MOUND; TAX INCREMENT FINANCING.

The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, are considered to be met for the Mound Harbor Tax Increment Financing District administered by the Housing and Redevelopment Authority in and for the city of Mound if the activities are undertaken within 13 years from the date of certification of the district.

EFFECTIVE DATE. The section is effective upon compliance by the governing body of the city of Mound with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 11. CITY OF NORTH ST. PAUL; TAX INCREMENT FINANCING; PARCELS DEEMED OCCUPIED.

(a) If the city of North St. Paul authorizes the creation of a redevelopment tax increment financing district under Minnesota Statutes, section 469.174, subdivision 10, parcel number 122922330059 is deemed to meet the requirements of Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), notwithstanding any contrary provisions of that paragraph, if the following conditions are met:

(1) buildings located on the parcel were demolished after the city of North St. Paul adopted a resolution under Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (3);

(2) the buildings were removed either by the city of North St. Paul or by the owner of the property by entering into a development agreement; and

(3) the request for certification of the parcel as part of a district is filed with the county auditor by December 31, 2017.

(b) The city of North St. Paul may elect to use the current value for purposes of calculating original net tax capacity for the parcels deemed occupied under paragraph (a), notwithstanding the provisions of Minnesota Statutes, sections 469.174, subdivision 10, paragraph (d), and 469.177, subdivision 1, paragraph (f).

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of North St. Paul with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 12. CITY OF SAVAGE; TAX INCREMENT FINANCING DISTRICT.

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

(b) "City" means the city of Savage.

(c) "Project area" means parcel numbers 26-931-023-0, 26-931-022-0, 26-931-039-0, 26-931-041-0, 26-931-018-1, 26-931-043-0, 26-931-020-0, 26-931-021-0, 26-931-035-0, 26-931-040-0, 26-931-036-0, 26-931-037-0, 26-931-038-0, and 26-931-0310.

(d) "Soil deficiency district" means a type of tax increment financing district consisting of a portion of the project area in which the city finds by resolution that the following conditions exist:

(1) unusual terrain or soil deficiencies that occurred over 80 percent of the acreage in the district require substantial filling, grading, or other physical preparation for use; and

(2) the estimated cost of the physical preparation under clause (1), but excluding costs directly related to roads as defined in Minnesota Statutes, section 160.01, and local improvements as described in Minnesota Statutes, sections 429.021, subdivision 1, clauses (1) to (7), (11), and (12), and 430.01, exceeds the fair market value of the land before completion of the preparation.

Subd. 2. **Special rules.** (a) If the city elects, upon the adoption of the tax increment financing plan for a district, the rules under this section apply to a redevelopment district, renewal and renovation district, soil condition district, or soil deficiency district established by the city or a development authority of the city in the project area.

(b) Prior to or upon the adoption of the first tax increment plan subject to the special rules under this subdivision, the city must find by resolution that parcels consisting of at least 80 percent of the acreage of the project area, excluding street and railroad rights-of-way, are characterized by one or more of the following conditions:

(1) peat or other soils with geotechnical deficiencies that impair development of commercial buildings or infrastructure;

(2) soils or terrain that require substantial filling in order to permit the development of commercial buildings or infrastructure;

(3) landfills, dumps, or similar deposits of municipal or private waste;

(4) quarries or similar resource extraction sites;

(5) floodway; and

(6) substandard buildings, within the meaning of Minnesota Statutes, section 469.174, subdivision 10.

(c) For the purposes of paragraph (b), clauses (1) to (5), a parcel is characterized by the relevant condition if at least 70 percent of the area of the parcel contains the relevant condition. For the purposes of paragraph (b), clause (6), a parcel is characterized by substandard buildings if substandard buildings occupy at least 30 percent of the area of the parcel.

(d) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to eight years for any district, and Minnesota Statutes, section 469.1763, subdivision 4, does not apply to any district.

(e) Notwithstanding any provision to the contrary in Minnesota Statutes, section 469.1763, subdivision 2, paragraph (a), not more than 40 percent of the total revenue derived from tax increments paid by properties in any district, measured over the life of the district, may be expended on activities outside the district but within the project area.

(f) For a soil deficiency district:

(1) increments may be collected through 20 years after the receipt by the authority of the first increment from the district;

(2) increments may be used only to:

(i) acquire parcels on which the improvements described in item (ii) will occur;

(ii) pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost of installing public improvements directly caused by the deficiencies; and

(iii) pay for the administrative expenses of the authority allocable to the district; and

(3) any parcel acquired with increments from the district must be sold at no less than their fair market value.

(g) Increments spent for any infrastructure costs, whether inside a district or outside a district but within the project area, are deemed to satisfy the requirements of Minnesota Statutes, section 469.176, subdivision 4j.

(h) The authority to approve tax increment financing plans to establish tax increment financing districts under this section expires June 30, 2020.

EFFECTIVE DATE. This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 13. SHOREVIEW TAX INCREMENT FINANCING PILOT PROJECT.

Subdivision 1. **Authority to establish districts.** (a) The governing body of the city of Shoreview or a development authority it designates may establish not more than three economic development tax increment financing districts in the city subject to the special rules under this section. The purpose of these districts is the retention and expansion of existing businesses in the city and the attraction of new business to the state to create and retain high paying jobs.

(b) The authority to establish or approve the tax increment financing plans and request certification for districts under this section expires on June 30, 2019.

Subd. 2. **Qualified businesses.** For purposes of this section, a "qualified business" must satisfy the following requirements:

(1) the business must qualify under one of the following when the tax increment financing plan is approved:

(i) it operates at a location in the city of Shoreview;

(ii) it does not have substantial operations in Minnesota; or

(iii) the assistance is provided for relocation of a portion of the business's operation from another state;

(2) the expansion or location of the operations of the business in the city, as provided in the business subsidy agreement under Minnesota Statutes, sections 116J.993 to 116J.995, will result in an increase in manufacturing, research, service, or professional jobs, at least 75 percent of which pay an average wage or salary that is equal to or greater than 25 percent of the median wage or salary for all jobs within the metropolitan area; and

(3) the business is not engaged in making retail sales or in providing other services, such as legal, medical, accounting, financial, entertainment, or similar services, to third parties at the location receiving assistance.

Subd. 3. **Applicable rules.** (a) Unless otherwise stated, the provisions of Minnesota Statutes, sections 469.174 to 469.1794, apply to districts established under this section.

(b) Notwithstanding the provisions of section 469.176, subdivision 1b, the duration limit for districts created under this section is 12 years after the receipt of the first increment.

(c) The provisions of Minnesota Statutes, section 469.176, subdivision 4c, apply to determining the permitted uses of increments from the districts with the following exceptions:

- (1) any building and facilities must be for a qualified business;
- (2) the building and facilities must not be used by the qualified business or its lessees or tenants to relocate operations from another location in this state outside of the city of Shoreview;
- (3) the 15 percent limit in subdivision 4c, paragraph (a), is increased to 25 percent; and
- (4) the city or development authority may elect to deposit up to 20 percent of the increments in the fund established under subdivision 4. If the city elects to use this authority, all of the remaining increments must be expended for administrative expenses or for activities within the district under Minnesota Statutes, section 469.1763.

(d) The governing body of the city may elect by resolution to determine the original and current net tax capacity of a district established under this section using the computation under Minnesota Statutes, section 469.177, subdivision 3, paragraph (a) or (b).

Subd. 4. **Business retention and expansion fund.** (a) The city may establish a business retention and expansion fund and deposit in the fund:

- (1) increments as provided under subdivision 3, paragraph (c), clause (4); and
- (2) increments from a district for which the request for certification of the district was made prior to April 30, 1990, if the amount necessary to meet all of the debt and other obligations incurred for that district has been received by the city.

(b) Amounts in the fund may be expended to assist qualified businesses, as permitted under subdivisions 2 and 3, and are not otherwise subject to the restrictions in Minnesota Statutes, sections 469.174 to 469.1794.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Shoreview with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

Sec. 14. **WORKFORCE HOUSING GRANTS PILOT PROGRAM.**

Subdivision 1. **Establishment.** The commissioner of employment and economic development shall establish a workforce housing grants pilot program to award grants to a city to be used for financing costs related to the construction of or financing for market rate residential rental properties.

Subd. 2. **Definitions.** For purposes of this section:

- (1) "local unit of government" means a home rule charter or statutory city or county;
- (2) "qualified city" means a home rule charter or statutory city with a population exceeding 1,500 located in Roseau County or Pennington County;
- (3) "qualified expenditure" means expenditures for the acquisition of property, construction of improvements, provisions of loans or subsidies, grants, interest rate subsidies, public infrastructure, and related financing costs for market rate rental residential rental properties; and

(4) "market rate residential rental properties" means properties that are rented at market value and excludes: (i) properties constructed with financial assistance requiring the property to be occupied by residents that meet income limits under federal or state law of initial occupancy; and (ii) properties constructed with federal, state, or local flood recovery assistance, regardless of whether that assistance imposed income limits as a condition of receiving assistance.

Subd. 3. **Application.** The commissioner must develop forms and procedures for soliciting and reviewing application for grants under this section. At a minimum, a city must include in its application a resolution of its governing body certifying that the matching amount as required under this section is available and committed.

Subd. 4. **Program requirements.** The commissioner shall not award a grant to a city under this section until the following determinations are made:

(1) the average vacancy rate for rental housing located in the city, and in any city located within 15 miles or less of the boundaries of the city, has been five percent or less for at least a two-year period;

(2) one or more businesses located in the city, or within 15 miles of the city, that employ a minimum of twenty full-time equivalent employees in aggregate have provided a written statement to the city indicating that the lack of available rental housing has impeded their ability to recruit and hire employees;

(3) the city is located in Roseau County or Pennington County and has a population exceeding 1,500;

(4) fewer than five market rate residential units per 1,000 residents were constructed in the city in each of the last ten years; and

(5) the city certifies that the grants will be used for qualified expenditures for the development of rental housing to serve employees of businesses located in the city or surrounding area.

Subd. 5. **Allocation.** The amount of a grant may not exceed the lesser of \$400,000 or ten percent of the rental housing development project cost. The commissioner shall not award a grant to a city without certification by the city that the amount of the grant shall be matched by a local unit of government, business, or nonprofit organization.

Subd. 6. **Report.** By January 15, 2016, the city must submit a report to the chairs and ranking minority members of the senate and house of representatives committees having jurisdiction over taxes and workforce development specifying the projects that received grants under this section and the specific purposes for which the grant funds were used.

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

Sec. 15. **APPROPRIATION.**

\$627,000 in fiscal year 2015 is appropriated from the general fund to the commissioner of employment and economic development to make grants under the workforce housing grants pilot program in section 14. The base for fiscal year 2016 is \$1,373,000 and is available until June 30, 2018. The base for fiscal year 2017 is \$0. Of these amounts, the commissioner of employment and economic development may use up to five percent for administrative expenses.

ARTICLE 7**LEWIS AND CLARK REGIONAL WATER SYSTEM PROJECT****Section 1. [469.352] LEWIS AND CLARK WATER PROJECT BONDING.**

Subdivision 1. Authority; aggregate limit. (a) The governing body of a municipality may, by resolution, issue obligations under chapter 475 to acquire land or interests in land for, and to design, engineer, and construct pipeline and other facilities and infrastructure necessary to complete the Lewis and Clark Regional Water System Project.

(b) The maximum amount of bonds that may be issued under this section is limited to an aggregate principal amount of \$45,000,000, plus any costs of issuance and amounts to be deposited into a debt service or reserve account. The Lewis and Clark Joint Powers Board shall allocate the limit among the municipalities designated in subdivision 2.

Subd. 2. Municipalities. For purposes of this section, "municipality" or "municipalities" means any of the following governmental units:

- (1) the city of Luverne;
- (2) the city of Worthington;
- (3) Nobles County; and
- (4) Rock County.

Subd. 3. Application of chapter 475 limits. (a) Notwithstanding section 475.58 or any other law to contrary, obligations under this section, including general obligations, may be issued without obtaining the approval of the electors.

(b) Notwithstanding section 475.53 or any other law to the contrary, obligations issued under this section are not subject to any limitations on net debt.

Subd. 4. Payment allocation. The joint powers board may agree to allocate the responsibility of each of its members and each municipality to pay obligations issued under this section. One-half of any federal grants and aid received to fund the project in any year shall be used to proportionately reduce responsibility to pay obligations under this subdivision.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval under the provisions of Minnesota Statutes, section 645.023.

Sec. 2. [477A.20] DEBT SERVICE AID; LEWIS AND CLARK JOINT POWERS BOARD.

(a) The Lewis and Clark Joint Powers Board is eligible to receive an aid distribution under this section equal to (1) the principal and interest payable in the succeeding calendar year for bonds issued under section 469.352 minus the sum of (2) the combined adjusted net tax capacity of Rock County and Nobles County for the assessment year prior to the aid payable year multiplied by 1.5 percent and (3) 50 percent of any federal aid received to fund the project in the calendar year. The board shall certify to the commissioner of revenue the principal and interest due in the succeeding calendar year by June 1 of the aid payable year. The commissioner of revenue shall calculate the aid payable under this section and certify the amount payable before July 1 of the aid distribution year. The commissioner shall pay the aid under this section to the board at the times specified for

payments of local government aid in section 477A.015. An amount sufficient to pay the state aid authorized under this section is annually appropriated to the commissioner from the general fund.

(b) The board must allocate the aid to the municipalities issuing bonds under section 469.352 in proportion to their principal and interest payments.

(c) If the deduction under paragraph (a), clause (3), eliminates the aid payment under this section in a calendar year, then the excess must be used to reduce the principal and interest in the succeeding year or years used to calculate aid under paragraph (a).

(d) If federal grants and aid received for the project, not deducted under paragraph (a), clause (3), exceed the total debt service payments for bonds issued under section 469.352, other than payments made with state aid under this section, the joint powers board must repay any excess to the commissioner of revenue for deposit in the general fund. The repayment may not exceed the sum of state aid payments under this section and any other grants made by the state for the project.

(e) This section expires at the earlier of January 1, 2039, or when the bonds authorized under section 469.352 have been paid or defeased.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2015.

Sec. 3. Laws 2005, First Special Session chapter 3, article 5, section 44, subdivision 3, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting and administering the taxes and to pay for the costs of a community center complex and to make renovations to the Memorial Auditorium. Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to these improvements, and paying debt service on bonds or other obligations issued to finance acquisition and construction of these improvements.

(b) Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 2 and 3, if the city decides to extend the taxes in subdivisions 1 and 2, as allowed under subdivision 5, paragraph (b), the city must use any amounts in excess of the amounts necessary to meet the obligations under paragraph (a) to pay the city's share of debt service on bonds issued under Minnesota Statutes, section 469.352, to fund the Lewis and Clark Regional Water System Project.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Worthington and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 4. Laws 2005, First Special Session chapter 3, article 5, section 44, subdivision 5, is amended to read:

Subd. 5. **Termination of taxes.** (a) The taxes imposed under subdivisions 1 and 2 expire at the earlier of (1) ten years, or (2) when the city council determines that the amount of revenue received from the taxes to pay for the projects under subdivision 3 equals or exceeds \$6,000,000 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 shall be placed in a capital project 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.

(b) Notwithstanding paragraph (a), the city council may, by ordinance, extend the taxes imposed under subdivisions 1 and 2 through December 31, 2039, provided that all additional revenues that exceed those necessary to fund the projects and associated financing costs listed in subdivision 3, paragraph (a), are committed to pay debt service on bonds issued under Minnesota Statutes, section 469.352, to fund the Lewis and Clark Regional Water System Project.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Worthington and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 5. ROCK COUNTY LOCAL SALES TAX.

(a) Notwithstanding Minnesota Statutes, sections 297A.99, 297A.993, and 477A.016, or any other contrary provision of law, ordinance, or charter, and in addition to any taxes the county may impose under another law or statute, the Board of Commissioners of Rock County may, by resolution, impose a sales and use tax of up to one-half of one percent for the purposes specified in paragraph (c). Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, subdivisions 4 to 13, govern the imposition, administration, collection, and enforcement of the tax authorized under this paragraph.

(b) The tax imposed under paragraph (a) must be imposed in the entire county unless the city of Luverne imposes a local sales tax at the same rate under section 7, in which case the county board of commissioners may elect to impose the tax in the portion of the county located outside of the boundaries of the city of Luverne.

(c) The proceeds of any tax imposed under paragraph (a), less refunds and costs of collection, must be first used by the county to pay debt service on bonds issued under Minnesota Statutes, section 469.352, to fund the Lewis and Clark Regional Water System Project. Revenues collected in any calendar year in excess of the county obligation to pay for the county's share of the bonds issued under Minnesota Statutes, section 469.352, may be retained by the county and used for funding other capital projects within the county.

(d) A tax imposed under paragraph (a) expires when the county's share of bonds issued under Minnesota Statutes, section 469.352, to fund the Lewis and Clark Regional Water System Project has been paid, or at an earlier time if approved by resolution of the board. The tax must not terminate before the county board of commissioners determines that revenues from these taxes and any other revenue source the county dedicates are sufficient to pay the county's share of the bonds issued under Minnesota Statutes, section 469.352.

EFFECTIVE DATE. This section is effective the day after the governing body of Rock County and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 6. NOBLES COUNTY LOCAL SALES TAX.

(a) Notwithstanding Minnesota Statutes, sections 297A.99, 297A.993, and 477A.016, or any other contrary provision of law, ordinance, or charter, and in addition to any taxes the county may impose under another law or statute, the Board of Commissioners of Nobles County may, by resolution, impose a sales and use tax of up to one-half of one percent for the purposes specified in paragraph (c). Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, subdivisions 4 to 13, govern the imposition, administration, collection, and enforcement of the tax authorized under this paragraph.

(b) The tax imposed under paragraph (a) must be imposed in the entire county unless the county imposes the tax at one-half of one percent and the local sales tax authorized under Laws 2005, chapter 3, article 5, section 44, as amended, has not expired, in which case the county board of commissioners may elect to impose the tax in the portion of the county located outside of the boundaries of the city of Worthington. If the tax authorized under Laws 2005, chapter 3, article 5, section 44, as amended, expires before the tax authorized under this section expires, the tax authorized under this section is imposed in the entire county.

(c) The proceeds of any tax imposed under paragraph (a), less refunds and costs of collection, must be first used by the county to pay debt service on bonds issued under Minnesota Statutes, section 469.352, to fund the Lewis and Clark Regional Water System Project. Revenues collected in any calendar year in excess of the county obligation to pay for the county's share of the bonds issued under Minnesota Statutes, section 469.352, may be retained by the county and used for funding other capital projects within the county.

(d) A tax imposed under paragraph (a) expires when the county's share of bonds issued under Minnesota Statutes, section 469.352, to fund the Lewis and Clark Regional Water System Project has been paid, or at an earlier time if approved by resolution of the board. The tax must not terminate before the county board of commissioners determines that revenues from these taxes and any other revenue source the county dedicates are sufficient to pay the county's share of the bonds issued under Minnesota Statutes, section 469.352.

EFFECTIVE DATE. This section is effective the day after the governing body of Nobles County and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 7. CITY OF LUVERNE LOCAL SALES TAX.

(a) Notwithstanding Minnesota Statutes, sections 297A.99, 297A.993, and 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Luverne may, by ordinance, impose a sales and use tax of up to one-half of one percent for the purposes specified in paragraph (b). Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, subdivisions 4 to 13, govern the imposition, administration, collection, and enforcement of the tax authorized under this paragraph.

(b) The proceeds of any tax imposed under paragraph (a), less refunds and costs of collection, must be first used by the city to pay debt service on bonds issued under Minnesota Statutes, section 469.352, to fund the Lewis and Clark Regional Water System project. Revenues collected in any calendar year in excess of the city obligation to pay for debt service on bonds issued under Minnesota Statutes, section 469.352, may be retained by the city and used for funding other capital projects within the city.

(c) A tax imposed under paragraph (a) expires when the city's share of bonds issued under Minnesota Statutes, section 469.352, to fund the Lewis and Clark Regional Water System Project has been made, or at an earlier time if approved by the city council. The tax must not terminate before the city council determines that revenues from this tax and any other revenue source the city dedicates are sufficient to pay the city share of debt service on bonds issued under Minnesota Statutes, section 469.352.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Luverne and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 8

MISCELLANEOUS

Section 1. Minnesota Statutes 2013 Supplement, section 116V.03, is amended to read:

116V.03 APPROPRIATION.

\$1,000,000 in fiscal year 2014 and each year thereafter is appropriated from the general fund to ~~the commissioner of revenue for transfer to the agricultural project utilization account in the special revenue fund~~ for the Agricultural Utilization Research Institute established under section 116V.01.

EFFECTIVE DATE. This section is effective July 1, 2014.

Sec. 2. Minnesota Statutes 2012, section 161.14, is amended by adding a subdivision to read:

Subd. 77. **Old Cedar Avenue Bridge.** Minnesota state bridge number 3145, the Camelback bridge over the Minnesota River overflowage (referred to as Long Meadow Lake) constructed in 1920, is designated and named the "Old Cedar Avenue Bridge." This designation and name also applies to any renovation or reconstruction of the bridge and must be used in any publicly financed signage that refers to the bridge.

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

Sec. 3. Minnesota Statutes 2012, section 270C.72, subdivision 1, is amended to read:

Subdivision 1. **Tax clearance required.** (a) The state or a political subdivision of the state may not issue, transfer, or renew, and must revoke, a license for the conduct of a profession, occupation, trade, or business, if the commissioner notifies the licensing authority that the applicant owes the state delinquent taxes payable to the commissioner, penalties, or interest. The commissioner may not notify the licensing authority unless the applicant taxpayer owes \$500 or more in delinquent taxes, penalties, or interest, or has not filed returns. If the applicant taxpayer does not owe delinquent taxes, penalties, or interest, but has not filed returns, the commissioner may not notify the licensing authority unless the taxpayer has been given 90 days' written notice to file the returns or show that the returns are not required to be filed.

(b) Within ten days after receipt of the notification from the commissioner under paragraph (a), the licensing authority must notify the license holder by certified mail of the potential revocation of the license for the applicable reason under paragraph (a). The notice must include a copy of the commissioner's notice to the licensing agency and information, in the form specified by the commissioner, on the licensee's option for receiving a tax clearance from the commissioner. The licensing authority must revoke the license 30 days after receiving the notice from the commissioner, unless it receives a tax clearance from the commissioner as provided in paragraph (c).

(c) A licensing authority that has received a notice from the commissioner may issue, transfer, renew, or not revoke the applicant's license only if (a) (1) the commissioner issues a tax clearance certificate and (b) (2) the commissioner or the applicant forwards a copy of the clearance to the authority. The commissioner may issue a clearance certificate only if the applicant does not owe the state any uncontested delinquent taxes, penalties, or interest and has filed all required returns.

EFFECTIVE DATE. This section is effective July 1, 2014.

Sec. 4. Minnesota Statutes 2012, section 270C.72, subdivision 3, is amended to read:

Subd. 3. **Notice and hearing.** ~~(a) The commissioner, on notifying a licensing authority pursuant to subdivision 1 not to issue, transfer, or renew a license, must send a copy of the notice to the applicant. If the applicant requests, in writing, within 30 days of the date of the notice a hearing, a contested case hearing must be held. The hearing must be held within 45 days of the date the commissioner refers the case to the Office of Administrative Hearings. Notwithstanding any law to the contrary, the applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the applicant. The notice may be served personally or by mail.~~

~~(b) (a) Prior to notifying a licensing authority pursuant to subdivision 1 to revoke a license, the commissioner must send a notice to the applicant of the commissioner's intent to require revocation of the license and of the applicant's right to a hearing under paragraph (a). If the applicant requests a hearing in writing within 30 days of the date of the notice, a contested case hearing must be held. The hearing must be held within 45 days of the date the commissioner refers the case to the Office of Administrative Hearings. Notwithstanding any law to the contrary, the applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the applicant. The notice may be served personally or by mail. A license is subject to revocation when 30 days have passed following the date of the notice in this paragraph without the applicant requesting a hearing, or, if a hearing is timely requested, upon final determination of the hearing under section 14.62, subdivision 1. A license shall be revoked by the licensing authority within 30 days after receiving notice from the commissioner to revoke.~~

~~(b) The commissioner may notify a licensing authority under subdivision 1 only after the requirements of paragraph (a) have been satisfied.~~

~~(c) A hearing under this subdivision is in lieu of any other hearing or proceeding provided by law arising from any action taken under subdivision 1.~~

EFFECTIVE DATE. This section is effective July 1, 2014.

Sec. 5. **CARLTON COUNTY; LEVY FOR SOIL AND WATER CONSERVATION DISTRICT.**

Subdivision 1. **Definitions.** (a) For the purposes of this section, "district" means the Carlton County Soil and Water Conservation District.

(b) For the purposes of this section, "county" means Carlton County.

Subd. 2. **Special project levy.** Notwithstanding any law to the contrary, the county may levy ad valorem property taxes on taxable property within the area of its jurisdiction for the purposes specified in subdivision 3. The proceeds of the tax must be placed in a separate account and used only for the purposes specified in subdivision 3. The amount levied is separate from any other amount to be levied for the district by the county under Minnesota Statutes, section 103C.331, subdivision 16.

Subd. 3. **Purpose; limit on levy amount.** (a) The county must allocate the proceeds of any tax imposed under this section to the district solely to pay principal, interest, and any associated costs of obtaining and servicing a loan to finance the planning, constructing, and equipping of an office and storage facility for the district.

(b) The maximum amount of the levy in any year may not exceed the amount necessary, after deduction of any amount remaining from the levy imposed in prior years, to pay 105 percent of the principal and interest due in the following calendar year and through July 1 of the next year.

Subd. 4. **Expiration.** (a) This section expires:

(1) following the final payment of principal, interest, and any associated costs of the loan under subdivision 3, or any loan or other financing that refinanced the original loan; or

(2) if the district does not obtain the loan under subdivision 3 prior to May 1, 2017.

(b) Upon expiration of this section, any amount remaining in the account created under subdivision 2 must be transferred to the general account of the county and used to reduce any amount to be levied for the district by the county under Minnesota Statutes, section 103C.331, subdivision 16, for the following year, and any subsequent years, until the amount remaining is exhausted.

EFFECTIVE DATE. This section is effective the day following compliance by Carlton County with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 6. **ADMINISTRATIVE APPROPRIATIONS.**

(a) \$700,000 in fiscal year 2014 and \$1,800,000 in fiscal year 2015 are appropriated from the general fund to the commissioner of revenue for administering this act. The funding base for this appropriation in fiscal year 2016 is \$1,180,000 and is available to be spent until June 30, 2017. The funding base for fiscal year 2017 is \$0.

(b) \$40,000 in fiscal year 2015 is appropriated from the general fund to the commissioner of public safety for administration of the volunteer retention stipend aid pilot program in article 1, section 1. The funding base for this appropriation in fiscal year 2016 is \$18,000 and is available to be spent until June 30, 2018. The funding base for fiscal year 2017 is \$0.

(c) \$400,000 in fiscal year 2015 is appropriated from the general fund to the commissioner of natural resources for the purpose of assisting counties in developing plans and providing training for watercraft inspectors to facilitate the implementation of article 1, section 11. This is a onetime appropriation and does not become part of the base budget.

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

ARTICLE 9

UNSESSION

Section 1. Minnesota Statutes 2012, section 16D.02, subdivision 3, is amended to read:

Subd. 3. **Debt.** "Debt" means an amount owed to the state directly, or through a state agency, on account of a fee, duty, lease, direct loan, loan insured or guaranteed by the state, rent, service, sale of real or personal property, overpayment, fine, assessment, penalty, restitution, damages, interest, tax, bail bond, forfeiture, reimbursement, liability owed, an assignment to the state including assignments under section 256.741, the Social Security Act, or other state or federal law, recovery of costs incurred by the state, or any other source of indebtedness to the state. Debt also includes amounts owed to individuals as a result of civil, criminal, or administrative action brought by the state or a state agency pursuant to its statutory authority or for which the state or state agency acts

in a fiduciary capacity in providing collection services in accordance with the regulations adopted under the Social Security Act at Code of Federal Regulations, title 45, section 302.33. When the commissioner provides collection services ~~pursuant to a debt qualification plan~~ to a referring agency, debt also includes an amount owed to the courts, local government units, Minnesota state colleges and universities governed by the Board of Trustees of the Minnesota State Colleges and Universities, or University of Minnesota.

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

Sec. 2. Minnesota Statutes 2012, section 16D.02, subdivision 6, is amended to read:

Subd. 6. **Referring agency.** "Referring agency" means a state agency, local government unit, Minnesota state colleges and universities governed by the Board of Trustees of the Minnesota State Colleges and Universities, University of Minnesota, or a court, that has entered into ~~a debt qualification plan~~ an agreement with the commissioner to refer debts to the commissioner for collection.

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

Sec. 3. Minnesota Statutes 2012, section 16D.04, subdivision 3, is amended to read:

Subd. 3. **Services.** The commissioner shall provide collection services for a state agency, and may provide for collection services for ~~a court, in accordance with the terms and conditions of a signed debt qualification plan~~ referring agencies other than state agencies.

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

Sec. 4. Minnesota Statutes 2012, section 16D.04, subdivision 4, is amended to read:

Subd. 4. **Authority to contract.** ~~The commissioners commissioner of revenue and management and budget~~ may contract with credit bureaus, private collection agencies, and other entities as necessary for the collection of debts. A private collection agency acting under a contract with the commissioner of revenue ~~or management and budget~~ is subject to sections 332.31 to 332.45, except that the private collection agency may indicate that it is acting under a contract with the state. The commissioner may not delegate the powers provided under section 16D.08 to any nongovernmental entity.

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

Sec. 5. Minnesota Statutes 2012, section 16D.07, is amended to read:

16D.07 NOTICE TO DEBTOR.

The referring agency shall send notice to the debtor by United States mail or personal delivery at the debtor's last known address at least 20 days before the debt is referred to the commissioner. The notice must state the nature and amount of the debt, identify to whom the debt is owed, and inform the debtor of the remedies available under this chapter. The referring agency shall advise the debtor of collection costs imposed under section 16D.11 and of the debtor's right to cancellation of collection costs under section 16D.11, subdivision 3.

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

Sec. 6. Minnesota Statutes 2012, section 16D.11, subdivision 1, is amended to read:

Subdivision 1. **Imposition.** As determined by the commissioner of ~~management and budget revenue~~, collection costs shall be added to the debts referred to the commissioner or private collection agency for collection. Collection costs are collectible by the commissioner or private agency from the debtor at the same time and in the same manner as the referred debt. ~~The referring agency shall advise the debtor of collection costs under this section and the debtor's right to cancellation of collection costs under subdivision 3 at the time the agency sends notice to the debtor under section 16D.07.~~ If the commissioner or private agency collects an amount less than the total due, the payment is applied proportionally to collection costs and the underlying debt unless the commissioner of ~~management and budget~~ has waived this requirement for certain categories of debt pursuant to the department's internal guidelines. Collection costs collected by the commissioner under this subdivision or retained under subdivision 6 shall be deposited in the general fund as nondedicated receipts. ~~Collection costs collected by private agencies are appropriated to the referring agency to pay the collection fees charged by the private agency.~~ Collections of collection costs in excess of collection agency fees must be deposited in the general fund as nondedicated receipts.

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

Sec. 7. Minnesota Statutes 2012, section 16D.11, subdivision 3, is amended to read:

Subd. 3. **Cancellation.** Collection costs imposed under subdivision 1 shall be canceled and subtracted from the amount due if:

(1) the debtor's household income as defined in section 290A.03, subdivision 5, excluding the exemption subtractions in subdivision 3, paragraph (3) of that section, for the 12 months preceding the date of referral is less than twice the annual federal poverty guideline under United States Code, title 42, section 9902, subsection (2);

(2) within 60 days after the first contact with the debtor by the enterprise commissioner or collection agency, the debtor establishes reasonable cause for the failure to pay the debt prior to referral of the debt to the enterprise commissioner;

(3) a good faith dispute as to the legitimacy or the amount of the debt is made, and payment is remitted or a payment agreement is entered into within 30 days after resolution of the dispute;

(4) good faith litigation occurs and the debtor's position is substantially justified, and if the debtor does not totally prevail, the debt is paid or a payment agreement is entered into within 30 days after the judgment becomes final and nonappealable; or

(5) collection costs have been added by the referring agency and are included in the amount of the referred debt.

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

Sec. 8. Minnesota Statutes 2012, section 16D.11, subdivision 7, is amended to read:

Subd. 7. **Adjustment of rate.** By June 1 of each year, the commissioner shall determine the rate of collection costs for debts referred to the enterprise commissioner during the next fiscal year. The rate is a percentage of the debts in an amount that most nearly equals the costs of the enterprise commissioner necessary to process and collect referred debts under this chapter. In no event shall the rate of the collection costs exceed 25 percent of the debt. Determination of the rate of collection costs under this section is not subject to the fee setting requirements of section 16A.1283.

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

Sec. 9. Minnesota Statutes 2012, section 84A.20, subdivision 2, is amended to read:

Subd. 2. **County proposal to state.** ~~Under certain conditions,~~ The board of county commissioners of any county may by resolution propose to the state that one or more areas in the county be taken over by the state for afforestation, reforestation, flood control projects, or other state purposes. The projects are to be managed, controlled, and used for the purposes in subdivision 1 on lands to be acquired by the state within the projects, as set forth in sections 84A.20 to 84A.30. The county board may propose this if ~~(1) the county contains lands suitable for the purposes in subdivision 1, (2) on January 1, 1931, the taxes on more than 35 percent of the taxable land in the county are delinquent, (3) on January 1, 1931, the county's bonded ditch indebtedness, including accrued interest, equals or exceeds nine percent of the assessed valuation of the county, exclusive of money and credits.~~

The area taken over must include lands that have been assessed for all or part of the cost of the establishment and construction of public drainage ditches under state law, and on which the assessments or installments are delinquent. A certified copy of the county board's resolution must be filed with the department and considered and acted upon by the department. If approved by the department, it must then be submitted to, considered, and acted upon by the executive council. If approved by the Executive Council, the proposition must be formally accepted by the governor. Acceptance must be communicated in writing to and filed with the county auditor.

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

Sec. 10. Minnesota Statutes 2012, section 84A.31, subdivision 2, is amended to read:

Subd. 2. **County proposal to state.** ~~Under certain conditions,~~ The board of county commissioners of any county may by resolution propose that the state take over part of the tax-delinquent lands in the county. ~~The board may propose this if:~~

- ~~(1) the county contains land suitable for the purposes in subdivision 1;~~
- ~~(2) on January 1, 1933, the taxes on more than 25 percent of the acreage of the lands in a town in the county are delinquent, as shown by its tax books;~~
- ~~(3) on January 1, 1933, the taxes or ditch assessments on more than 50 percent of the acreage of the lands to be taken over are delinquent, as shown by the county's tax books; and~~
- ~~(4) on January 1, 1933, the bonded ditch indebtedness of the county equals or exceeds 15 percent of the assessed value of the county for 1932 as fixed by the Minnesota Tax Commission, exclusive of money and credits.~~

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

Sec. 11. Minnesota Statutes 2012, section 115B.49, subdivision 4, is amended to read:

Subd. 4. **Registration; fees.** (a) The owner or operator of a dry cleaning facility shall register on or before October 1 of each year with the commissioner of revenue in a manner prescribed by the commissioner of revenue and pay a registration fee for the facility. The amount of the fee is:

- (1) \$500, for facilities with a full-time equivalence of fewer than five;
- (2) \$1,000, for facilities with a full-time equivalence of five to ten; and

(3) \$1,500, for facilities with a full-time equivalence of more than ten.

The registration fee must be paid on or before October 18 or the owner or operator of a dry cleaning facility may elect to pay the fee in equal installments. Installment payments must be paid on or before October 18, on or before January 18, on or before April 18, and on or before June 18. All payments made after October 18 bear interest at the rate specified in section 270C.40.

(b) A person who sells dry cleaning solvents for use by dry cleaning facilities in the state shall collect and remit to the commissioner of revenue in a the same manner prescribed by the commissioner of revenue, on or before the 20th day of the month following the month in which the sales of dry cleaning solvents are made for the taxes imposed under chapter 297A, a fee of:

(1) \$3.50 for each gallon of perchloroethylene sold for use by dry cleaning facilities in the state;

(2) 70 cents for each gallon of hydrocarbon-based dry cleaning solvent sold for use by dry cleaning facilities in the state; and

(3) 35 cents for each gallon of other nonaqueous solvents sold for use by dry cleaning facilities in the state.

(c) The audit, assessment, appeal, collection, enforcement, and administrative provisions of chapters 270C and 289A apply to the fee imposed by this subdivision. To enforce this subdivision, the commissioner of revenue may grant extensions to file returns and pay fees, impose penalties and interest on the annual registration fee under paragraph (a) and the monthly fee under paragraph (b), and abate penalties and interest in the manner provided in chapters 270C and 289A. The penalties and interest imposed on taxes under chapter 297A apply to the fees imposed under this subdivision. Disclosure of data collected by the commissioner of revenue under this subdivision is governed by chapter 270B.

EFFECTIVE DATE. This section is effective for fees due after June 30, 2014.

Sec. 12. Minnesota Statutes 2012, section 163.06, subdivision 1, is amended to read:

Subdivision 1. **Levy.** The county board of any county in which there are unorganized townships may levy a tax for road and bridge purposes upon all the real and personal property in such unorganized townships; ~~exclusive of money and credits taxed under the provisions of chapter 285.~~

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

Sec. 13. Minnesota Statutes 2012, section 270.11, subdivision 1, is amended to read:

Subdivision 1. **To act as State Board of Equalization.** The commissioner of revenue shall have and exercise all the rights, powers and authority by law vested in the State Board of Equalization; ~~which board of equalization is hereby continued;~~ with full power and authority to review, modify, and revise all of the acts and proceedings of the commissioner in so far as they relate to the equalization and valuation of property assessed for taxation, as prescribed by section 270.12.

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

Sec. 14. Minnesota Statutes 2012, section 270.12, subdivision 2, is amended to read:

Subd. 2. **Meeting dates; duties.** The board shall meet annually between April 15 and June 30 at the office of the commissioner of revenue and examine and compare the returns of the assessment

of the property in the several counties, and equalize the same so that all the taxable property in the state shall be assessed at its market value, subject to the following rules:

(1) The board shall add to or deduct from the aggregate valuation of the real property of every county, which the board believes to be valued below or above its market value in money, such percent as will bring the same to its market value ~~in money~~;

~~(2) The board shall deduct from the aggregate valuation of the real property of every county, which the board believes to be valued above its market value in money, such percent as will reduce the same to its market value in money;~~

~~(3)~~ (2) If the board believes the valuation for a part of a class determined by a range of market value under clause ~~(8)~~ (6) or otherwise, a class, or classes of the real property of any town or district in any county, or the valuation for a part of a class, a class, or classes of the real property of any county not in towns or cities, should be raised or reduced, without raising or reducing the other real property of such county, or without raising or reducing it in the same ratio, the board may add to, or take from, the valuation of a part of a class, a class, or classes in any one or more of such towns or cities, or of the property not in towns or cities, such percent as the board believes will raise or reduce the same to its market value ~~in money~~;

~~(4)~~ (3) The board shall add to or take from the aggregate valuation of any part of a class, a class, or classes of personal property of any county, town, or city, which the board believes to be valued below or above the market value thereof, such percent as will raise the same to its market value ~~in money~~;

~~(5) The board shall take from the aggregate valuation of any part of a class, a class, or classes of personal property in any county, town or city, which the board believes to be valued above the market value thereof, such percent as will reduce the same to its market value in money;~~

~~(6)~~ (4) The board shall not reduce the aggregate valuation of all the property of the state, as returned by the several county auditors, more than one percent on the whole valuation thereof;

~~(7)~~ (5) When it would be of assistance in equalizing values the board may require any county auditor to furnish statements showing assessments of real and personal property of any individuals, firms, or corporations within the county. The board shall consider and equalize such assessments and may increase the assessment of individuals, firms, or corporations above the amount returned by the county board of equalization when it shall appear to be undervalued, first giving notice to such persons of the intention of the board so to do, which notice shall fix a time and place of hearing. The board shall not decrease any such assessment below the valuation placed by the county board of equalization;

~~(8)~~ (6) In equalizing values pursuant to this section, the board shall utilize a 12-month assessment/sales ratio study conducted by the Department of Revenue containing only sales that are filed in the county auditor's office under section 272.115, by November 1 of the previous year and that occurred between October 1 of the year immediately preceding the previous year and September 30 of the previous year.

The assessment/sales ratio study may separate the values of residential property into market value categories. The board may adjust the market value categories and the number of categories as necessary to create an adequate sample size for each market value category. The board may determine the adequate sample size. To the extent practicable, the methodology used in preparing the

assessment/sales ratio study must be consistent with the most recent Standard on Assessment Sales Ratio Studies published by the Assessment Standards Committee of the International Association of Assessing Officers. The board may determine the geographic area used in preparing the study to accurately equalize values. A sales ratio study separating residential property into market value categories may not be used as the basis for a petition under chapter 278.

The sales prices used in the study must be discounted for terms of financing. The board shall use the median ratio as the statistical measure of the level of assessment for any particular category of property; and

~~(9)~~ (7) The board shall receive from each county the estimated market values on the assessment date falling within the study period for all parcels by ~~magnetic tape or other~~ a medium as prescribed by the commissioner of revenue.

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

Sec. 15. Minnesota Statutes 2012, section 270.12, subdivision 4, is amended to read:

Subd. 4. **Public utility property.** For purposes of equalization only, public utility personal property shall be treated as a separate class of property ~~notwithstanding the fact that its class rate is the same as commercial-industrial property.~~

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

Sec. 16. Minnesota Statutes 2012, section 270A.03, subdivision 2, is amended to read:

Subd. 2. **Claimant agency.** "Claimant agency" means any state agency, as defined by section 14.02, subdivision 2, the regents of the University of Minnesota, any district court of the state, any county, any statutory or home rule charter city, including a city that is presenting a claim for a municipal hospital or a public library or a municipal ambulance service, a hospital district, a private nonprofit hospital that leases its building from the county or city in which it is located, any ambulance service licensed under chapter 144E, any public agency responsible for child support enforcement, any public agency responsible for the collection of court-ordered restitution, and any public agency established by general or special law that is responsible for the administration of a low-income housing program, ~~and the Minnesota collection enterprise as defined in section 16D.02, subdivision 8, for the purpose of collecting the costs imposed under section 16D.11.~~

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

Sec. 17. Minnesota Statutes 2012, section 270B.14, subdivision 3, is amended to read:

Subd. 3. **Administration of enterprise, and job opportunity, and biotechnology and health sciences industry zone programs.** The commissioner may disclose return information relating to the taxes imposed by chapters 290 and 297A to the Department of Employment and Economic Development or a municipality with a border city enterprise zone as defined under section 469.166, but only as necessary to administer the funding limitations under section 469.169, or to the Department of Employment and Economic Development and appropriate officials from the local government units in which a qualified business is located but only as necessary to enforce the job opportunity building zone benefits under section 469.315, ~~or biotechnology and health sciences industry zone benefits under section 469.336.~~

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

Sec. 18. Minnesota Statutes 2012, section 270C.085, is amended to read:

270C.085 NOTIFICATION REQUIREMENTS; SALES AND USE TAXES.

The commissioner of revenue shall establish a means of electronically notifying persons holding a sales tax permit under section 297A.84 of any statutory change in chapter 297A and any issuance or change in any administrative rule, revenue notice, or sales tax fact sheet or other written information provided by the department explaining the interpretation or administration of the tax imposed under that chapter. The notification must indicate the basic subject of the statute, rule, fact sheet, or other material and provide an electronic link to the material. Any person holding a sales tax permit that provides an electronic address to the department must receive these notifications unless they specifically request electronically, or in writing, to be removed from the notification list. This requirement does not replace traditional means of notifying the general public or persons without access to electronic communications of changes in the sales tax law. ~~The electronic notification must begin no later than December 31, 2009.~~

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

Sec. 19. Minnesota Statutes 2012, section 270C.52, subdivision 2, is amended to read:

Subd. 2. **Payment agreements.** (a) When any portion of any tax payable to the commissioner together with interest and penalty thereon, if any, has not been paid, the commissioner may extend the time for payment for a further period. When the authority of this section is invoked, the extension shall be evidenced by written agreement signed by the taxpayer and the commissioner, stating the amount of the tax with penalty and interest, if any, and providing for the payment of the amount in installments.

(b) The agreement may contain a confession of judgment for the amount and for any unpaid portion thereof. If the agreement contains a confession of judgment, the confession of judgment must provide that the commissioner may enter judgment against the taxpayer in the district court of the county of residence as shown upon the taxpayer's tax return for the unpaid portion of the amount specified in the extension agreement.

(c) The agreement shall provide that it can be terminated, after notice by the commissioner, if information provided by the taxpayer prior to the agreement was inaccurate or incomplete, collection of the tax covered by the agreement is in jeopardy, there is a subsequent change in the taxpayer's financial condition, the taxpayer has failed to make a payment due under the agreement, or the taxpayer has failed to pay any other tax or file a tax return coming due after the agreement.

(d) The notice must be given at least 14 calendar days prior to termination, and shall advise the taxpayer of the right to request a reconsideration from the commissioner of whether termination is reasonable and appropriate under the circumstances. A request for reconsideration does not stay collection action beyond the 14-day notice period. If the commissioner has reason to believe that collection of the tax covered by the agreement is in jeopardy, the commissioner may proceed under section 270C.36 and terminate the agreement without regard to the 14-day period.

(e) The commissioner may accept other collateral the commissioner considers appropriate to secure satisfaction of the tax liability. The principal sum specified in the agreement shall bear interest at the rate specified in section 270C.40 on all unpaid portions thereof until the same has been fully paid or the unpaid portion thereof has been entered as a judgment. The judgment shall bear interest at the rate specified in section 270C.40.

(f) If it appears to the commissioner that the tax reported by the taxpayer is in excess of the amount actually owing by the taxpayer, the extension agreement or the judgment entered pursuant thereto shall be corrected. If after making the extension agreement or entering judgment with respect thereto, the commissioner determines that the tax as reported by the taxpayer is less than the amount actually due, the commissioner shall assess a further tax in accordance with the provisions of law applicable to the tax.

(g) The authority granted to the commissioner by this section is in addition to any other authority granted to the commissioner by law to extend the time of payment or the time for filing a return and shall not be construed in limitation thereof.

(h) The commissioner shall charge a fee for entering into payment agreements ~~that reflects the commissioner's costs for entering into payment agreements.~~ The fee is set at \$50 and is charged for entering into a payment agreement, for entering into a new payment agreement after the taxpayer has defaulted on a prior agreement, and for entering into a new payment agreement as a result of renegotiation of the terms of an existing agreement. The fee is paid to the commissioner before the payment agreement becomes effective and does not reduce the amount of the liability.

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

Sec. 20. Minnesota Statutes 2012, section 272.01, subdivision 1, is amended to read:

Subdivision 1. **Generally taxable.** All real and personal property in this state, ~~and all personal property of persons residing therein, including the property of corporations, banks, banking companies, and bankers,~~ is taxable, except Indian lands and such other property as is by law exempt from taxation.

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

Sec. 21. Minnesota Statutes 2012, section 272.01, subdivision 3, is amended to read:

Subd. 3. **Exceptions.** The provisions of subdivision 2 shall not apply to:

(a) Federal property for which payments are made in lieu of taxes in amounts equivalent to taxes which might otherwise be lawfully assessed;

(b) Real estate exempt from ad valorem taxes and taxes in lieu thereof which is leased, loaned, or otherwise made available to telephone companies or electric, light and power companies upon which personal property consisting of transmission and distribution lines is situated and assessed pursuant to sections 273.37, 273.38, 273.40 and 273.41, or upon which are situated the communication lines of express, railway, or telephone or telegraph companies, or pipelines used for the transmission and distribution of petroleum products, or the equipment items of a cable communications company subject to sections 238.35 to 238.42;

(c) Property presently owned by any educational institution chartered by the territorial legislature;

(d) Indian lands;

(e) Property of any corporation organized as a tribal corporation under the Indian Reorganization Act of June 18, 1934, (Statutes at Large, volume 48, page 984);

(f) Real property owned by the state and leased pursuant to section 161.23 or 161.431, and acts amendatory thereto;

(g) Real property owned by a seaway port authority on June 1, 1967, upon which there has been constructed docks, warehouses, tank farms, administrative and maintenance buildings, railroad and ship terminal facilities and other maritime and transportation facilities or those directly related thereto, together with facilities for the handling of passengers and baggage and for the handling of freight and bulk liquids, and personal property owned by a seaway port authority used or usable in connection therewith, when said property is leased to a private individual, association or corporation, but only when such lease provides that the said facilities are available to the public for the loading and unloading of passengers and their baggage and the handling, storage, care, shipment, and delivery of merchandise, freight and baggage and other maritime and transportation activities and functions directly related thereto, but not including property used for grain elevator facilities; it being the declared policy of this state that such property when so leased is public property used exclusively for a public purpose, notwithstanding the one-year limitation in the provisions of section 273.19;

(h) Notwithstanding the provisions of clause (g), when the annual rental received by a seaway port authority in any calendar year for such leased property exceeds an amount reasonably required for administrative expense of the authority per year, plus promotional expense for the authority not to exceed the sum of \$100,000 per year, to be expended when and in the manner decided upon by the commissioners, plus an amount sufficient to pay all installments of principal and interest due, or to become due, during such calendar year and the next succeeding year on any revenue bonds issued by the authority, plus 25 percent of the gross annual rental to be retained by the authority for improvement, development, or other contingencies, the authority shall make a payment in lieu of real and personal property taxes of a reasonable portion of the remaining annual rental to the county treasurer of the county in which such seaway port authority is principally located. Any such payments to the county treasurer shall be disbursed by the treasurer on the same basis as real estate taxes are divided among the various governmental units, but if such port authority shall have received funds from the state of Minnesota and funds from any city and county pursuant to Laws 1957, chapters 648, 831, and 849 and acts amendatory thereof, then such disbursement by the county treasurer shall be on the same basis as real estate taxes are divided among the various governmental units, except that the portion of such payments which would otherwise go to other taxing units shall be divided equally among the state of Minnesota and said county and city.

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

Sec. 22. Minnesota Statutes 2012, section 272.025, subdivision 1, is amended to read:

Subdivision 1. **Statement of exemption.** (a) Except in the case of property owned by the state of Minnesota or any political subdivision thereof, and property exempt from taxation under section 272.02, subdivisions 9, 10, 13, 15, 18, 20, and 22 to 25, and at the times provided in subdivision 3, a taxpayer claiming an exemption from taxation on property described in section 272.02, subdivisions 1 to 33, must file a statement of exemption with the assessor of the assessment district in which the property is located.

(b) A taxpayer claiming an exemption from taxation on property described in section 272.02, subdivision 10, must file a statement of exemption with the commissioner of revenue, on or before February 15 of each year for which the taxpayer claims an exemption.

(c) In case of sickness, absence or other disability or for good cause, the assessor or the commissioner may extend the time for filing the statement of exemption for a period not to exceed 60 days.

(d) The commissioner of revenue shall prescribe the form and contents of the statement of exemption.

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

Sec. 23. Minnesota Statutes 2012, section 272.027, subdivision 1, is amended to read:

Subdivision 1. **Electricity generated to produce goods and services.** Personal property used to generate electric power is exempt from property taxation if the electric power is used to manufacture or produce goods, products, or services, other than electric power, by the owner of the electric generation plant. ~~Except as provided in subdivisions 2 and 3;~~ The exemption does not apply to property used to produce electric power for sale to others and does not apply to real property. In determining the value subject to tax, a proportionate share of the value of the generating facilities, equal to the proportion that the power sold to others bears to the total generation of the plant, is subject to the general property tax in the same manner as other property. Power generated in such a plant and exchanged for an equivalent amount of power that is used for the manufacture or production of goods, products, or services other than electric power by the owner of the generating plant is considered to be used by the owner of the plant.

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

Sec. 24. Minnesota Statutes 2012, section 272.029, subdivision 6, is amended to read:

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 or the county treasurer to local taxing jurisdictions in which the wind energy conversion system is located as follows: ~~beginning with distributions in 2010;~~ 80 percent to counties; and 20 percent to cities and townships; ~~and for distributions occurring in 2006 to 2009, 80 percent to counties; 14 percent to cities and townships; and six percent to school districts.~~

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

Sec. 25. Minnesota Statutes 2012, section 273.061, subdivision 6, is amended to read:

Subd. 6. **Salaries; expenses.** The salaries of the county assessor and assistants and clerical help, shall be fixed by the board of county commissioners and shall be payable ~~in monthly installments~~ out of the general revenue fund of the county. ~~In counties with a population of less than 50,000 inhabitants, according to the then last preceding federal census, the board of county commissioners shall not fix the salary of the county assessor at an amount below the following schedule:~~

~~In counties with a population of less than 6,500, \$5,900;~~

~~In counties with a population of 6,500 but less than 12,000, \$6,200;~~

~~In counties with a population of 12,000 but less than 16,000, \$6,500;~~

~~In counties with a population of 16,000 but less than 21,000, \$6,700;~~

~~In counties with a population of 21,000 but less than 30,000, \$6,900;~~

~~In counties with a population of 30,000 but less than 39,500, \$7,100;~~

~~In counties with a population of 39,500 but less than 50,000, \$7,300;~~

~~In counties with a population of 50,000 or more, \$8,300.~~

In addition to their salaries, the county assessor and assistants shall be allowed their expenses for reasonable and necessary travel in the performance of their duties, including necessary travel, lodging and meal expense incurred by them while attending meetings of instructions or official hearings called by the commissioner of revenue. These expenses shall be payable out of the general revenue fund of the county, and shall be allowed on the same basis as such expenses are allowed to other county officers.

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

Sec. 26. Minnesota Statutes 2012, section 273.10, is amended to read:

273.10 SCHOOL DISTRICTS.

When assessing personal property the county assessor shall designate the number of the school district in which each person assessed is liable for tax, ~~by writing the number of the district opposite each assessment in a column provided for that purpose in the assessment book.~~ When the personal property of any person is assessable in several school districts, the amount in each shall be assessed separately, and the name of the owner placed opposite each amount.

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

Sec. 27. Minnesota Statutes 2012, section 273.11, subdivision 13, is amended to read:

Subd. 13. **Valuation of income-producing property.** ~~Beginning with the 1995 assessment,~~ Only accredited assessors or senior accredited assessors or other licensed assessors who have successfully completed at least two income-producing property appraisal courses may value income-producing property for ad valorem tax purposes. "Income-producing property" as used in this subdivision means the taxable property in class 3a and 3b in section 273.13, subdivision 24; class 4a and 4c, except for seasonal recreational property not used for commercial purposes; and class 5 in section 273.13, subdivision 31. "Income-producing property" includes any property in class 4e in section 273.13, subdivision 25, that would be income-producing property under the definition in this subdivision if it were not substandard. "Income-producing property appraisal course" as used in this subdivision means a course of study of approximately 30 instructional hours, with a final comprehensive test. An assessor must successfully complete the final examination for each of the two required courses. The course must be approved by the board of assessors.

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

Sec. 28. Minnesota Statutes 2012, section 273.112, subdivision 6a, is amended to read:

Subd. 6a. **Guidelines issued by commissioner.** The commissioner of revenue shall develop and issue guidelines for qualification by private golf clubs under this section covering the access to and use of the golf course by members and other adults so as to be consistent with the purposes and terms of this section. ~~The guidelines shall be mailed to the county attorney and assessor of each county~~

not later than 60 days following May 26, 1989. Within 15 days of receipt of the guidelines from the commissioner, the assessor shall mail a copy of the guidelines to each golf club in the county.

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

Sec. 29. Minnesota Statutes 2013 Supplement, section 273.1325, subdivision 2, is amended to read:

Subd. 2. **Methodology.** In making its annual assessment/sales ratio studies, the Department of Revenue must use a methodology consistent with the most recent Standard on Assessment Ratio Studies published by the assessment standards committee of the International Association of Assessing Officers. The commissioner of revenue shall supplement this general methodology with specific procedures necessary for execution of the study in accordance with other Minnesota laws impacting the assessment/sales ratio study. The commissioner shall document these specific procedures in writing and shall publish the procedures in the State Register, but these procedures will not be considered "rules" pursuant to the Minnesota Administrative Procedure Act. When property is sold and the purchaser changes its use in a manner that would result in a change of classification of the property, the assessment sales ratio study under this subdivision must take into account that changed classification as soon as practicable. A change in status from homestead to nonhomestead or from nonhomestead to homestead is not a change under this subdivision. For purposes of this section, sections 270.12, subdivision 2, clause ~~(8)~~ (6), and 278.05, subdivision 4, the commissioner of revenue shall exclude from the assessment/sales ratio study the sale of any nonagricultural property which does not contain an improvement, if (1) the statutory basis on which the property's taxable value as most recently assessed is less than market value as defined in section 273.11, or (2) the property has undergone significant physical change or a change of use since the most recent assessment.

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

Sec. 30. Minnesota Statutes 2013 Supplement, section 273.1398, subdivision 3, is amended to read:

Subd. 3. **Disparity reduction aid.** The amount of disparity aid certified for each taxing district within each unique taxing jurisdiction is the amount certified 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 taxable market values for taxes payable in the year prior to that for which aid is being computed.~~ If the commissioner determines that insufficient information is available to reasonably and timely calculate the numerator in this ratio for the first taxes payable year that a class rate change or new class rate is effective, the commissioner shall omit the effects of that class rate change or new class rate when calculating this ratio for aid payable in that taxes payable year. For aid payable in the year following a year for which such omission was made, the commissioner shall use in the denominator for the class that was changed or created, the tax capacity for taxes payable two years prior to that in which the aid is payable, based on taxable market values for taxes payable in the year prior to that for which aid is being computed.

EFFECTIVE DATE. This section is effective beginning for taxes payable in 2015.

Sec. 31. Minnesota Statutes 2012, section 273.18, is amended to read:

273.18 LISTING, VALUATION, AND ASSESSMENT OF EXEMPT PROPERTY BY COUNTY AUDITORS.

(a) In every sixth year after the year ~~1926~~ 2010, the county auditor shall enter, ~~in a separate place in the real estate assessment books,~~ the description of each tract of real property exempt by law from taxation, with the name of the owner, ~~if known,~~ and the assessor shall value and assess the same in the same manner that other real property is valued and assessed, and shall designate in each case the purpose for which the property is used.

(b) For purposes of the apportionment of fire state aid under section 69.021, subdivision 7, the county auditor shall include on the abstract of assessment of exempt real property filed under this section, the total number of acres of all natural resources lands for which in lieu payments are made under sections 477A.11 to 477A.14. The assessor shall estimate its market value, provided that if the assessor is not able to estimate the market value of the land on a per parcel basis, the assessor shall furnish the commissioner of revenue with an estimate of the average value per acre of this land within the county.

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

Sec. 32. Minnesota Statutes 2012, section 274.01, subdivision 1, is amended to read:

Subdivision 1. **Ordinary board; meetings, deadlines, grievances.** (a) The town board of a town, or the council or other governing body of a city, is the board of appeal and equalization except (1) in cities whose charters provide for a board of equalization or (2) in any city or town that has transferred its local board of review power and duties to the county board as provided in subdivision 3. The county assessor shall fix a day and time when the board or the board of equalization shall meet in the assessment districts of the county. Notwithstanding any law or city charter to the contrary, a city board of equalization shall be referred to as a board of appeal and equalization. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting.

The board shall meet at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board has adjourned in those cities or towns that hold a local board of review; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period in those cities or towns that hold a local board of review must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person

feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just. The board may not make an individual market value adjustment or classification change that would benefit the property if the owner or other person having control over the property has refused the assessor access to inspect the property and the interior of any buildings or structures as provided in section 273.20. A board member shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage.

(c) A local board may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board without regard to the one percent limitation.

(d) A local board does not have authority to grant an exemption or to order property removed from the tax rolls.

(e) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend, ~~with the assessment books and papers,~~ and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately, ~~on a form appended to the assessment book,~~ all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board, ~~placed opposite the item.~~ The county assessor shall enter all changes made by the board ~~in the assessment book.~~

(f) Except as provided in subdivision 3, if a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of appeal and equalization for a review ~~of the assessment or classification.~~ This paragraph does not apply if an assessment was made after the local board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board meeting.

(g) The local board must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board file written objections to an assessment or classification with the county assessor. The objections must be presented to the board at its meeting by the county assessor for its consideration.

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

Sec. 33. Minnesota Statutes 2012, section 274.01, subdivision 2, is amended to read:

Subd. 2. **Special board; duties delegated.** The governing body of a city, ~~including a city whose charter provides for a board of equalization,~~ may appoint a special board of review. The city may

delegate to the special board of review all of the powers and duties in subdivision 1. The special board of review shall serve at the direction and discretion of the appointing body, subject to the restrictions imposed by law. The appointing body shall determine the number of members of the board, the compensation and expenses to be paid, and the term of office of each member. At least one member of the special board of review must be an appraiser, realtor, or other person familiar with property valuations in the assessment district.

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

Sec. 34. Minnesota Statutes 2012, section 275.08, subdivision 1a, is amended to read:

Subd. 1a. **Computation of tax capacity.** ~~For taxes payable in 1989, the county auditor shall compute the gross tax capacity for each parcel according to the class rates specified in section 273.13. The gross tax capacity will be the appropriate class rate multiplied by the parcel's market value. For taxes payable in 1990 and subsequent years,~~ The county auditor shall compute the net tax capacity for each parcel according to the class rates specified in section 273.13. The net tax capacity will be the appropriate class rate multiplied by the parcel's market value.

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

Sec. 35. Minnesota Statutes 2012, 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 percent of net tax capacity for taxes payable in 1990 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 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 percent. Each local government's disparity reduction aid payment under section 273.1398, subdivision 6, must be reduced accordingly.

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

Sec. 36. Minnesota Statutes 2013 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, provided that nothing in this subdivision limits the special levy authorized under section 475.755;

(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 did not 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, subdivision 2;

(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, or locally administered pension plans, 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 (f), 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, except to pay operating or maintenance costs of a new regional jail facility under sections 641.262 to 641.264 which will not replace an existing jail facility, 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) to pay for court administration costs as required under section 273.1398, subdivision 4b, less the (i) county's share of transferred fines and fees collected by the district courts in the county for calendar year 2001 and (ii) the aid amount certified to be paid to the county in 2004 under section 273.1398, subdivision 4c; 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 clause is limited to the amount of aid the county is certified to receive under section 273.1398, subdivision 4a;~~

~~(15)~~ (14) to fund a firefighters relief association as required under Laws 2013, chapter 111, article 5, sections 31 to 42, to the extent that the required amount exceeds the amount levied for this purpose in 2001;

~~(16)~~ (15) for purposes of a storm sewer improvement district under section 444.20;

~~(17)~~ (16) to pay for the maintenance and support of a city or county society for the prevention of cruelty to animals under section 343.11, but not to exceed in any year \$4,800 or the sum of \$1 per capita based on the county's or city's population as of the most recent federal census, whichever is greater. If the city or county uses this special levy, any amount levied by the city or county in the previous levy year for the purposes specified in this clause and included in the city's or county's previous year's levy limit computed under section 275.71, must be deducted from the levy limit base under section 275.71, subdivision 2, in determining the city's or county's current year levy limit;

~~(18)~~ (17) for counties, to pay for the increase in their share of health and human service costs caused by reductions in federal health and human services grants effective after September 30, 2007;

~~(19)~~ (18) for a city, for the costs reasonably and necessarily incurred for securing, maintaining, or demolishing foreclosed or abandoned residential properties, as allowed by the commissioner of revenue under section 275.74, subdivision 2. A city must have either (i) a foreclosure rate of at least 1.4 percent in 2007, or (ii) a foreclosure rate in 2007 in the city or in a zip code area of the city that is at least 50 percent higher than the average foreclosure rate in the metropolitan area, as defined in section 473.121, subdivision 2, to use this special levy. For purposes of this paragraph, "foreclosure rate" means the number of foreclosures, as indicated by sheriff sales records, divided by the number of households in the city in 2007;

~~(20) for a city, for the unreimbursed costs of redeployed traffic-control agents and lost traffic citation revenue due to the collapse of the Interstate 35W bridge, as certified to the Federal Highway Administration;~~

~~(21)~~ (19) to pay costs attributable to wages and benefits for sheriff, police, and fire personnel. If a local governmental unit did not use this special levy in the previous year its levy limit base

under section 275.71 shall be reduced by the amount equal to the amount it levied for the purposes specified in this clause in the previous year;

~~(22)~~ (20) an amount equal to any reductions in the certified aids or credit reimbursements payable under sections 477A.011 to 477A.014, and section 273.1384, due to unallotment under section 16A.152 or reductions under another provision of law. The amount of the levy allowed under this clause for each year is limited to the amount unallotted or reduced from the aids and credit reimbursements certified for payment in the year following the calendar year in which the tax levy is certified unless the unallotment or reduction amount is not known by September 1 of the levy certification year, and the local government has not adjusted its levy under section 275.065, subdivision 6, or 275.07, subdivision 6, in which case that unallotment or reduction amount may be levied in the following year;

~~(23)~~ (21) to pay for the difference between one-half of the costs of confining sex offenders undergoing the civil commitment process and any state payments for this purpose pursuant to section 253D.12;

~~(24)~~ (22) for a county to pay the costs of the first year of maintaining and operating a new facility or new expansion, either of which contains courts, corrections, dispatch, criminal investigation labs, or other public safety facilities and for which all or a portion of the funding for the site acquisition, building design, site preparation, construction, and related equipment was issued or authorized prior to the imposition of levy limits in 2008. The levy limit base shall then be increased by an amount equal to the new facility's first full year's operating costs as described in this clause; and

~~(25)~~ (23) for the estimated amount of reduction to market value credit reimbursements under section 273.1384 for credits payable in the year in which the levy is payable.

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

Sec. 37. Minnesota Statutes 2012, section 275.74, subdivision 2, is amended to read:

Subd. 2. **Authorization for special levies.** (a) A local governmental unit may request authorization to levy for unreimbursed costs for natural disasters under section 275.70, subdivision 5, clause (7). The local governmental unit shall submit a request to levy under section 275.70, subdivision 5, clause (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.

(b) A city may request authorization to levy for reasonable and necessary costs for securing, maintaining, or demolishing foreclosed or abandoned residential properties under section 275.70, subdivision 5, clause ~~(19)~~ (18). The local governmental unit shall submit a request to levy under section 275.70, subdivision 5, clause ~~(19)~~ (18), to the commissioner of revenue by September 30 of the levy year and the request must include information documenting the estimated costs. For taxes payable in 2009, the amount may include unanticipated costs incurred above the amount budgeted for these purposes in 2008. Costs of securing foreclosed or abandoned residential properties include payment for police and fire department services. The commissioner of revenue may grant levy authority, up to the lesser of (1) the amount requested based on the documentation submitted, or (2) \$3,000 multiplied by the number of foreclosed residential properties, as defined by sheriff sales records, in calendar year 2007. All decisions of the commissioner are final.

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

Sec. 38. Minnesota Statutes 2012, section 275.75, is amended to read:

275.75 CHARTER EXEMPTION FOR AID LOSS.

Notwithstanding any other provision of a municipal charter that limits ad valorem taxes to a lesser amount, or that would require voter approval for any increase, the governing body of a municipality may by resolution increase its levy in any year by an amount equal to its special levies under section 275.70, subdivision 5, clauses ~~(22) and (25)~~ (20) and (23).

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

Sec. 39. Minnesota Statutes 2012, section 279.03, subdivision 1, is amended to read:

Subdivision 1. **Rate Interest calculation.** ~~The rate of interest on delinquent property taxes levied in 1979 and prior years is fixed at six percent per year until January 1, 1983. Thereafter interest is payable at the rate determined pursuant to section 549.09. The rate of interest on delinquent property taxes levied in 1980 and subsequent years is the rate determined pursuant to section 549.09. All provisions of law except section 549.09 providing for the calculation of interest at any different rate on delinquent taxes in any notice or proceeding in connection with the payment, collection, sale, or assignment of delinquent taxes, or redemption from such sale or assignment are hereby amended to correspond herewith. Section 549.09 shall continue in force applies with respect to judgments arising out of petitions for review filed pursuant to chapter 278 irrespective of the levy year.~~

~~For property taxes levied in 1980 and prior years, interest is to be calculated at simple interest from the second Monday in May following the year in which the taxes become due until the time that the taxes and penalties are paid, computed on the amount of unpaid taxes, penalties and costs. For property taxes levied in 1981 and subsequent years, interest shall commence on the first day of January following the year in which the taxes become due, but the county treasurer need not calculate interest on unpaid taxes and penalties on the tax list returned to the county auditor pursuant to section 279.01.~~

~~If interest is payable for a portion of a year, the interest is calculated only for the months that the taxes or penalties remain unpaid, and for this purpose a portion of a month is deemed to be a whole month.~~

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

Sec. 40. Minnesota Statutes 2012, section 279.03, subdivision 1a, is amended to read:

Subd. 1a. **Rate after December 31, 1990.** (a) Except as provided in paragraph (b), interest on delinquent property taxes, penalties, and costs unpaid on or after January 1, 1991, ~~shall be~~ is payable at the per annum rate determined in section 270C.40, subdivision 5. If the rate so determined is less than ten percent, the rate of interest ~~shall be~~ is ten percent. The maximum per annum rate ~~shall be~~ is 14 percent if the rate specified under section 270C.40, subdivision 5, exceeds 14 percent. The rate ~~shall be~~ is subject to change on January 1 of each year.

(b) If a person is the owner of one or more parcels of property on which taxes are delinquent, and the delinquent taxes are more than 25 percent of the prior year's school district levy, interest on the delinquent property taxes, penalties, and costs unpaid ~~after January 1, 1992, shall be~~ is payable at twice the rate determined under paragraph (a) for the year.

Sec. 42. Minnesota Statutes 2012, section 279.23, is amended to read:

279.23 COPY OF JUDGMENT TO COUNTY AUDITOR.

When any real estate tax judgment is entered, the court administrator shall ~~forthwith~~ deliver to the county auditor, ~~in a book to be provided by the auditor,~~ a certified copy of such judgment, ~~which shall be written on the left-hand pages of the book, leaving the right-hand pages blank.~~

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

Sec. 43. Minnesota Statutes 2012, section 279.25, is amended to read:

279.25 PAYMENT BEFORE JUDGMENT.

Before sale any person may pay the amount adjudged against any parcel of land. If payment is made before entry of judgment, and the delinquent list has been filed with the court administrator, the county auditor shall immediately certify such payment to the court administrator, who shall note the same on such delinquent list; and all proceedings pending against such parcel shall thereupon be discontinued. If payment is made after judgment is entered and before sale, the auditor shall certify such payment to the clerk, who, upon production of such certificate and the payment of a fee of ten cents, shall enter ~~on the right-hand page of the real estate tax judgment book, and opposite the description of such parcel,~~ satisfaction of the judgment against the same. The auditor shall make proper records of all payments made under this section.

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

Sec. 44. Minnesota Statutes 2013 Supplement, section 279.37, subdivision 2, is amended to read:

Subd. 2. **Installment payments.** The owner of any such parcel, or any person to whom the right to pay taxes has been given by statute, mortgage, or other agreement, may make and file with the county auditor of the county in which the parcel is located a written offer to pay the current taxes each year before they become delinquent, or to contest the taxes under ~~Minnesota Statutes 1941, sections 278.01 to 278.13~~ chapter 278, and agree to confess judgment for the amount provided, as determined by the county auditor. By filing the offer, the owner waives all irregularities in connection with the tax proceedings affecting the parcel and any defense or objection which the owner may have to the proceedings, and also waives the requirements of any notice of default in the payment of any installment or interest to become due pursuant to the composite judgment to be so entered. Unless the property is subject to subdivision 1a, with the offer, the owner shall (i) tender one-tenth of the amount of the delinquent taxes, costs, penalty, and interest, and (ii) tender all current year taxes and penalty due at the time the confession of judgment is entered. In the offer, the owner shall agree to pay the balance in nine equal installments, with interest as provided in section 279.03, payable annually on installments remaining unpaid from time to time, on or before December 31 of each year following the year in which judgment was confessed. The offer must be substantially as follows:

"To the court administrator of the district court of county, I,, am the owner of the following described parcel of real estate located in county, Minnesota:

..... Upon that real estate there are delinquent taxes for the year, and prior years, as follows: (here insert year of delinquency and the total amount of delinquent taxes, costs, interest, and penalty). By signing this document I offer to confess judgment in the sum of \$..... and waive all irregularities in the tax proceedings affecting these taxes and any defense or objection which I may have to them, and direct judgment to be entered for the amount stated above, minus the

sum of \$....., to be paid with this document, which is one-tenth or one-fifth of the amount of the taxes, costs, penalty, and interest stated above. I agree to pay the balance of the judgment in nine or four equal, annual installments, with interest as provided in section 279.03, payable annually, on the installments remaining unpaid. I agree to pay the installments and interest on or before December 31 of each year following the year in which this judgment is confessed and current taxes each year before they become delinquent, or within 30 days after the entry of final judgment in proceedings to contest the taxes under ~~Minnesota Statutes, sections 278.01 to 278.13~~ chapter 278.

Dated,"

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

Sec. 45. Minnesota Statutes 2012, section 280.001, is amended to read:

280.001 PUBLIC SALES, AUDITOR'S CERTIFICATES ABOLISHED.

~~Effective the second Monday in May 1974, and each year thereafter,~~ No parcel of land against which judgment has been entered and remains unsatisfied for the taxes of the preceding year or years may be sold at public vendue as provided in sections 280.01 and 280.02 by the county auditor but shall be treated in the same manner and regarded in all respects as land bid in for the state by the auditor in the manner provided in section 280.02. No notice of sale required by section 280.01 shall be published or posted ~~in 1974 and in years thereafter,~~ and no auditor's certificate authorized by section 280.03 shall be issued ~~on the second Monday in May 1974, or thereafter.~~

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

Sec. 46. Minnesota Statutes 2012, section 280.03, is amended to read:

280.03 CERTIFICATE OF SALE.

The county auditor shall execute to the purchaser of each parcel a certificate which may be substantially in the following form:

"I,, auditor of the county of, state of Minnesota, do hereby certify that at the sale of lands pursuant to the real estate tax judgment entered in the district court in the county of, on the day of,, in proceedings to enforce the payment of taxes delinquent on real estate for the years, for the county of, which sale was held at, in said county of, on the day of,, the following described parcel of land, situate in said county of, state of Minnesota: (insert description), was offered for sale to the bidder who should offer to pay the amount for which the same was to be sold, at the lowest annual rate of interest on such amount; and at said sale I did sell the said parcel of land to for the sum of dollars, with interest at percent per annum on such amount, that being the sum for which the same was to be sold, and such rate of interest being the lowest rate percent per annum bid on such sum; and, the sum having been paid, I do therefore, in consideration thereof, and pursuant to the statute in such case made and provided, convey the said parcel of land, in fee simple, subject to easements and restrictions of record at the date of the tax judgment sale, including, but without limitation, permits for telephone, ~~telegraph~~ and electric power lines either by underground cable or conduit or otherwise, sewer and water lines, highways, railroads, and pipe lines for gas, liquids, or solids in suspension, to said, and the heirs and assigns of, forever, subject to redemption as provided by law.

Witness my hand and official seal this day of,

.....
County Auditor."

If the land shall not be redeemed as provided in chapter 281, such certificate shall pass to the purchaser an estate therein, in fee simple, without any other act or deed whatever subject to easements and restrictions of record at the date of the tax judgment sale, including, but without limitation, permits for telephone, telegraph, and electric power lines either by underground cable or conduit or otherwise, sewer and water lines, highways, railroads, and pipe lines for gas, liquids, or solids in suspension. Such certificate may be recorded, after the time for redemption shall have expired, as other deeds of real estate, and with like effect. If any purchaser at such sale shall purchase more than one parcel, the auditor shall issue to the purchaser a certificate for each parcel so purchased.

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

Sec. 47. Minnesota Statutes 2012, section 280.07, is amended to read:

280.07 ENTRIES IN JUDGMENT BOOKS AFTER SALE.

Immediately after such sale the county auditor shall ~~set out in the copy judgment book record that all parcels were bid in for the state. The county auditor shall thereupon deliver such book to notify the court administrator, who shall forthwith enter on the right-hand page of the real estate tax judgment book, opposite the description of each parcel sold, the words "bid in for the state," and thereupon redeliver the copy judgment book to the auditor. Upon redemption the auditor shall make a note thereon in the copy judgment book, opposite the parcel redeemed.~~

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

Sec. 48. Minnesota Statutes 2012, section 280.11, is amended to read:

280.11 LANDS BID IN FOR STATE.

At any time after any parcel of land has been bid in for the state, the same not having been redeemed, the county auditor shall assign and convey the same, and all the right of the state therein acquired at such sale, to any person who shall pay the amount for which the same was bid in, with interest at the rate of 12 percent per annum, and the amount of all subsequent delinquent taxes, penalties, costs, and interest at such rate upon the same from the time when such taxes became delinquent. The county auditor shall execute to such person a certificate for such parcel, which may be substantially in the following form:

"I,, auditor of the county of, state of Minnesota, do hereby certify that at the sale of lands pursuant to the real estate tax judgment entered in the district court in the county of, on the day of,, in proceedings to enforce the payment of taxes delinquent upon real estate for the years for the county of, which sale was held at, in said county of, on the day of,, the following described parcel of land, situate in said county of, state of Minnesota: (insert description), was duly offered for sale; and, no one bidding upon such offer an amount equal to that for which the parcel was subject to be sold, the same was then bid in for the state at such amount, being the sum of dollars; and the same still remaining unredeemed, and on this day having paid into the treasury of the county the amount for which the same was so bid in, and all subsequent delinquent taxes, penalties, costs, and interest, amounting in all to dollars, therefore, in consideration thereof, and pursuant to the statute

in such case made and provided, I do hereby assign and convey this parcel of land, in fee simple, subject to easements and restrictions of record at the date of the tax judgment sale, including but without limitation, permits for telephone, ~~telegraph~~, and electric power lines either by underground cable or conduit or otherwise, sewer and water lines, highways, railroads, and pipe lines for gas, liquids, or solids in suspension, with all the right, title and interest of the state acquired therein at such sale to, and the heirs and assigns of, forever, subject to redemption as provided by law.

Witness my hand and official seal this day of,

.....
County Auditor."

If the land shall not be redeemed, as provided in chapter 281, such certificate shall pass to the purchaser or assignee an estate therein, in fee simple, without any other act or deed whatever subject to easements and restrictions of record at the date of the tax judgment sale, including, but without limitation, permits for telephone, ~~telegraph~~ and electric power lines either by underground cable or conduit or otherwise, sewer and water lines, highways, railroads, and pipe lines for gas, liquids, or solids in suspension. Such certificate or conveyance may be recorded, after the time for redemption shall have expired, as other deeds of real estate, and with like effect. No assignment of the right of the state shall be given pursuant to this section after January 1, 1972.

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

Sec. 49. Minnesota Statutes 2012, section 281.03, is amended to read:

281.03 AUDITOR'S CERTIFICATE.

The county auditor shall certify to the amount due on such redemption, and, on payment of the same to the county treasurer, shall make duplicate receipts for the certified amount, describing the property redeemed, one of which shall be filed with the auditor. Such receipts shall be governed by the provisions of this chapter regulating the payment of current taxes and such payment shall have the effect to annul the sale. If the amount certified by the auditor and received in payment for redemption be less than that required by law, it shall not invalidate the redemption. On redemption being made, the auditor shall ~~enter upon the copy of the tax judgment book, opposite the description of record the parcel as redeemed, the word, "redeemed."~~

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

Sec. 50. Minnesota Statutes 2013 Supplement, section 281.17, is amended to read:

281.17 PERIOD FOR REDEMPTION.

Except for properties for which the period of redemption has been limited under sections 281.173 and 281.174, the following periods for redemption apply.

The period of redemption for all lands sold to the state at a tax judgment sale shall be three years from the date of sale to the state of Minnesota.

The period of redemption for homesteaded lands as defined in section 273.13, subdivision 22, located in a targeted neighborhood as defined in Laws 1987, chapter 386, article 6, section 4, and sold to the state at a tax judgment sale is three years from the date of sale. The period of redemption

for all lands located in a targeted neighborhood as defined in Laws 1987, chapter 386, article 6, section 4, except (†) homesteaded lands as defined in section 273.13, subdivision 22, ~~and (2) for periods of redemption beginning after June 30, 1991, but before July 1, 1996, lands located in the Loring Park targeted neighborhood on which a notice of lis pendens has been served, and sold to the state at a tax judgment sale is one year from the date of sale.~~

The period of redemption for all real property constituting a mixed municipal solid waste disposal facility that is a qualified facility under section 115B.39, subdivision 1, is one year from the date of the sale to the state of Minnesota.

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

Sec. 51. Minnesota Statutes 2012, section 281.327, is amended to read:

281.327 CANCELLATION OF CERTIFICATE UPON JUDICIAL ORDER.

Upon the petition of any person interested in the land covered by a real estate tax sale certificate, state assignment certificate, or forfeited tax sale certificate and, upon the giving of such notice to the holder of such certificate as may be ordered, the district court, in the proceedings resulting in the judgment upon which a real estate tax judgment sale certificate, state assignment certificate, or forfeited tax sale certificate is based, may order the cancellation of a real estate tax judgment sale certificate, state assignment certificate, or forfeited tax sale certificate upon which notice of expiration of time of redemption has been issued when the certificate or a deed issued thereon has not been recorded in the office of the county recorder or filed in that of the registrar of titles, if the land is registered, within seven years after the date of the issuance of such certificate; the county auditor, on the filing of the order, shall ~~make an entry in the proper copy real estate tax judgment book, opposite the description of the land, "canceled by order of court"~~ record the land as canceled by order of court; and the rights of the holder under the certificate shall thereupon be terminated of record in the office of the county auditor.

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

Sec. 52. Minnesota Statutes 2012, section 282.01, subdivision 6, is amended to read:

Subd. 6. **Duties of commissioner after sale.** When any sale has been made by the county auditor under sections 282.01 to 282.13, the auditor shall immediately certify to the commissioner of revenue such information relating to such sale, on such forms as the commissioner of revenue may prescribe as will enable the commissioner of revenue to prepare an appropriate deed if the sale is for cash, or keep necessary records if the sale is on terms; and not later than October 31 of each year the county auditor shall submit to the commissioner of revenue a statement of all instances wherein any payment of principal, interest, or current taxes on lands held under certificate, due or to be paid during the preceding calendar years, are still outstanding at the time such certificate is made. When such statement shows that a purchaser or the purchaser's assignee is in default, the commissioner of revenue may instruct the county board of the county in which the land is located to cancel said certificate of sale in the manner provided by subdivision 5, provided that upon recommendation of the county board, and where the circumstances are such that the commissioner of revenue after investigation is satisfied that the purchaser has made every effort reasonable to make payment of both the annual installment and said taxes, and that there has been no willful neglect on the part of the purchaser in meeting these obligations, then the commissioner of revenue may extend the time for the payment for such period as the commissioner may deem warranted, not to exceed one year. On payment in full of the purchase price, appropriate conveyance in fee, in such form

as may be prescribed by the attorney general, shall be issued by the commissioner of revenue, which conveyance must be recorded by the county and shall have the force and effect of a patent from the state subject to easements and restrictions of record at the date of the tax judgment sale, including, but without limitation, permits for telephone, ~~telegraph~~, and electric power lines either by underground cable or conduit or otherwise, sewer and water lines, highways, railroads, and pipe lines for gas, liquids, or solids in suspension.

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

Sec. 53. Minnesota Statutes 2012, section 282.04, subdivision 4, is amended to read:

Subd. 4. **Easements.** The county auditor, when and for such price and on such terms and for such period as the county board prescribes, may grant easements or permits on unsold tax-forfeited land for telephone, ~~telegraph~~, and electric power lines either by underground cable or conduit or otherwise, sewer and water lines, highways, recreational trails, railroads, and pipe lines for gas, liquids, or solids in suspension. Any such easement or permit may be canceled by resolution of the county board after reasonable notice for any substantial breach of its terms or if at any time its continuance will conflict with public use of the land, or any part thereof, on which it is granted. Land affected by any such easement or permit may be sold or leased for mineral or other legal purpose, but sale or lease shall be subject to the easement or permit, and all rights granted by the easement or permit shall be excepted from the conveyance or lease of the land and be reserved, and may be canceled by the county board in the same manner and for the same reasons as it could have been canceled before sale and in that case the rights granted thereby shall vest in the state in trust as the land on which it was granted was held before sale or lease. Any easement or permit granted before passage of Laws 1951, Chapter 203, may be governed thereby if the holder thereof and county board so agree. Reasonable notice as used in this subdivision, means a 90-day written notice addressed to the record owner of the easement at the last known address, and upon cancellation the county board may grant extensions of time to vacate the premises affected.

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

Sec. 54. Minnesota Statutes 2012, section 282.261, subdivision 2, is amended to read:

Subd. 2. **Interest rate.** The unpaid balance on any repurchase contract approved by the county board ~~on or after July 1, 1982~~, is subject to interest at the rate determined pursuant to ~~section 549.09~~. Repurchase contracts approved ~~after December 31, 1990~~, are subject to interest at the rate determined in section 279.03, subdivision 1a. The interest rate is subject to change each year on the unpaid balance in the manner provided for rate changes in ~~section 549.09 or 279.03, subdivision 1a~~; whichever is applicable. ~~Interest on the unpaid contract balance on repurchases approved before July 1, 1982, is payable at the rate applicable to the repurchase contract at the time that it was approved.~~

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

Sec. 55. Minnesota Statutes 2012, section 282.261, subdivision 4, is amended to read:

Subd. 4. **Service fee.** The county auditor may collect a service fee to cover administrative costs as set by the county board for each repurchase application ~~received after July 1, 1985~~. The fee must be paid at the time of application and must be credited to the county general revenue fund.

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

Sec. 56. Minnesota Statutes 2012, section 282.261, subdivision 5, is amended to read:

Subd. 5. **County may impose conditions of repurchase.** The county auditor, after receiving county board approval, may impose conditions on repurchase of tax-forfeited lands limiting the use of the parcel subject to the repurchase, including, but not limited to, environmental remediation action plan restrictions or covenants, or easements for lines or equipment for telephone, telegraph, electric power, or telecommunications.

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

Sec. 57. Minnesota Statutes 2012, section 282.322, is amended to read:

282.322 FORFEITED LANDS LIST.

The county board of any county may ~~at any time after the passage of Laws 1945, chapter 296,~~ file a list of forfeited lands with the county auditor, if the board is of the opinion that such lands may be acquired by the state or any municipal subdivision thereof for public purposes. Upon the filing of such list the county auditor shall withhold said lands from repurchase. If no proceeding shall be started to acquire such lands by the state or some municipal subdivision thereof within one year after the filing of such list the county board shall withdraw said list and thereafter the owner shall have one year in which to repurchase ~~as otherwise provided in Laws 1945, chapter 296.~~

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

Sec. 58. Minnesota Statutes 2012, section 287.30, is amended to read:

287.30 COUNTY TREASURER; DUTIES.

~~The care of documentary stamps entrusted to county treasurers and the duties imposed upon county treasurers by this chapter are within the duties of such office and are within the coverage of any official bond delivered to the state, conditioned that any such officer shall faithfully execute the duties of office. The county board may by resolution require the county auditor to perform any duty imposed on the county treasurer under this chapter.~~

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

Sec. 59. Minnesota Statutes 2012, section 289A.25, subdivision 1, is amended to read:

Subdivision 1. **Requirements to pay.** An individual, trust, S corporation, or partnership must, when prescribed in subdivision 3, paragraph (b), make payments of estimated tax. For individuals, the term "estimated tax" means the amount the taxpayer estimates is the sum of the taxes imposed by chapter 290 for the taxable year. For trusts, S corporations, and partnerships, the term estimated tax means the amount the taxpayer estimates is the sum of the taxes for the taxable year imposed by chapter 290 and the composite income tax imposed by section 289A.08, subdivision 7. If the individual is an infant or incompetent person, the payments must be made by the individual's guardian. If joint payments on estimated tax are made but a joint return is not made for the taxable year, the estimated tax for that year may be treated as the estimated tax of either the husband or the wife or may be divided between them.

~~Notwithstanding the provisions of this section, no payments of estimated tax are required if the estimated tax, as defined in this subdivision, less the credits allowed against the tax, is less than \$500.~~

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

Sec. 60. Minnesota Statutes 2012, section 290.01, subdivision 5, is amended to read:

Subd. 5. **Domestic corporation.** The term "domestic" when applied to a corporation means a corporation:

(1) created or organized in the United States, or under the laws of the United States or of any state, the District of Columbia, or any political subdivision of any of the foregoing but not including the Commonwealth of Puerto Rico, or any possession of the United States; or

(2) which qualifies as a DISC, as defined in section 992(a) of the Internal Revenue Code; ~~or~~

(3) ~~which qualifies as a FSC, as defined in section 922 of the Internal Revenue Code.~~

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 61. Minnesota Statutes 2013 Supplement, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the work opportunity credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

~~(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:~~

~~(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and~~

~~(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;~~

~~(5)~~ (4) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

~~(6)~~ (5) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

~~(7)~~ (6) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (8), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

~~(8)~~ (7) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

~~(9)~~ (8) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under subdivision 19c, clause (1), in a prior taxable year;

~~(10)~~ (9) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

~~(11)~~ (10) the amount of disability access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

~~(12)~~ (11) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

~~(13)~~ (12) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

~~(14)~~ (13) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

~~(15)~~ (14) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (12), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (12). The resulting delayed depreciation cannot be less than zero;

~~(16)~~ (15) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (13), an amount equal to one-fifth of the amount of the addition;

~~(17)~~ (16) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under subdivision 19c, clause (16); and

~~(18)~~ (17) the amount of expenses not allowed for federal income tax purposes due to claiming the railroad track maintenance credit under section 45G(a) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 62. Minnesota Statutes 2012, section 290.01, subdivision 19f, is amended to read:

Subd. 19f. **Basis modifications affecting gain or loss on disposition of property.** (a) For individuals, estates, and trusts, the basis of property is its adjusted basis for federal income tax purposes except as set forth in paragraphs ~~(e)~~ and ~~(f)~~, ~~(g)~~, and ~~(m)~~. For corporations, the basis of property is its adjusted basis for federal income tax purposes, without regard to the time when the property became subject to tax under this chapter or to whether out-of-state losses or items of tax preference with respect to the property were not deductible under this chapter, except that the modifications to the basis for federal income tax purposes set forth in paragraphs (b) to ~~(j)~~ (i) are allowed to corporations, and the resulting modifications to federal taxable income must be made in the year in which gain or loss on the sale or other disposition of property is recognized.

(b) The basis of property shall not be reduced to reflect federal investment tax credit.

~~(c) The basis of property subject to the accelerated cost recovery system under section 168 of the Internal Revenue Code shall be modified to reflect the modifications in depreciation with respect to the property provided for in subdivision 19e. For certified pollution control facilities for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, the basis of the property must be increased by the amount of the amortization deduction not previously allowed under this chapter.~~

~~(d)~~ For property acquired before January 1, 1933, the basis for computing a gain is the fair market value of the property as of that date. The basis for determining a loss is the cost of the property to the taxpayer less any depreciation, amortization, or depletion, actually sustained before that date. If the adjusted cost exceeds the fair market value of the property, then the basis is the adjusted cost regardless of whether there is a gain or loss.

~~(e)~~ (d) The basis is reduced by the allowance for amortization of bond premium if an election to amortize was made pursuant to Minnesota Statutes 1986, section 290.09, subdivision 13, and the allowance could have been deducted by the taxpayer under this chapter during the period of the taxpayer's ownership of the property.

~~(f)~~ (e) For assets placed in service before January 1, 1987, corporations, partnerships, or individuals engaged in the business of mining ores other than iron ore or taconite concentrates

subject to the occupation tax under chapter 298 must use the occupation tax basis of property used in that business.

~~(g)~~ (f) For assets placed in service before January 1, 1990, corporations, partnerships, or individuals engaged in the business of mining iron ore or taconite concentrates subject to the occupation tax under chapter 298 must use the occupation tax basis of property used in that business.

~~(h)~~ (g) In applying the provisions of sections 301(c)(3)(B), 312(f) and (g), and 316(a)(1) of the Internal Revenue Code, the dates December 31, 1932, and January 1, 1933, shall be substituted for February 28, 1913, and March 1, 1913, respectively.

~~(i)~~ (h) In applying the provisions of section 362(a) and (c) of the Internal Revenue Code, the date December 31, 1956, shall be substituted for June 22, 1954.

~~(j)~~ (i) The basis of property shall be increased by the amount of intangible drilling costs not previously allowed due to differences between this chapter and the Internal Revenue Code.

~~(k)~~ (j) The adjusted basis of any corporate partner's interest in a partnership is the same as the adjusted basis for federal income tax purposes modified as required to reflect the basis modifications set forth in paragraphs (b) to ~~(j)~~ (i). The adjusted basis of a partnership in which the partner is an individual, estate, or trust is the same as the adjusted basis for federal income tax purposes modified as required to reflect the basis modifications set forth in paragraphs (e) and (f) and ~~(g)~~.

~~(l)~~ (k) The modifications contained in paragraphs (b) to ~~(j)~~ (i) also apply to the basis of property that is determined by reference to the basis of the same property in the hands of a different taxpayer or by reference to the basis of different property.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 63. Minnesota Statutes 2012, section 290.01, subdivision 29, is amended to read:

Subd. 29. **Taxable income.** The term "taxable income" means:

- (1) for individuals, estates, and trusts, the same as taxable net income;
- (2) for corporations, the taxable net income less
 - (i) the net operating loss deduction under section 290.095;
 - (ii) the dividends received deduction under section 290.21, subdivision 4; and
 - (iii) the exemption for operating in a job opportunity building zone under section 469.317; and
 - ~~(iv) the exemption for operating in a biotechnology and health sciences industry zone under section 469.337.~~

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 64. Minnesota Statutes 2012, section 290.015, subdivision 1, is amended to read:

Subdivision 1. **General rule.** (a) Except as provided in subdivision 3, a person that conducts a trade or business that has a place of business in this state, regularly has employees or independent

contractors conducting business activities on its behalf in this state, or owns or leases real property that is located in this state or tangible personal property, including but not limited to mobile property, that is present in this state is subject to the taxes imposed by this chapter.

(b) Except as provided in subdivision 3, a person that conducts a trade or business not described in paragraph (a) is subject to the taxes imposed by this chapter if the trade or business obtains or regularly solicits business from within this state, without regard to physical presence in this state.

(c) For purposes of paragraph (b), business from within this state includes, but is not limited to:

(1) sales of products or services of any kind or nature to customers in this state who receive the product or service in this state;

(2) sales of services which are performed from outside this state but the services are received in this state;

(3) transactions with customers in this state that involve intangible property and result in receipts attributed to this state as provided in section 290.191, subdivision 5 or 6;

(4) leases of tangible personal property that is located in this state as defined in section 290.191, subdivision 5, paragraph (g), or 6, paragraph (e); and

(5) sales and leases of real property located in this state.

(d) For purposes of paragraph (b), solicitation includes, but is not limited to:

(1) the distribution, by mail or otherwise, without regard to the state from which such distribution originated or in which the materials were prepared, of catalogs, periodicals, advertising flyers, or other written solicitations of business to customers in this state;

(2) display of advertisements on billboards or other outdoor advertising in this state;

(3) advertisements in newspapers published in this state;

(4) advertisements in trade journals or other periodicals, the circulation of which is primarily within this state;

(5) advertisements in a Minnesota edition of a national or regional publication or a limited regional edition of which this state is included of a broader regional or national publication which are not placed in other geographically defined editions of the same issue of the same publication;

(6) advertisements in regional or national publications in an edition which is not by its contents geographically targeted to Minnesota, but which is sold over the counter in Minnesota or by subscription to Minnesota residents;

(7) advertisements broadcast on a radio or television station located in Minnesota; or

(8) any other solicitation by ~~telegraph~~, telephone, computer database, cable, optic, microwave, or other communication system.

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

Sec. 65. Minnesota Statutes 2012, section 290.07, subdivision 1, is amended to read:

Subdivision 1. **Annual accounting period.** Net income and taxable net income shall be computed upon the basis of the taxpayer's annual accounting period. If a taxpayer has no annual accounting period, or has one other than a fiscal year, ~~as heretofore defined~~, the net income and taxable net income shall be computed on the basis of the calendar year. Taxpayers shall employ the same accounting period on which they report, or would be required to report, their net income under the Internal Revenue Code. The commissioner shall provide by rule for the determination of the accounting period for taxpayers who file a combined report under section 290.17, subdivision 4, when members of the group use different accounting periods for federal income tax purposes. ~~Unless the taxpayer changes its accounting period for federal purposes, the due date of the return is not changed.~~

~~A taxpayer may change accounting periods only with the consent of the commissioner. In case of any such change, the taxpayer shall pay a tax for the period not included in either the taxpayer's former or newly adopted taxable year, computed as provided in section 290.32.~~

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 66. Minnesota Statutes 2012, section 290.07, subdivision 2, is amended to read:

Subd. 2. **Accounting methods.** Except as specifically provided to the contrary by this chapter, net income and taxable net income shall be computed in accordance with the method of accounting regularly employed in keeping the taxpayer's books. If no such accounting system has been regularly employed, or if that employed does not clearly or fairly reflect income or the income taxable under this chapter, the computation shall be made in accordance with such method as in the opinion of the commissioner does clearly and fairly reflect income and the income taxable under this chapter.

~~Except as otherwise expressly provided in this chapter, a taxpayer who changes the method of accounting for regularly computing the taxpayer's income in keeping books shall, before computing net income and taxable net income under the new method, secure the consent of the commissioner.~~

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 67. Minnesota Statutes 2013 Supplement, section 290.0921, subdivision 3, is amended to read:

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

~~(1) For purposes of the depreciation adjustments under section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal income tax purposes, including any modification made in a taxable year under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c).~~

~~For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation allowance in the first taxable year after December 31, 2000.~~

~~(2)~~ (1) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.01, subdivision 19c, clause (12), is disallowed in determining alternative minimum taxable income.

~~(3)~~ (2) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause ~~(15)~~ (14), is allowed as a depreciation deduction in determining alternative minimum taxable income.

~~(4)~~ (3) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

~~(5)~~ (4) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

~~(6)~~ (5) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

~~(7) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to subparagraph (E) and the subtraction under section 290.01, subdivision 19d, clause (4).~~

~~(8)~~ (6) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

~~(9)~~ (7) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

~~(10) For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.~~

~~For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, not previously deducted is a depreciation or amortization allowance in the first taxable year after December 31, 2004.~~

~~(11)~~ (8) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

~~(12)~~ (9) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), or (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (9).

~~(13)~~ (10) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

~~(14)~~ Alternative minimum taxable income excludes the income from operating in a biotechnology and health sciences industry zone as provided under section 469.337.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 68. Minnesota Statutes 2012, section 290.0922, subdivision 3, is amended to read:

Subd. 3. **Definitions.** (a) "Minnesota sales or receipts" means the total sales apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the total sales or receipts apportioned or attributed to Minnesota pursuant to any other apportionment formula applicable to the taxpayer.

(b) "Minnesota property" means total Minnesota tangible property as provided in section 290.191, subdivisions 9 to 11, any other tangible property located in Minnesota, but does not include: ~~(1) the property of a qualified business as defined under section 469.310, subdivision 11, that is located in a job opportunity building zone designated under section 469.314 and (2) property of a qualified business located in a biotechnology and health sciences industry zone designated under section 469.334.~~ Intangible property shall not be included in Minnesota property for purposes of this section. Taxpayers who do not utilize tangible property to apportion income shall nevertheless include Minnesota property for purposes of this section. On a return for a short taxable year, the amount of Minnesota property owned, as determined under section 290.191, shall be included in Minnesota property based on a fraction in which the numerator is the number of days in the short taxable year and the denominator is 365.

(c) "Minnesota payrolls" means total Minnesota payrolls as provided in section 290.191, subdivision 12, but does not include: ~~(1) the job opportunity building zone payroll under section 469.310, subdivision 8, of a qualified business as defined under section 469.310, subdivision 11, and (2) biotechnology and health sciences industry zone payrolls under section 469.330, subdivision 8.~~ Taxpayers who do not utilize payrolls to apportion income shall nevertheless include Minnesota payrolls for purposes of this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 69. Minnesota Statutes 2012, section 290.095, subdivision 3, is amended to read:

Subd. 3. **Carryover.** (a) A net operating loss incurred ~~in a~~ during the taxable year: ~~(i) beginning after December 31, 1986, shall be a net operating loss carryover to each of the 15 taxable years following the taxable year of such loss; (ii) beginning before January 1, 1987, shall be a net operating loss carryover to each of the five taxable years following the taxable year of such loss subject to the provisions of Minnesota Statutes 1986, section 290.095; and (iii) beginning before January 1, 1987, shall be a net operating loss carryback to each of the three taxable years preceding the loss year subject to the provisions of Minnesota Statutes 1986, section 290.095.~~

(b) The entire amount of the net operating loss for any taxable year shall be carried to the earliest of the taxable years to which such loss may be carried. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable net income, adjusted by the modifications specified in subdivision 4, for each of the taxable years to which such loss may be carried.

(c) Where a corporation apportions its income under the provisions of section 290.191, the net operating loss deduction incurred in any taxable year shall be allowed to the extent of the apportionment ratio of the loss year.

(d) The provisions of sections 381, 382, and 384 of the Internal Revenue Code apply to carryovers in certain corporate acquisitions and special limitations on net operating loss carryovers. The limitation amount determined under section 382 shall be applied to net income, before apportionment, in each post change year to which a loss is carried.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 70. Minnesota Statutes 2012, section 290.9728, subdivision 2, is amended to read:

Subd. 2. **Taxable income.** For purposes of this section, taxable income means the lesser of:

(1) the amount of the net capital gain of the S corporation for the taxable year, as determined under sections 1222 and 1374 of the Internal Revenue Code, and subject to the modifications provided in section 290.01, ~~subdivisions 19e and~~ subdivision 19f, in excess of \$25,000 that is allocable to this state under section 290.17, 290.191, or 290.20; or

(2) the amount of the S corporation's federal taxable income, subject to the provisions of section 290.01, subdivisions 19c to 19f, that is allocable to this state under section 290.17, 290.191, or 290.20.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 71. Minnesota Statutes 2013 Supplement, section 297A.61, subdivision 3, as amended by Laws 2014, chapter 150, article 2, section 1, 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. In applying the provisions of this chapter, the terms "tangible personal property" and "retail sale" include the taxable services listed in paragraph (g), clause (6), items (i) to (vi) and (viii), and the provision of these 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 the preceding sentence, "affiliated group of corporations" means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, disregarding the exclusions in section 1504(b).

(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 preparing for a consideration of food. Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

- (1) prepared food sold by the retailer;
- (2) soft drinks;
- (3) candy;
- (4) dietary supplements; and
- (5) all food sold through vending machines.

(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 prewritten computer software whether delivered electronically, by load and leave, or otherwise.

(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, including furnishing the guest of the facility with access to telecommunication services, and the granting of any similar license to use real property in a specific facility, other than the renting or leasing of it for a continuous period of 30 days or more under an enforceable written agreement that may not be terminated without prior notice and including accommodations intermediary services provided in connection with other services provided under this clause;

(3) nonresidential 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 onetime initiation fees and periodic membership dues. 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;

(5) delivery of aggregate materials by a third party, excluding delivery of aggregate material used in road construction; and delivery of concrete block by a third party if the delivery would be subject to the sales tax if provided by the seller of the concrete block. For purposes of this clause, "road construction" means construction of:

(i) public roads;

(ii) cartways; and

(iii) private roads in townships located outside of the seven-county metropolitan area up to the point of the emergency response location sign; 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 services and pest control 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 or any organization at the direction of a county 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, except when performed as part of a land clearing contract as defined in section 297A.68, subdivision 40; 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.

(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, ancillary services associated with telecommunication services, and pay television services. Telecommunication services include, but are not limited to, the following services, as defined in section 297A.669: air-to-ground radiotelephone service, mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid wireless calling service, and private communication services. The services in this paragraph are taxed to the extent allowed under federal law.

(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.

(k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section 59B.02, subdivision 11.

(l) A sale and a purchase includes furnishing for a consideration of specified digital products or other digital products or granting the right for a consideration to use specified digital products or other digital products on a temporary or permanent basis and regardless of whether the purchaser is required to make continued payments for such right. Wherever the term "tangible personal property" is used in this chapter, other than in subdivisions 10 and 38, the provisions also apply to specified digital products, or other digital products, unless specifically provided otherwise or the context indicates otherwise.

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

Sec. 72. Minnesota Statutes 2012, section 297A.70, subdivision 10, is amended to read:

Subd. 10. **Nonprofit tickets or admissions.** (a) Tickets or admissions to an event are exempt if all the gross receipts are recorded as such, in accordance with generally accepted accounting principles, on the books of one or more organizations whose primary mission is to provide an opportunity for citizens of the state to participate in the creation, performance, or appreciation of the arts, and provided that each organization is:

(1) an organization described in section 501(c)(3) of the Internal Revenue Code in which voluntary contributions make up at least ~~the following~~ five percent of the organization's annual revenue in its most recently completed 12-month fiscal year, or in the current year if the organization has not completed a 12-month fiscal year;

~~(i) for sales made after July 31, 2001, and before July 1, 2002, for the organization's fiscal year completed in calendar year 2000, three percent;~~

~~(ii) for sales made on or after July 1, 2002, and on or before June 30, 2003, for the organization's fiscal year completed in calendar year 2001, three percent;~~

~~(iii) for sales made on or after July 1, 2003, and on or before June 30, 2004, for the organization's fiscal year completed in calendar year 2002, four percent; and~~

~~(iv) for sales made in each 12-month period, beginning on July 1, 2004, and each subsequent year, for the organization's fiscal year completed in the preceding calendar year, five percent;~~

(2) a municipal board that promotes cultural and arts activities; or

(3) the University of Minnesota, a state college and university, or a private nonprofit college or university provided that the event is held at a facility owned by the educational institution holding the event.

The exemption only applies if the entire proceeds, after reasonable expenses, are used solely to provide opportunities for citizens of the state to participate in the creation, performance, or appreciation of the arts.

(b) Tickets or admissions to the premises of the Minnesota Zoological Garden are exempt, provided that the exemption under this paragraph does not apply to tickets or admissions to performances or events held on the premises unless the performance or event is sponsored and conducted exclusively by the Minnesota Zoological Board or employees of the Minnesota Zoological Garden.

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

Sec. 73. Minnesota Statutes 2013 Supplement, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

(1) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;

(2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;

(3) building materials for correctional facilities under section 297A.71, subdivision 3;

(4) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;

(5) elevators and building materials exempt under section 297A.71, subdivision 12;

~~(6) building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17;~~

~~(7)~~ (6) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;

~~(8)~~ (7) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;

~~(9)~~ (8) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;

~~(10)~~ (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);

~~(11)~~ (10) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;

~~(12)~~ materials, supplies, and equipment for construction or improvement of a meat processing facility exempt under section 297A.71, subdivision 41;

~~(13)~~ (11) materials, supplies, and equipment for construction, improvement, or expansion of:

- (i) an aerospace defense manufacturing facility exempt under section 297A.71, subdivision 42;
- (ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;
- (iii) a research and development facility exempt under section 297A.71, subdivision 46; and
- (iv) an industrial measurement manufacturing and controls facility exempt under section 297A.71, subdivision 47;

~~(14)~~ (12) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42;

~~(15)~~ (13) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44;

~~(16)~~ (14) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c); and

~~(17)~~ (15) items and services purchased under a business subsidy agreement for use or consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 44.

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

Sec. 74. Minnesota Statutes 2013 Supplement, section 297A.75, subdivision 2, is amended to read:

Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must be paid to the applicant. Only the following persons may apply for the refund:

- (1) for subdivision 1, clauses (1), (2), and ~~(16)~~ (14), the applicant must be the purchaser;
- (2) for subdivision 1, ~~clauses~~ clause (3) and ~~(6)~~, the applicant must be the governmental subdivision;
- (3) for subdivision 1, clause (4), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;
- (4) for subdivision 1, clause (5), the applicant must be the owner of the homestead property;
- (5) for subdivision 1, clause ~~(7)~~ (6), the owner of the qualified low-income housing project;
- (6) for subdivision 1, clause ~~(8)~~ (7), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;
- (7) for subdivision 1, clauses ~~(9)~~, ~~(12)~~, ~~(13)~~, ~~(14)~~ (8), (11), (12), and ~~(17)~~ (15), the owner of the qualifying business; and

(8) for subdivision 1, clauses (9), (10), ~~(11)~~, and ~~(15)~~ (13), the applicant must be the governmental entity that owns or contracts for the project or facility.

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

Sec. 75. Minnesota Statutes 2013 Supplement, section 297A.75, subdivision 3, is amended to read:

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clauses (3) to ~~(15)~~ (13), or ~~(17)~~ (15), the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

~~(c) Total refunds for purchases of items in section 297A.71, subdivision 40, must not exceed \$5,000,000 in fiscal years 2010 and 2011. Applications for refunds for purchases of items in sections 297A.70, subdivision 3, paragraph (a), clause (11), and 297A.71, subdivision 40, must not be filed until after June 30, 2009.~~

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

Sec. 76. Minnesota Statutes 2012, section 297A.94, is amended to read:

297A.94 DEPOSIT OF REVENUES.

(a) Except as provided in this section, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed by this chapter in the state treasury and credit them to the general fund.

(b) The commissioner shall deposit taxes in the Minnesota agricultural and economic account in the special revenue fund if:

(1) the taxes are derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project; and

(2) the purchase was made on or after the date on which a conditional commitment was made for a loan guaranty for the project under section 41A.04, subdivision 3.

The commissioner of management and budget shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account must be reduced by any refunds and by the costs incurred by the Department of Revenue to administer and enforce the assessment and collection of the taxes.

(c) The commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance to the general fund.

(d) The commissioner shall deposit the revenues, including interest and penalties, collected under section 297A.64, subdivision 5, in the state treasury and credit them to the general fund. By July 15 of each year the commissioner shall transfer to the highway user tax distribution fund an amount equal to the excess fees collected under section 297A.64, subdivision 5, for the previous calendar year.

(e) ~~For fiscal year 2001, 97 percent; for fiscal years 2002 and 2003, 87 percent; and For fiscal year 2004 and thereafter, 72.43 percent~~ of the revenues, including interest and penalties, transmitted to the commissioner under section 297A.65, must be deposited by the commissioner in the state treasury as follows:

(1) 50 percent of the receipts must be deposited in the heritage enhancement account in the game and fish fund, and may be spent only on activities that improve, enhance, or protect fish and wildlife resources, including conservation, restoration, and enhancement of land, water, and other natural resources of the state;

(2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only for state parks and trails;

(3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only on metropolitan park and trail grants;

(4) three percent of the receipts must be deposited in the natural resources fund, and may be spent only on local trail grants; and

(5) two percent of the receipts must be deposited in the natural resources fund, and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

(f) The revenue dedicated under paragraph (e) may not be used as a substitute for traditional sources of funding for the purposes specified, but the dedicated revenue shall supplement traditional sources of funding for those purposes. Land acquired with money deposited in the game and fish fund under paragraph (e) must be open to public hunting and fishing during the open season, except that in aquatic management areas or on lands where angling easements have been acquired, fishing may be prohibited during certain times of the year and hunting may be prohibited. At least 87 percent of the money deposited in the game and fish fund for improvement, enhancement, or protection of fish and wildlife resources under paragraph (e) must be allocated for field operations.

(g) The revenues deposited under paragraphs (a) to (f) do not include the revenues, including interest and penalties, generated by the sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as provided under the Minnesota Constitution, article XI, section 15.

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

Sec. 77. Minnesota Statutes 2012, section 297B.09, is amended to read:

297B.09 ALLOCATION OF REVENUE.

Subdivision 1. **Deposit of revenues.** (a) Money collected and received under this chapter must be deposited as provided in this subdivision.

(b) From July 1, 2007, through June 30, 2008, 38.25 percent of the money collected and received must be deposited in the highway user tax distribution fund, 24 percent must be deposited in the metropolitan area transit account under section 16A.88, and 1.5 percent must be deposited in the greater Minnesota transit account under section 16A.88. The remaining money must be deposited in the general fund.

(c) From July 1, 2008, through June 30, 2009, 44.25 percent of the money collected and received must be deposited in the highway user tax distribution fund, 27.75 percent must be deposited in the metropolitan area transit account under section 16A.88, 1.75 percent must be deposited in the greater Minnesota transit account under section 16A.88, and the remaining money must be deposited in the general fund.

(d) From July 1, 2009, through June 30, 2010, 47.5 percent of the money collected and received must be deposited in the highway user tax distribution fund, 30 percent must be deposited in the metropolitan area transit account under section 16A.88, 3.5 percent must be deposited in the greater Minnesota transit account under section 16A.88, and 16.25 percent must be deposited in the general fund. The remaining amount must be deposited as follows:

(1) 1.5 percent in the metropolitan area transit account, except that any amount in excess of \$6,000,000 must be deposited in the highway user tax distribution fund; and

(2) 1.25 percent in the greater Minnesota transit account, except that any amount in excess of \$5,000,000 must be deposited in the highway user tax distribution fund.

(e) From July 1, 2010, through June 30, 2011, 54.5 percent of the money collected and received must be deposited in the highway user tax distribution fund, 33.75 percent must be deposited in the metropolitan area transit account under section 16A.88, 3.75 percent must be deposited in the greater Minnesota transit account under section 16A.88, and 6.25 percent must be deposited in the general fund. The remaining amount must be deposited as follows:

(1) 1.5 percent in the metropolitan area transit account, except that any amount in excess of \$6,750,000 must be deposited in the highway user tax distribution fund; and

(2) 0.25 percent in the greater Minnesota transit account, except that any amount in excess of \$1,250,000 must be deposited in the highway user tax distribution fund.

(f) ~~On and after July 1, 2011, (b)~~ 60 percent of the money collected and received must be deposited in the highway user tax distribution fund, 36 percent must be deposited in the metropolitan area transit account under section 16A.88, and four percent must be deposited in the greater Minnesota transit account under section 16A.88.

(g) (c) It is the intent of the legislature that the allocations under paragraph (f) (b) remain unchanged for fiscal year 2012 and all subsequent fiscal years.

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

Sec. 78. Minnesota Statutes 2012, section 297F.03, subdivision 2, is amended to read:

Subd. 2. **Form of application.** Every application for a cigarette or tobacco products license shall be made on a form prescribed by the commissioner and shall state the name and address of the applicant; if the applicant is a firm, partnership, or association, the name and address of each of its members; if the applicant is a corporation, the name and address of each of its officers; the address

of its principal place of business; the place where the business to be licensed is to be conducted; and any other information the commissioner may require for the administration of this chapter.

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

Sec. 79. Minnesota Statutes 2012, 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 nonmixed municipal solid waste for waste management services to manage the following materials:

(1) mixed municipal solid waste and nonmixed 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 nonmixed 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) 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 annually 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. 80. Minnesota Statutes 2012, section 297I.05, subdivision 14, is amended to read:

Subd. 14. **Life insurance.** A tax is imposed on life insurance. The rate of tax equals a ~~percentage~~ 1.5 percent of gross premiums less return premiums on all direct business received by the insurer or agents of the insurer in Minnesota for life insurance, in cash or otherwise, during the year. ~~For premiums received after December 31, 2005, but before January 1, 2007, the rate of tax is 1.875 percent. For premiums received after December 31, 2006, but before January 1, 2008, the rate of tax is 1.75 percent. For premiums received after December 31, 2007, but before January 1, 2009, the rate of tax is 1.625 percent. For premiums received after December 31, 2008, the rate of tax is 1.5 percent.~~

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

Sec. 81. Minnesota Statutes 2012, section 298.75, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** Except as may otherwise be provided, the following words, when used in this section, shall have the meanings herein ascribed to them.

(a) "Aggregate material" means:

(1) nonmetallic natural mineral aggregate including, but not limited to sand, silica sand, gravel, crushed rock, limestone, granite, and borrow, but only if the borrow is transported on a public road, street, or highway, provided that nonmetallic aggregate material does not include dimension stone and dimension granite; and

(2) taconite tailings, crushed rock, and architectural or dimension stone and dimension granite removed from a taconite mine or the site of a previously operated taconite mine.

Aggregate material must be measured or weighed after it has been extracted from the pit, quarry, or deposit.

(b) "Person" means any individual, firm, partnership, corporation, organization, trustee, association, or other entity.

(c) "Operator" means any person engaged in the business of removing aggregate material from the surface or subsurface of the soil, for the purpose of sale, either directly or indirectly, through the use of the aggregate material in a marketable product or service.

(d) "Extraction site" means a pit, quarry, or deposit containing aggregate material and any contiguous property to the pit, quarry, or deposit which is used by the operator for stockpiling the aggregate material.

(e) "Importer" means any person who buys aggregate material excavated from a county not listed in paragraph (f) or another state site on which the tax under this section is not imposed and causes the aggregate material to be imported into a county in this state which imposes a tax on aggregate material.

(f) "County" means the counties of Pope, Stearns, Benton, Sherburne, Carver, Scott, Dakota, Le Sueur, Kittson, Marshall, Pennington, Red Lake, Polk, Norman, Mahnomen, Clay, Becker, Carlton, St. Louis, Rock, Murray, Wilkin, Big Stone, Sibley, Hennepin, Washington, Chisago, and Ramsey. County also means a county imposing the tax under this section on December 31, 2014, or any other county whose board has voted after a public hearing to impose the tax under this section and has notified the commissioner of revenue of the imposition of the tax.

(g) "Borrow" means granular borrow, consisting of durable particles of gravel and sand, crushed quarry or mine rock, crushed gravel or stone, or any combination thereof, the ratio of the portion passing the (#200) sieve divided by the portion passing the (1 inch) sieve may not exceed 20 percent by mass.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 82. Minnesota Statutes 2012, section 412.131, is amended to read:

412.131 ASSESSOR; DUTIES, COMPENSATION.

The city assessor, if there is one, shall assess and return as provided by law all property taxable within the city, if a separate assessment district, and the assessor of the town within which the city lies shall not include in the return any property taxable in the city. Any assessor may appoint a deputy assessor as provided in section 273.06. The assessor may be compensated on a full-time or part-time basis at the option of the council ~~but the compensation shall be not less than \$100 in any one year, if fixed on an annual basis, or not more than \$20 per day, if fixed on a per diem basis. If the compensation is not fixed by the council the assessor shall be entitled to compensation at the rate of \$20 per day for each days service necessarily rendered, and mileage at the rate paid other city officers for each mile necessarily traveled in going to and returning from the county seat of the county to attend any meeting of the assessors of the county legally called by the county auditor, and also for each mile necessarily traveled in making the return of assessment to the proper county officer and in attending sectional meetings called by the county assessor, except when mileage is paid by the county. In addition to other compensation, the council may allow the assessor mileage at the same rate per mile as paid other city officers for each mile necessarily traveled in assessment work.~~

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

Sec. 83. Minnesota Statutes 2013 Supplement, section 423A.022, subdivision 3, is amended to read:

Subd. 3. **Reporting; definitions.** (a) On or before September 1, annually, the executive director of the Public Employees Retirement Association shall report to the commissioner of revenue the following:

(1) the municipalities which employ firefighters with retirement coverage by the public employees police and fire retirement plan;

~~(2) the number of firefighters with public employees police and fire retirement plan coverage employed by each municipality;~~

~~(3) (2) the fire departments covered by the voluntary statewide lump-sum volunteer firefighter retirement plan; and~~

~~(4) (3) any other information requested by the commissioner to administer the police and firefighter retirement supplemental state aid program.~~

~~(b) For this subdivision, (i) the number of firefighters employed by a municipality who have public employees police and fire retirement plan coverage means the number of firefighters with public employees police and fire retirement plan coverage that were employed by the municipality for not less than 30 hours per week for a minimum of six months prior to December 31 preceding the date of the payment under this section and, if the person was employed for less than the full year, prorated to the number of full months employed; and (ii) the number of active police officers certified for police state aid receipt under section 69.011, subdivisions 2 and 2b, means, for each municipality, the number of police officers meeting the definition of peace officer in section 69.011, subdivision 1, counted as provided and limited by section 69.011, subdivisions 2 and 2b.~~

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

Sec. 84. Minnesota Statutes 2013 Supplement, section 465.04, is amended to read:

465.04 ACCEPTANCE OF GIFTS.

~~Cities A city of the second, third, or fourth class, having at any time an estimated market value of not more than \$41,000,000, as officially equalized by the commissioner of revenue, either operating under a home rule charter or under the laws of this state, in addition to all other powers possessed by them, hereby are authorized and empowered to may receive and accept gifts and donations for the use and benefit of ~~such cities and the city and its inhabitants thereof~~ upon terms and conditions to be approved by the governing ~~bodies~~ body of such cities; and ~~such cities are authorized to comply with and perform such the city.~~ The terms and conditions, ~~which~~ may include payment to the donor or donors of interest on the value of the gift at not exceeding five percent per annum payable annually or semiannually, during the remainder of the natural life or lives of ~~such~~ the donor or donors.~~

Sec. 85. Minnesota Statutes 2012, section 469.176, subdivision 1b, is amended to read:

Subd. 1b. **Duration limits; terms.** (a) No tax increment shall in any event be paid to the authority:

(1) after 15 years after receipt by the authority of the first increment for a renewal and renovation district;

- (2) after 20 years after receipt by the authority of the first increment for a soils condition district;
- (3) after eight years after receipt by the authority of the first increment for an economic development district;
- (4) for a housing district, ~~a compact development district,~~ or a redevelopment district, after 25 years from the date of receipt by the authority of the first increment.

(b) For purposes of determining a duration limit under this subdivision or subdivision 1e that is based on the receipt of an increment, any increments from taxes payable in the year in which the district terminates shall be paid to the authority. This paragraph does not affect a duration limit calculated from the date of approval of the tax increment financing plan or based on the recovery of costs or to a duration limit under subdivision 1c. This paragraph does not supersede the restrictions on payment of delinquent taxes in subdivision 1f.

(c) An action by the authority to waive or decline to accept an increment has no effect for purposes of computing a duration limit based on the receipt of increment under this subdivision or any other provision of law. The authority is deemed to have received an increment for any year in which it waived or declined to accept an increment, regardless of whether the increment was paid to the authority.

(d) Receipt by a hazardous substance subdistrict of an increment as a result of a reduction in original net tax capacity under section 469.174, subdivision 7, paragraph (b), does not constitute receipt of increment by the overlying district for the purpose of calculating the duration limit under this section.

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

Sec. 86. Minnesota Statutes 2012, section 469.176, subdivision 3, is amended to read:

Subd. 3. **Limitation on administrative expenses.** (a) For districts for which certification was requested before August 1, 1979, or after June 30, 1982 and before August 1, 2001, no tax increment shall be used to pay any administrative expenses for a project which exceed ten percent of the total estimated tax increment expenditures authorized by the tax increment financing plan or the total tax increment expenditures for the project, whichever is less.

~~(b) For districts for which certification was requested after July 31, 1979, and before July 1, 1982, no tax increment shall be used to pay administrative expenses, as defined in Minnesota Statutes 1980, section 273.73, for a district which exceeds five percent of the total tax increment expenditures authorized by the tax increment financing plan or the total estimated tax increment expenditures for the district, whichever is less.~~

~~(c)~~ (b) For districts for which certification was requested after July 31, 2001, no tax increment may be used to pay any administrative expenses for a project which exceed ten percent of total estimated tax increment expenditures authorized by the tax increment financing plan or the total tax increments, as defined in section 469.174, subdivision 25, clause (1), from the district, whichever is less.

~~(d)~~ (c) Increments used to pay the county's administrative expenses under subdivision 4h are not subject to the percentage limits in this subdivision.

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

Sec. 87. Minnesota Statutes 2013 Supplement, section 469.1763, subdivision 2, is amended to read:

Subd. 2. **Expenditures outside district.** (a) For each tax increment financing district, an amount equal to at least 75 percent of the total revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is 20 percent. The revenue derived from tax increments for the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

(b) In the case of a housing district, a housing project, as defined in section 469.174, subdivision 11, is an activity in the district.

(c) All administrative expenses are for activities outside of the district, except that if the only expenses for activities outside of the district under this subdivision are for the purposes described in paragraph (d), administrative expenses will be considered as expenditures for activities in the district.

(d) The authority may elect, in the tax increment financing plan for the district, to increase by up to ten percentage points the permitted amount of expenditures for activities located outside the geographic area of the district under paragraph (a). As permitted by section 469.176, subdivision 4k, the expenditures, including the permitted expenditures under paragraph (a), need not be made within the geographic area of the project. Expenditures that meet the requirements of this paragraph are legally permitted expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j. To qualify for the increase under this paragraph, the expenditures must:

(1) be used exclusively to assist housing that meets the requirement for a qualified low-income building, as that term is used in section 42 of the Internal Revenue Code; and

(2) not exceed the qualified basis of the housing, as defined under section 42(c) of the Internal Revenue Code, less the amount of any credit allowed under section 42 of the Internal Revenue Code; and

(3) be used to:

(i) acquire and prepare the site of the housing;

(ii) acquire, construct, or rehabilitate the housing; or

(iii) make public improvements directly related to the housing; or

(4) be used to develop housing:

(i) if the market value of the housing does not exceed the lesser of:

(A) 150 percent of the average market value of single-family homes in that municipality; or

(B) \$200,000 for municipalities located in the metropolitan area, as defined in section 473.121, or \$125,000 for all other municipalities; and

(ii) if the expenditures are used to pay the cost of site acquisition, relocation, demolition of existing structures, site preparation, and pollution abatement on one or more parcels, if the parcel contains a residence containing one to four family dwelling units that has been vacant for six or more months and is in foreclosure as defined in section 325N.10, subdivision 7, but without regard to whether the residence is the owner's principal residence, and only after the redemption period has expired.

(e) For a district created within a biotechnology and health sciences industry zone as defined in section 469.330, subdivision 6, or for an existing district located within such a zone, tax increment derived from such a district may be expended outside of the district but within the zone only for expenditures required for the construction of public infrastructure necessary to support the activities of the zone, land acquisition, and other redevelopment costs as defined in section 469.176, subdivision 4j. These expenditures are considered as expenditures for activities within the district. The authority provided by this paragraph expires for expenditures made after the later of (1) December 31, 2015, or (2) the end of the five-year period beginning on the date the district was certified, provided that date was before January 1, 2016.

(f) The authority under paragraph (d), clause (4), expires on December 31, 2016. Increments may continue to be expended under this authority after that date, if they are used to pay bonds or binding contracts that would qualify under subdivision 3, paragraph (a), if December 31, 2016, is considered to be the last date of the five-year period after certification under that provision.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

Sec. 88. Minnesota Statutes 2012, section 473.665, subdivision 5, is amended to read:

Subd. 5. **Tax levy; surplus; reduction.** The corporation, upon issuing any bonds under the provisions of this section, shall, before the issuance thereof, levy for each year, until the principal and interest are paid in full, a direct annual tax on all the taxable property of the cities in and for which the corporation has been created in an amount not less than five percent in excess of the sum required to pay the principal and interest thereof, when and as such principal and interest matures. After any of such bonds have been delivered to purchasers, such tax shall be irrevocable until all such indebtedness is paid, and after the issuance of such bonds no further action of the corporation shall be necessary to authorize the extensions, assessments, and collection of such tax. The secretary of the corporation shall forthwith furnish a certified copy of such levy to the county auditor or county auditors of the county or counties in which the cities in and for which the corporation has been created are located, together with full information regarding the bonds for which the tax is levied, and such county auditor or such county auditors, as the case may be, shall enter the same in the register provided for in section 475.62, or a similar register, and shall extend and assess the tax so levied. If both cities are located wholly within one county, the county auditor thereof shall annually extend and assess the amount of the tax so levied. If the cities are located in different counties, the county auditor of each such county shall annually extend and assess such portion of the tax levied as the net tax capacity of the taxable property, ~~not including moneys and credits,~~ located

wholly within the city in such county bears to the total net tax capacity of the taxable property, ~~not including moneys and credits~~, within both cities. Any surplus resulting from the excess levy herein provided for shall be transferred to a sinking fund after the principal and interest for which the tax was levied and collected has been paid; provided, that the corporation may, on or before October 15 in any year, by appropriate action, cause its secretary to certify to the county auditor, or auditors, the amount on hand and available in its treasury from earnings, or otherwise, including the amount in the sinking fund, which it will use to pay principal or interest or both on each specified issue of its bonds, and the county auditor or auditors shall reduce the levy for that year, herein provided for by that amount. The amount of funds so certified shall be set aside by the corporation, and be used for no other purpose than for the payment of the principal and interest of the bonds. All taxes hereunder shall be collected and remitted to the corporation by the county treasurer or county treasurers, in accordance with the provisions of law governing the collection of other taxes, and shall be used solely for the payment of the bonds where due.

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

Sec. 89. Minnesota Statutes 2012, section 477A.0124, subdivision 5, is amended to read:

Subd. 5. **County transition aid.** ~~(a) For 2009 and each year thereafter,~~ A county is eligible to receive the transition aid it received in 2007.

~~(b) In 2009 only, a county with (1) a 2006 population less than 30,000, and (2) an average Part I crimes per capita greater than 3.9 percent based on factors used in determining county program aid payable in 2008, shall receive \$100,000.~~

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

Sec. 90. Minnesota Statutes 2012, section 477A.014, subdivision 1, is amended to read:

Subdivision 1. **Calculations and payments.** (a) The commissioner of revenue shall make all necessary calculations and make payments pursuant to sections 477A.013 and 477A.03 directly to the affected taxing authorities annually. In addition, the commissioner shall notify the authorities of their aid amounts, as well as the computational factors used in making the calculations for their authority, and those statewide total figures that are pertinent, before August 1 of the year preceding the aid distribution year.

(b) For the purposes of this subdivision, aid is determined for a city or town based on its city or town status as of June 30 of the year preceding the aid distribution year. If the effective date for a municipal incorporation, consolidation, annexation, detachment, dissolution, or township organization is on or before June 30 of the year preceding the aid distribution year, such change in boundaries or form of government shall be recognized for aid determinations for the aid distribution year. If the effective date for a municipal incorporation, consolidation, annexation, detachment, dissolution, or township organization is after June 30 of the year preceding the aid distribution year, such change in boundaries or form of government shall not be recognized for aid determinations until the following year.

(c) Changes in boundaries or form of government will only be recognized for the purposes of this subdivision, to the extent that: (1) changes in market values are included in market values reported by assessors to the commissioner, and changes in population, and household size, ~~and the road accidents factor~~ are included in their respective certifications to the commissioner as referenced in section 477A.011, or (2) an annexation information report as provided in paragraph (d) is received

by the commissioner on or before July 15 of the aid calculation year. Revisions to estimates or data for use in recognizing changes in boundaries or form of government are not effective for purposes of this subdivision unless received by the commissioner on or before July 15 of the aid calculation year. Clerical errors in the certification or use of estimates and data established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under subdivision 3.

(d) In the case of an annexation, an annexation information report may be completed by the annexing jurisdiction and submitted to the commissioner for purposes of this subdivision if the net tax capacity of annexed area for the assessment year preceding the effective date of the annexation exceeds five percent of the city's net tax capacity for the same year. The form and contents of the annexation information report shall be prescribed by the commissioner. The commissioner shall change the net tax capacity, the population, the population decline, the commercial industrial percentage, and the transformed population for the annexing jurisdiction only if the annexation information report provides data the commissioner determines to be reliable for all of these factors used to compute city revenue need for the annexing jurisdiction. The commissioner shall adjust the pre-1940 housing percentage, ~~the road accidents factor,~~ and household size only if the entire area of an existing city or town is annexed or consolidated and only if reliable data is available for all of these factors used to compute city revenue need for the annexing jurisdiction.

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

Sec. 91. Minnesota Statutes 2012, section 611.27, subdivision 13, is amended to read:

Subd. 13. **Public defense services; correctional facility inmates.** All billings for services rendered and ordered under subdivision 7 shall require the approval of the chief district public defender before being forwarded on a monthly basis to the state public defender. In cases where adequate representation cannot be provided by the district public defender and where counsel has been appointed under a court order, the state public defender shall forward to the commissioner of management and budget all billings for services rendered under the court order. The commissioner shall pay for services from county program aid retained by the commissioner of revenue for that purpose under section ~~477A.0124, subdivision 1, clause (4), or 477A.03, subdivision 2b, paragraph (a).~~

The costs of appointed counsel and associated services in cases arising from new criminal charges brought against indigent inmates who are incarcerated in a Minnesota state correctional facility are the responsibility of the state Board of Public Defense. In such cases the state public defender may follow the procedures outlined in this section for obtaining court-ordered counsel.

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

Sec. 92. Minnesota Statutes 2012, section 611.27, subdivision 15, is amended to read:

Subd. 15. **Costs of transcripts.** In appeal cases and postconviction cases where the appellate public defender's office does not have sufficient funds to pay for transcripts and other necessary expenses because it has spent or committed all of the transcript funds in its annual budget, the state public defender may forward to the commissioner of management and budget all billings for transcripts and other necessary expenses. The commissioner shall pay for these transcripts and other necessary expenses from county program aid retained by the commissioner of revenue for that purpose under section ~~477A.0124, subdivision 1, clause (4), or 477A.03, subdivision 2b, paragraph (a).~~

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

Sec. 93. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall make all necessary cross-reference changes in Minnesota Statutes and Minnesota Rules consistent with the amendments and repealers in this article. The revisor can make changes to sentence structure to preserve the meaning of the text. The revisor shall make other changes in chapter titles; section, subdivision, part, and subpart headnotes; and in other terminology necessary as a result of the enactment of this act. The Department of Revenue shall assist in making these corrections.

Sec. 94. **REPEALER.**

(a) Minnesota Statutes 2012, sections 273.1398, subdivision 4b; 290.01, subdivision 19e; 290.0674, subdivision 3; 290.191, subdivision 4; and 290.33, and Minnesota Rules, part 8007.0200, are repealed.

(b) Minnesota Statutes 2012, sections 16D.02, subdivisions 5 and 8; 16D.11, subdivision 2; 270C.53; 270C.991, subdivision 4; 272.02, subdivisions 1, 1a, 43, 48, 51, 53, 67, 72, and 82; 272.027, subdivision 2; 272.031; 273.015, subdivision 1; 273.03, subdivision 3; 273.075; 273.13, subdivision 21a; 273.1383; 273.1386; 273.80; 275.77; 279.32; 281.173, subdivision 8; 281.174, subdivision 8; 281.328; 282.10; 282.23; 287.20, subdivision 4; 287.27, subdivision 2; 290.01, subdivisions 4b and 20e; 295.52, subdivision 7; 297A.666; 297A.71, subdivisions 4, 5, 7, 9, 10, 17, 18, 20, 32, and 41; 297F.08, subdivision 11; 297H.10, subdivision 2; 469.174, subdivision 10c; 469.175, subdivision 2b; 469.176, subdivision 1i; 469.177, subdivision 10; 477A.0124, subdivisions 1 and 6; and 505.173, Minnesota Statutes 2013 Supplement, section 273.1103, Laws 1993, chapter 375, article 9, section 47, and Minnesota Rules, parts 8002.0200, subpart 8; 8100.0800; and 8130.7500, subpart 7, are repealed.

(c) Minnesota Statutes 2012, section 469.1764, is repealed.

(d) Minnesota Statutes 2012, sections 289A.56, subdivision 7; 297A.68, subdivision 38; 469.330; 469.331; 469.332; 469.333; 469.334; 469.335; 469.336; 469.337; 469.338; 469.339; 469.340, subdivisions 1, 2, 3, and 5; and 469.341, and Minnesota Statutes 2013 Supplement, section 469.340, subdivision 4, are repealed.

(e) Minnesota Statutes 2012, section 290.06, subdivisions 30 and 31, are repealed.

EFFECTIVE DATE. Paragraph (a) is effective for taxable years beginning after December 31, 2013.

Paragraph (b) is effective the day following final enactment.

Paragraph (c) is effective the day following final enactment and any remaining unexpended tax increments from a district subject to Minnesota Statutes, section 469.1764, must be distributed as excess increments to the city, county, and school district under Minnesota Statutes, section 469.176, subdivision 2, paragraph (c), clause (4), on or before December 31, 2014.

Paragraph (d) is effective the day following final enactment.

Paragraph (e) is effective for taxable years beginning after December 31, 2013.

ARTICLE 10**DEPARTMENT OF REVENUE - TECHNICAL AND POLICY PROPERTY TAX PROVISIONS**

Section 1. Minnesota Statutes 2012, section 270.87, is amended to read:

270.87 CERTIFICATION TO COUNTY ASSESSORS.

After making an annual determination of the equalized fair market value of the operating property of each company in each of the respective counties, and in the taxing districts therein, the commissioner shall certify the equalized fair market value to the county assessor on or before June 30. The equalized fair market value of the operating property of the railroad company in the county and the taxing districts therein is the value on which taxes must be levied and collected in the same manner as on the commercial and industrial property of such county and the taxing districts therein. If the commissioner determines that the equalized fair market value certified on or before June 30 is in error, the commissioner may issue a corrected certification on or before August 31. The commissioner may correct errors that are merely clerical in nature until December 31.

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

Sec. 2. Minnesota Statutes 2012, section 272.029, subdivision 4a, is amended to read:

Subd. 4a. **Correction of errors.** If the commissioner of revenue determines that the amount of production tax has been erroneously calculated, the commissioner may correct the error. The commissioner must notify the owner of the wind energy conversion system of the correction and the amount of tax due to each county and must certify the correction to the county auditor of each county in which the system is located on or before April 1 of the current year. The commissioner may correct errors that are merely clerical in nature until December 31.

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

Sec. 3. Minnesota Statutes 2012, section 273.01, is amended to read:

273.01 LISTING AND ASSESSMENT, TIME.

All real property subject to taxation shall be listed and at least one-fifth of the parcels listed shall be appraised each year with reference to their value on January 2 preceding the assessment so that each parcel shall be reappraised at maximum intervals of five years. All real property becoming taxable in any year shall be listed with reference to its value on January 2 of that year. Except as provided in this section and section 274.01, subdivision 1, all real property assessments shall be completed two weeks prior to the date scheduled for the local board of review or equalization. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board of review or the county board of equalization has adjourned; however, corrections of errors for real or personal property that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. Any changes made by the assessor after adjournment must be fully documented and maintained in a file in the assessor's office and shall be available for review by any person. A copy of any changes made during this period shall be sent to the county board no later than December 31 of the assessment year. In the event a valuation and classification is not placed on any real property by the dates scheduled for the local board of review or equalization the valuation and classification determined in the preceding assessment shall

be continued in effect and the provisions of section 273.13 shall, in such case, not be applicable, except with respect to real estate which has been constructed since the previous assessment. Real property containing iron ore, the fee to which is owned by the state of Minnesota, shall, if leased by the state after January 2 in any year, be subject to assessment for that year on the value of any iron ore removed under said lease prior to January 2 of the following year. Personal property subject to taxation shall be listed and assessed annually with reference to its value on January 2; and, if acquired on that day, shall be listed by or for the person acquiring it.

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

Sec. 4. Minnesota Statutes 2013 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a class rate of 1.25 percent.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a class rate of 1.25 percent.

(c) Class 4bb includes nonhomestead residential real estate containing one unit, other than seasonal residential recreational property, and a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb property has the same class rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real and personal property devoted to commercial temporary and seasonal residential occupancy for recreation purposes, for not more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property under this clause must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. A camping pad offered for rent by a property that

otherwise qualifies for class 4c under this clause is also class 4c under this clause regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified under this clause, either (i) the business located on the property must provide recreational activities, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (B) at least 20 percent of the annual gross receipts must be from charges for providing recreational activities, or (ii) the business must contain 20 or fewer rental units, and must be located in a township or a city with a population of 2,500 or less located outside the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion of a state trail administered by the Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4c property also includes commercial use real property used exclusively for recreational purposes in conjunction with other class 4c property classified under this clause and devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. In order for a property to qualify for classification under this clause, the owner must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated class 4c under this clause as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4c property under this clause must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c. For the purposes of this paragraph, "recreational activities" means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; providing marina services, launch services, or guide services; or selling bait and fishing tackle;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of three acres of land owned and used by a nonprofit community service oriented organization and not used for residential purposes on either a temporary or permanent basis, provided that:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause:

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

(B) "property taxes" excludes the state general tax;

(C) a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal Revenue Code; and

(D) "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

(4) postsecondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding manufactured home parks described in section 273.124, subdivision 3a, and (ii) manufactured home parks as defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision 3a;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22;

(10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (A) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (B) is either devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under subitem (B). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year;

(11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide evidence to the

assessor that it provides services, including lake or river access to the public by means of an access ramp or other facility that is either located on the property of the marina or at a publicly owned site that abuts the property of the marina. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property; and

(12) real and personal property devoted to noncommercial temporary and seasonal residential occupancy for recreation purposes.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property under clause (12) has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5), item (i), have the same class rate as class 4b property, and the market value of manufactured home parks assessed under clause (5), item (ii), ~~has the same class rate as class 4d property~~ has a classification rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a class rate of one percent if 50 percent or less of the lots are so occupied, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), has a class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

(f) The first tier of market value of class 4d property has a class rate of 0.75 percent. The remaining value of class 4d property has a class rate of 0.25 percent. For the purposes of this paragraph, the "first tier of market value of class 4d property" means the market value of each housing unit up to the first tier limit. For the purposes of this paragraph, all class 4d property value must be assigned to individual housing units. The first tier limit is \$100,000 for assessment year 2014. For subsequent years, the limit is adjusted each year by the average statewide change in estimated market value of property classified as class 4a and 4d under this section for the previous assessment year, excluding valuation change due to new construction, rounded to the nearest \$1,000, provided, however, that the limit may never be less than \$100,000. Beginning with assessment year 2015, the commissioner of revenue must certify the limit for each assessment year by November 1 of the previous year.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 5. Minnesota Statutes 2013 Supplement, section 273.1325, subdivision 1, is amended to read:

Subdivision 1. **Computation.** The Department of Revenue must annually conduct an assessment/sales ratio study of the taxable property in each county, city, town, and school district in accordance with the procedures in subdivisions 2 and 3. Based upon the results of this assessment/sales ratio study, the Department of Revenue must determine an equalized net tax capacity for the various classes of taxable property in each taxing district, the aggregate of which is designated as the adjusted net tax capacity. The adjusted net tax capacity must be reduced by the captured tax capacity of tax increment districts under section 469.177, subdivision 2, fiscal disparities contribution tax capacities under sections 276A.06 and 473F.08, and the tax capacity of transmission lines required to be subtracted from the local tax base under section 273.425; and increased by fiscal disparities distribution tax capacities under sections 276A.06 and 473F.08. The adjusted net tax capacities shall be determined using the net tax capacity percentages in effect for the assessment year following the assessment year of the study. The Department of Revenue must make whatever estimates are necessary to account for changes in the classification system. The Department of Revenue may incur the expense necessary to make the determinations. The commissioner of revenue may reimburse any county or governmental official for requested services performed in ascertaining the adjusted net tax capacity. On or before March 15 annually, the Department of Revenue shall file with the chair of the Tax Committee of the house of representatives and the chair of the Committee on Taxes and Tax laws of the senate a report of adjusted net tax capacities for school districts. On or before June ~~15~~ 30 annually, the Department of Revenue shall file its final report on the adjusted net tax capacities for school districts established by the previous year's assessments and the current year's net tax capacity percentages with the commissioner of education and each county auditor for those school districts for which the auditor has the responsibility for determination of local tax rates. A copy of the report so filed shall be mailed to the clerk of each school district involved and to the county assessor or supervisor of assessments of the county or counties in which each school district is located.

EFFECTIVE DATE. This section is effective January 1, 2014.

Sec. 6. Minnesota Statutes 2012, section 273.33, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** The personal property, consisting of the pipeline system of mains, pipes, and equipment attached thereto, of pipeline companies and others engaged in the operations or business of transporting natural gas, gasoline, crude oil, or other petroleum products by pipelines, shall be listed with and assessed by the commissioner of revenue and the values provided to the city or county assessor by order. This subdivision shall not apply to the assessment of the products transported through the pipelines nor to the lines of local commercial gas companies engaged primarily in the business of distributing gas to consumers at retail nor to pipelines used by the owner thereof to supply natural gas or other petroleum products exclusively for such owner's own consumption and not for resale to others. If more than 85 percent of the natural gas or other petroleum products actually transported over the pipeline is used for the owner's own consumption and not for resale to others, then this subdivision shall not apply; provided, however, that in that event, the pipeline shall be assessed in proportion to the percentage of gas actually transported over such pipeline that is not used for the owner's own consumption. On or before August 1, the commissioner shall certify to the auditor of each county, the amount of such personal property assessment against each company in each district in which such property is located. If the commissioner determines that the amount of personal property assessment certified on or before August 1 is in error, the commissioner may issue a corrected certification on or before

October 1. The commissioner may correct errors that are merely clerical in nature until December 31.

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

Sec. 7. Minnesota Statutes 2012, section 273.37, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** Transmission lines of less than 69 kv, transmission lines of 69 kv and above located in an unorganized township, and distribution lines, and equipment attached thereto, having a fixed situs outside the corporate limits of cities except distribution lines taxed as provided in sections 273.40 and 273.41, shall be listed with and assessed by the commissioner of revenue in the county where situated and the values provided to the city or county assessor by order. The commissioner shall assess such property at the percentage of market value fixed by law; and, on or before August 1, shall certify to the auditor of each county in which such property is located the amount of the assessment made against each company and person owning such property. If the commissioner determines that the amount of the assessment certified on or before August 1 is in error, the commissioner may issue a corrected certification on or before October 1. The commissioner may correct errors that are merely clerical in nature until December 31.

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

Sec. 8. Minnesota Statutes 2012, section 273.3711, is amended to read:

273.3711 RECOMMENDED AND ORDERED VALUES.

For purposes of sections 273.33, 273.35, 273.36, 273.37, 273.371, and 273.372, all values not required to be listed and assessed by the commissioner of revenue are recommended values. If the commissioner provides recommended values, the values must be certified to the auditor of each county in which the property is located on or before August 1. If the commissioner determines that the certified recommended value is in error the commissioner may issue a corrected certification on or before October 1. The commissioner may correct errors that are merely clerical in nature until December 31.

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

Sec. 9. Minnesota Statutes 2012, section 274.01, subdivision 1, is amended to read:

Subdivision 1. **Ordinary board; meetings, deadlines, grievances.** (a) The town board of a town, or the council or other governing body of a city, is the board of appeal and equalization except (1) in cities whose charters provide for a board of equalization or (2) in any city or town that has transferred its local board of review power and duties to the county board as provided in subdivision 3. The county assessor shall fix a day and time when the board or the board of equalization shall meet in the assessment districts of the county. Notwithstanding any law or city charter to the contrary, a city board of equalization shall be referred to as a board of appeal and equalization. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting.

The board shall meet either at a central location within the county or at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or

classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board has adjourned in those cities or towns that hold a local board of review; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period in those cities or towns that hold a local board of review must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just. The board may not make an individual market value adjustment or classification change that would benefit the property if the owner or other person having control over the property has refused the assessor access to inspect the property and the interior of any buildings or structures as provided in section 273.20. A board member shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage.

(c) A local board may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board without regard to the one percent limitation.

(d) A local board does not have authority to grant an exemption or to order property removed from the tax rolls.

(e) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend, with the assessment books and papers, and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately, on a form appended to the assessment book, all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board, placed opposite the item. The county assessor shall enter all changes made by the board in the assessment book.

(f) Except as provided in subdivision 3, if a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of appeal and equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the local board meeting, as provided in section

273.01, or if the person can establish not having received notice of market value at least five days before the local board meeting.

(g) The local board must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board file written objections to an assessment or classification with the county assessor. The objections must be presented to the board at its meeting by the county assessor for its consideration.

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

Sec. 10. Minnesota Statutes 2012, section 274.014, subdivision 3, is amended to read:

Subd. 3. **Proof of compliance; transfer of duties.** (a) Any city or town that conducts local boards of appeal and equalization meetings must provide proof to the county assessor by ~~December 1, 2006, and each year thereafter,~~ February 1 that it is in compliance with the requirements of subdivision 2. ~~Beginning in 2006,~~ This notice must also verify that there was a quorum of voting members at each meeting of the board of appeal and equalization in the ~~current~~ previous year. A city or town that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the county beginning with the ~~following~~ current year's assessment and continuing unless the powers are reinstated under paragraph (c).

(b) The county shall notify the taxpayers when the board of appeal and equalization for a city or town has been transferred to the county under this subdivision and, prior to the meeting time of the county board of equalization, the county shall make available to those taxpayers a procedure for a review of the assessments, including, but not limited to, open book meetings. This alternate review process shall take place in April and May.

(c) A local board whose powers are transferred to the county under this subdivision may be reinstated by resolution of the governing body of the city or town and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the county assessor by ~~December 1~~ February 1 in order to be effective for the following year's assessment.

(d) A local board whose powers are transferred to the county under this subdivision may continue to employ a local assessor and is not deemed to have transferred its powers to make assessments.

EFFECTIVE DATE. This section is effective beginning with local boards of appeal and equalization meetings held after February 1, 2016.

Sec. 11. Minnesota Statutes 2013 Supplement, section 423A.02, subdivision 3, is amended to read:

Subd. 3. **Reallocation of amortization state aid.** (a) Seventy percent of the difference between \$5,720,000 and the current year amortization aid distributed under subdivision 1 that is not distributed for any reason to a municipality must be distributed by the commissioner of revenue according to this paragraph. The commissioner shall distribute 50 percent of the amounts derived under this paragraph to the Teachers Retirement Association, ten percent to the Duluth Teachers Retirement Fund Association, and 40 percent to the St. Paul Teachers Retirement Fund Association to fund the unfunded actuarial accrued liabilities of the respective funds. These payments must

be made on July 15 each fiscal year. If the St. Paul Teachers Retirement Fund Association or the Duluth Teachers Retirement Fund Association becomes fully funded, the association's eligibility for its portion of this aid ceases. Amounts remaining in the undistributed balance account at the end of the biennium if aid eligibility ceases cancel to the general fund.

(b) In order to receive amortization aid under paragraph (a), before June 30 annually Independent School District No. 625, St. Paul, must make an additional contribution of \$800,000 each year to the St. Paul Teachers Retirement Fund Association.

(c) Thirty percent of the difference between \$5,720,000 and the current year amortization aid under subdivision ~~1a~~ 1 that is not distributed for any reason to a municipality must be distributed under section 69.021, subdivision 7, paragraph (d), as additional funding to support a minimum fire state aid amount for volunteer firefighter relief associations.

EFFECTIVE DATE. This section is effective retroactively from June 1, 2013.

Sec. 12. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall change the terms "class rate" or "class rates" to "classification rate" or "classification rates" or similar terms wherever they appear in Minnesota Statutes when the terms are being used to refer to the calculation of net tax capacity in the property tax system. The revisor can make changes to sentence structure to preserve the meaning of the text. The revisor shall make other changes in section and subdivision headnotes and in other terminology as necessary as a result of the enactment of this section. The Department of Revenue shall assist in making these corrections.

ARTICLE 11

DEPARTMENT OF REVENUE - TECHNICAL AND POLICY INCOME AND FRANCHISE, SALES AND USE, AND MISCELLANEOUS TAX PROVISIONS

Section 1. Minnesota Statutes 2012, section 270C.34, subdivision 2, is amended to read:

Subd. 2. **Procedure.** (a) A request for abatement of penalty under subdivision 1 or section 289A.60, subdivision 4, or a request for abatement of interest or additional tax charge, must be filed with the commissioner within 60 days of the date the notice was mailed to the taxpayer's last known address, stating that a penalty has been imposed.

(b) If the commissioner issues an order denying a request for abatement of penalty, interest, or additional tax charge, the taxpayer may file an administrative appeal as provided in section 270C.35 or appeal to Tax Court as provided in section 271.06.

(c) If the commissioner does not issue an order on the abatement request within 60 days from the date the request is received, the taxpayer may appeal to Tax Court as provided in section 271.06.

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

Sec. 2. Minnesota Statutes 2012, section 270C.56, subdivision 3, is amended to read:

Subd. 3. **Procedure for assessment; claims for refunds.** (a) The commissioner may assess liability for the taxes described in subdivision 1 against a person liable under this section. The assessment may be based upon information available to the commissioner. It must be made within the prescribed period of limitations for assessing the underlying tax, or within one year after the date of an order assessing underlying tax, or within one year after the date of a final administrative or

judicial determination, whichever period expires later. An order assessing personal liability under this section is reviewable under section 270C.35 and is appealable to Tax Court.

(b) If the time for appealing the order has expired and a payment is made by or collected from the person assessed on the order in excess of the amount lawfully due from that person of any portion of the liability shown on the order, a claim for refund may be made by that person within 120 days after any payment of the liability if the payment is within 3-1/2 years after the date the order was issued. Claims for refund under this paragraph are limited to the amount paid during the 120-day period. Any amounts collected under paragraph (c) after a claim for refund is filed in order to satisfy the unpaid balance of the assessment that is the subject of the claim shall be returned if the claim is allowed. There is no claim for refund available under this paragraph if the assessment has previously been the subject of an administrative or Tax Court appeal, or a denied claim for refund. The taxpayer may contest denial of the refund as provided in the procedures governing claims for refunds under section 289A.50, subdivision 7.

(c) If a person has been assessed under this section for an amount for a given period and the time for appeal has expired, regardless of whether an action contesting denial of a claim for refund has been filed under paragraph (b), or there has been a final determination that the person is liable, collection action is not stayed pursuant to section 270C.33, subdivision 5, for that assessment or for subsequent assessments of additional amounts for the same person for the same period and tax type.

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

Sec. 3. Minnesota Statutes 2012, section 289A.18, subdivision 2, is amended to read:

Subd. 2. **Withholding returns, entertainer withholding returns, returns for withholding from payments to out-of-state contractors, and withholding returns from partnerships and S corporations.** (a) ~~Withholding returns for the first, second, and third quarters~~ are due on or before the last day of the month following the close of the quarterly period. However, if the return shows timely deposits in full payment of the taxes due for that period, the returns ~~for the first, second, and third quarters~~ may be filed on or before the tenth day of the second calendar month following the period. ~~The return for the fourth quarter must be filed on or before the 28th day of the second calendar month following the period.~~ An employer, in preparing a quarterly return, may take credit for deposits previously made for that quarter. Entertainer withholding tax returns are due within 30 days after each performance. Returns for withholding from payments to out-of-state contractors are due within 30 days after the payment to the contractor. Returns for withholding by partnerships are due on or before the due date specified for filing partnership returns. Returns for withholding by S corporations are due on or before the due date specified for filing corporate franchise tax returns.

(b) A seasonal employer who provides notice in the form and manner prescribed by the commissioner before the end of the calendar quarter is not required to file a withholding tax return for periods of anticipated inactivity unless the employer pays wages during the period from which tax is withheld. For purposes of this paragraph, a seasonal employer is an employer that regularly, in the same one or more quarterly periods of each calendar year, pays no wages to employees.

EFFECTIVE DATE. (a) The amendments in paragraph (a) are effective for returns due after January 1, 2016.

(b) The amendment adding paragraph (b) is effective for wages paid after December 31, 2015.

Sec. 4. Minnesota Statutes 2013 Supplement, section 290.191, subdivision 5, is amended to read:

Subd. 5. **Determination of sales factor.** For purposes of this section, the following rules apply in determining the sales factor.

(a) The sales factor includes all sales, gross earnings, or receipts received in the ordinary course of the business, except that the following types of income are not included in the sales factor:

(1) interest;

(2) dividends;

(3) sales of capital assets as defined in section 1221 of the Internal Revenue Code;

(4) sales of property used in the trade or business, except sales of leased property of a type which is regularly sold as well as leased; and

(5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue Code or sales of stock.

(b) Sales of tangible personal property are made within this state if the property is received by a purchaser at a point within this state, ~~and the taxpayer is taxable in this state~~, regardless of the f.o.b. point, other conditions of the sale, or the ultimate destination of the property.

(c) Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of the sale.

(d) Notwithstanding paragraphs (b) and (c), when intoxicating liquor, wine, fermented malt beverages, cigarettes, or tobacco products are sold to a purchaser who is licensed by a state or political subdivision to resell this property only within the state of ultimate destination, the sale is made in that state.

(e) Sales made by or through a corporation that is qualified as a domestic international sales corporation under section 992 of the Internal Revenue Code are not considered to have been made within this state.

(f) Sales, rents, royalties, and other income in connection with real property is attributed to the state in which the property is located.

(g) Receipts from the lease or rental of tangible personal property, including finance leases and true leases, must be attributed to this state if the property is located in this state and to other states if the property is not located in this state. Receipts from the lease or rental of moving property including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment are included in the numerator of the receipts factor to the extent that the property is used in this state. The extent of the use of moving property is determined as follows:

(1) A motor vehicle is used wholly in the state in which it is registered.

(2) The extent that rolling stock is used in this state is determined by multiplying the receipts from the lease or rental of the rolling stock by a fraction, the numerator of which is the miles traveled within this state by the leased or rented rolling stock and the denominator of which is the total miles traveled by the leased or rented rolling stock.

(3) The extent that an aircraft is used in this state is determined by multiplying the receipts from the lease or rental of the aircraft by a fraction, the numerator of which is the number of landings of the aircraft in this state and the denominator of which is the total number of landings of the aircraft.

(4) The extent that a vessel, mobile equipment, or other mobile property is used in the state is determined by multiplying the receipts from the lease or rental of the property by a fraction, the numerator of which is the number of days during the taxable year the property was in this state and the denominator of which is the total days in the taxable year.

(h) Royalties and other income received for the use of or for the privilege of using intangible property, including patents, know-how, formulas, designs, processes, patterns, copyrights, trade names, service names, franchises, licenses, contracts, customer lists, or similar items, must be attributed to the state in which the property is used by the purchaser. If the property is used in more than one state, the royalties or other income must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the royalties or other income must be excluded from both the numerator and the denominator. Intangible property is used in this state if the purchaser uses the intangible property or the rights therein in the regular course of its business operations in this state, regardless of the location of the purchaser's customers.

(i) Sales of intangible property are made within the state in which the property is used by the purchaser. If the property is used in more than one state, the sales must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the sale must be excluded from both the numerator and the denominator of the sales factor. Intangible property is used in this state if the purchaser used the intangible property in the regular course of its business operations in this state.

(j) Receipts from the performance of services must be attributed to the state where the services are received. For the purposes of this section, receipts from the performance of services provided to a corporation, partnership, or trust may only be attributed to a state where it has a fixed place of doing business. If the state where the services are received is not readily determinable or is a state where the corporation, partnership, or trust receiving the service does not have a fixed place of doing business, the services shall be deemed to be received at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the services shall be deemed to be received at the office of the customer to which the services are billed.

(k) For the purposes of this subdivision and subdivision 6, paragraph (l), receipts from management, distribution, or administrative services performed by a corporation or trust for a fund of a corporation or trust regulated under United States Code, title 15, sections 80a-1 through 80a-64, must be attributed to the state where the shareholder of the fund resides. Under this paragraph, receipts for services attributed to shareholders are determined on the basis of the ratio of: (1) the average of the outstanding shares in the fund owned by shareholders residing within Minnesota at the beginning and end of each year; and (2) the average of the total number of outstanding shares in the fund at the beginning and end of each year. Residence of the shareholder, in the case of an individual, is determined by the mailing address furnished by the shareholder to the fund. Residence of the shareholder, when the shares are held by an insurance company as a depositor for the insurance company policyholders, is the mailing address of the policyholders. In the case of an insurance company holding the shares as a depositor for the insurance company policyholders, if

the mailing address of the policyholders cannot be determined by the taxpayer, the receipts must be excluded from both the numerator and denominator. Residence of other shareholders is the mailing address of the shareholder.

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

Sec. 5. Minnesota Statutes 2012, section 296A.01, subdivision 16, is amended to read:

Subd. 16. **Dyed fuel.** "Dyed fuel" means ~~diesel~~ motor fuel to which indelible dye has been added, either before or upon withdrawal at a terminal or refinery rack, and which may be sold for exempt purposes. The dye may be either dye required to be added per the EPA or dye that meets other specifications required by the Internal Revenue Service or the commissioner.

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

Sec. 6. Minnesota Statutes 2013 Supplement, section 403.162, subdivision 5, is amended to read:

Subd. 5. **Fees deposited.** (a) The commissioner of revenue shall, based on the relative proportion of the prepaid wireless E911 fee and the prepaid wireless telecommunications access Minnesota fee imposed per retail transaction, divide the fees collected in corresponding proportions. Within 30 days of receipt of the collected fees, the commissioner shall:

(1) deposit the proportion of the collected fees attributable to the prepaid wireless E911 fee in the 911 emergency telecommunications service account in the special revenue fund; and

(2) deposit the proportion of collected fees attributable to the prepaid wireless telecommunications access Minnesota fee in the telecommunications access fund established in section 237.52, subdivision 1.

(b) The ~~department~~ commissioner of revenue may deduct and ~~retain~~ deposit in a special revenue account an amount, not to exceed two percent of collected fees; Money in the account is annually appropriated to the commissioner of revenue to reimburse its direct costs of administering the collection and remittance of prepaid wireless E911 fees and prepaid wireless telecommunications access Minnesota fees.

EFFECTIVE DATE. This section is effective retroactively from January 1, 2014.

Sec. 7. Laws 2013, chapter 143, article 8, section 3, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2013, except for paragraph (p), which is effective the day following final enactment.

EFFECTIVE DATE. This section is effective retroactively from the day following final enactment of Laws 2013, chapter 143, article 8, section 3.

Sec. 8. **REPEALER.**

Minnesota Rules, parts 8130.8900, subpart 3; and 8130.9500, subparts 1, 1a, 2, 3, 4, and 5, are repealed.

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

Delete the title and insert:

"A bill for an act relating to financing and operation of state and local government; making changes to individual income, property, sales and use, excise, estate, mineral, tobacco, alcohol, special, local, and other taxes and tax-related provisions; providing for and increasing credits and refunds; modifying local government aids; modifying property tax exclusions, exemptions, and levy deadlines; imposing a tax on solar energy production; modifying installment payments; modifying special service districts; modifying sales, use, and excise tax incentives and exemptions; changing certain sales, use, and excise tax remittances; modifying and allowing certain local sales and use taxes; providing for voluntary compliance; modifying income tax credits and subtractions; clarifying estate tax provisions; modifying minerals tax provisions; reallocating certain bond payments; providing for certain local development projects; modifying tax increment finance rules; authorizing debt service aid and local bonding authority; designating the "Old Cedar Avenue Bridge"; changing license revocation procedures; modifying certain county levy authority; removing obsolete, redundant, and unnecessary laws and administrative rules administered by the Department of Revenue; making various policy and technical changes; requiring reports; appropriating money; amending Minnesota Statutes 2012, sections 16D.02, subdivisions 3, 6; 16D.04, subdivisions 3, 4; 16D.07; 16D.11, subdivisions 1, 3, 7; 84A.20, subdivision 2; 84A.31, subdivision 2; 115B.49, subdivision 4; 116J.8737, subdivision 5, as amended, by adding a subdivision; 161.14, by adding a subdivision; 163.06, subdivision 1; 270.11, subdivision 1; 270.12, subdivisions 2, 4; 270.87; 270A.03, subdivision 2; 270B.14, subdivision 3; 270C.085; 270C.34, subdivision 2; 270C.52, subdivision 2; 270C.56, subdivision 3; 270C.72, subdivisions 1, 3; 272.01, subdivisions 1, 3; 272.02, subdivisions 10, 24, 93; 272.0211, subdivisions 1, 2, 4; 272.025, subdivision 1; 272.027, subdivision 1; 272.029, subdivisions 4a, 6; 272.03, subdivision 1; 273.01; 273.061, subdivision 6; 273.10; 273.11, subdivision 13; 273.112, subdivision 6a; 273.13, subdivision 34; 273.1384, subdivision 2; 273.18; 273.33, subdivision 2; 273.37, subdivision 2; 273.3711; 274.01, subdivisions 1, 2; 274.014, subdivision 3; 275.065, subdivision 1; 275.08, subdivisions 1a, 1d; 275.74, subdivision 2; 275.75; 276A.06, subdivisions 3, as amended, 5, as amended; 279.03, subdivisions 1, 1a, 2; 279.16; 279.23; 279.25; 280.001; 280.03; 280.07; 280.11; 281.03; 281.327; 282.01, subdivision 6; 282.04, subdivision 4; 282.261, subdivisions 2, 4, 5; 282.322; 287.30; 289A.02, subdivision 7, as amended; 289A.18, subdivision 2; 289A.25, subdivision 1; 289A.60, subdivision 15; 290.01, subdivisions 5, 19a, as amended, 19f, 29; 290.015, subdivision 1; 290.07, subdivisions 1, 2; 290.081; 290.0922, subdivision 3; 290.095, subdivision 3; 290.9728, subdivision 2; 291.016, subdivision 1, as added; 291.031, as added; 296A.01, subdivision 16; 297A.67, subdivision 13a, by adding a subdivision; 297A.68, by adding a subdivision; 297A.70, subdivision 10, by adding a subdivision; 297A.94; 297B.09; 297F.03, subdivision 2; 297F.09, subdivision 10; 297G.03, by adding a subdivision; 297G.09, subdivision 9; 297H.06, subdivision 2; 297I.05, subdivision 14; 298.28, subdivisions 5, as amended, 7a, as added; 298.75, subdivisions 1, 2; 383D.41, by adding a subdivision; 383E.21, subdivisions 1, 2; 412.131; 469.176, subdivisions 1b, 3; 469.1763, subdivision 3; 469.177, subdivision 3; 473.665, subdivision 5; 477A.0124, subdivision 5; 477A.014, subdivision 1; 611.27, subdivisions 13, 15; Minnesota Statutes 2013 Supplement, sections 116J.8737, subdivision 2, as amended; 116J.8738, subdivisions 2, 3, 4; 116V.03; 136A.129, subdivisions 1, 3, 5; 144F.01, subdivision 4; 270B.01, subdivision 8; 270B.03, subdivision 1; 273.13, subdivision 25; 273.1325, subdivisions 1, 2; 273.1398, subdivisions 3, 4; 275.70, subdivision 5; 279.37, subdivision 2; 281.17; 289A.20, subdivision 4; 290.01, subdivisions 19, as amended, 19b, as amended, 19d, 31, as amended; 290.091, subdivision 2, as amended; 290.0921, subdivision 3; 290.191, subdivision 5; 290A.03, subdivision 15, as amended; 291.005, subdivision 1, as amended; 297A.61, subdivision 3, as amended; 297A.68, subdivisions 42, 44; 297A.70, subdivisions 2, 13, 14; 297A.75, subdivisions 1, 2, 3; 297F.05, subdivision 1; 298.018,

subdivision 1; 298.28, subdivision 10, as amended; 360.531, subdivision 2; 403.162, subdivision 5; 423A.02, subdivision 3; 423A.022, subdivisions 2, 3; 465.04; 469.1763, subdivision 2; 477A.013, subdivision 8; 477A.03, subdivision 2a; 477A.12, subdivisions 1, 2; 477A.14, subdivision 1; Laws 1980, chapter 511, sections 1, subdivision 2, as amended; 2, as amended; Laws 1999, chapter 243, article 14, section 5, subdivision 1; Laws 2005, First Special Session chapter 3, article 5, sections 38, subdivision 4; 44, subdivisions 3, 5; Laws 2006, chapter 259, article 3, sections 10, subdivisions 3, 4, 5; 11, subdivisions 3, 4, 5; Laws 2008, chapter 366, article 10, section 15; Laws 2013, chapter 143, article 8, sections 3; 22; 23; 27; 37; article 9, section 23; article 11, section 10; Laws 2014, chapter 150, article 3, section 4; proposing coding for new law in Minnesota Statutes, chapters 69; 272; 297G; 383A; 469; 477A; repealing Minnesota Statutes 2012, sections 16D.02, subdivisions 5, 8; 16D.11, subdivision 2; 270C.53; 270C.991, subdivision 4; 272.02, subdivisions 1, 1a, 43, 48, 51, 53, 67, 72, 82; 272.027, subdivision 2; 272.031; 273.015, subdivision 1; 273.03, subdivision 3; 273.075; 273.13, subdivision 21a; 273.1383; 273.1386; 273.1398, subdivision 4b; 273.80; 275.77; 279.32; 281.173, subdivision 8; 281.174, subdivision 8; 281.328; 282.10; 282.23; 287.20, subdivision 4; 287.27, subdivision 2; 289A.56, subdivision 7; 290.01, subdivisions 4b, 19e, 20e; 290.06, subdivisions 30, 31; 290.0674, subdivision 3; 290.191, subdivision 4; 290.33; 295.52, subdivision 7; 297A.666; 297A.68, subdivision 38; 297A.71, subdivisions 4, 5, 7, 9, 10, 17, 18, 20, 32, 41; 297F.08, subdivision 11; 297H.10, subdivision 2; 469.174, subdivision 10c; 469.175, subdivision 2b; 469.176, subdivision 1i; 469.1764; 469.177, subdivision 10; 469.330; 469.331; 469.332; 469.333; 469.334; 469.335; 469.336; 469.337; 469.338; 469.339; 469.340, subdivisions 1, 2, 3, 5; 469.341; 477A.0124, subdivisions 1, 6; 505.173; Minnesota Statutes 2013 Supplement, sections 273.1103; 469.340, subdivision 4; Laws 1993, chapter 375, article 9, section 47; Minnesota Rules, parts 8002.0200, subpart 8; 8007.0200; 8100.0800; 8130.7500, subpart 7; 8130.8900, subpart 3; 8130.9500, subparts 1, 1a, 2, 3, 4, 5."

We request the adoption of this report and repassage of the bill.

House Conferees: Ann Lenczewski, Jim Davnie, Greg Davids, Paul Torkelson, Linda Slocum

Senate Conferees: Rod Skoe, Ann H. Rest, Kari Dzedzic, Lyle Koenen, Paul E. Gazelka

Senator Skoe moved that the foregoing recommendations and Conference Committee Report on H.F. No. 3167 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

H.F. No. 3167 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

The roll was called, and there were yeas 59 and nays 1, as follows:

Those who voted in the affirmative were:

Anderson	Cohen	Goodwin	Koenen	Osmek
Bakk	Dahle	Hall	Latz	Pappas
Benson	Dahms	Hann	Lourey	Pederson, J.
Bonoff	Dibble	Hawj	Marty	Pratt
Brown	Dzedzic	Hayden	Metzen	Reinert
Carlson	Eaton	Hoffman	Nelson	Rest
Chamberlain	Eken	Ingebrigtsen	Newman	Rosen
Champion	Franzen	Jensen	Nienow	Ruud
Clausen	Gazelka	Kent	Ortman	Saxhaug

Scalze
Schmit
Senjem

Sheran
Sieben
Skoe

Sparks
Stumpf
Thompson

Tomassoni
Torres Ray
Weber

Wiger
Wiklund

Those who voted in the negative were:

Petersen, B.

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

MESSAGES FROM THE HOUSE - CONTINUED

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on House File No. 2531, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 2531 is herewith transmitted to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 15, 2014

CONFERENCE COMMITTEE REPORT ON H. F. NO. 2531

A bill for an act relating to campaign finance; making various technical changes; authorizing the board to request reconciliation information; authorizing certain fees; modifying certain definitions and fee amounts; imposing penalties; amending Minnesota Statutes 2012, sections 10A.01, subdivisions 5, 26; 10A.02, subdivision 11a; 10A.025, by adding a subdivision; 10A.09, subdivisions 1, 5, by adding a subdivision; 10A.12, subdivision 5; 10A.255, subdivision 3; 10A.28, subdivision 4; 211A.02, subdivision 2; Minnesota Statutes 2013 Supplement, sections 10A.01, subdivision 10; 10A.02, subdivision 11; 10A.025, subdivision 4; 10A.20, subdivisions 2, 5; repealing Minnesota Statutes 2012, section 10A.09, subdivision 8.

May 15, 2014

The Honorable Paul Thissen
Speaker of the House of Representatives

The Honorable Sandra L. Pappas
President of the Senate

We, the undersigned conferees for H. F. No. 2531 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendment and that H. F. No. 2531 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2012, section 10A.01, subdivision 5, is amended to read:

Subd. 5. **Associated business.** "Associated business" means an association, corporation, partnership, limited liability company, limited liability partnership, or other organized legal entity

from which the individual receives compensation in excess of \$50, except for actual and reasonable expenses, in any month as a director, officer, owner, member, partner, employer or employee, or whose securities the individual holds worth more than \$2,500 ~~or more~~ at fair market value.

Sec. 2. Minnesota Statutes 2013 Supplement, section 10A.01, subdivision 10, is amended to read:

Subd. 10. **Candidate.** "Candidate" means an individual who seeks nomination or election as a state constitutional officer, legislator, or judge. An individual is deemed to seek nomination or election if the individual has taken the action necessary under the law of this state to qualify for nomination or election, has received contributions or made expenditures in excess of ~~\$100~~ \$750, or has given implicit or explicit consent for any other person to receive contributions or make expenditures in excess of ~~\$100~~ \$750, for the purpose of bringing about the individual's nomination or election. A candidate remains a candidate until the candidate's principal campaign committee is dissolved as provided in section 10A.243.

Sec. 3. Minnesota Statutes 2012, section 10A.01, is amended by adding a subdivision to read:

Subd. 32a. **Prima facie determination.** A prima facie determination is a determination that a complaint filed under section 10A.02, subdivision 11, is sufficient to allege a violation of this chapter or of those sections of chapter 211B listed in section 10A.02, subdivision 11.

Sec. 4. Minnesota Statutes 2012, section 10A.02, subdivision 5, is amended to read:

Subd. 5. **Executive director; staff.** The board must appoint an executive director. The executive director is in the unclassified service. The executive director is not an ex officio member of the board. The executive director serves as secretary of the board and must keep a record of all proceedings and actions by the board. The board may also employ and prescribe the duties of other permanent or temporary employees in the unclassified service as may be necessary to administer this chapter, subject to appropriation. The executive director and all other employees serve at the pleasure of the board. Expenses of the board must be approved by the chair or another member as the rules of the board may provide and the expenses must then be paid in the same manner as other state expenses are paid.

Sec. 5. Minnesota Statutes 2012, section 10A.02, subdivision 8, is amended to read:

Subd. 8. **Duties.** (a) The board must report at the close of each fiscal year to the legislature, the governor, and the public concerning the action it has taken, the names, salaries, and duties of all individuals in its employ, and the money it has disbursed. The board must include and identify in its report any other reports it has made during the fiscal year. It may indicate apparent abuses and offer legislative recommendations.

(b) The board must prescribe forms for statements and reports required to be filed under this chapter and make the forms available to individuals required to file them.

(c) The board must make available to the individuals required to file the reports and statements a manual setting forth the recommended uniform methods of bookkeeping and reporting.

(d) The board must develop a filing, coding, and cross-indexing system consistent with the purposes of this chapter.

(e) The board must make the reports and statements filed with it available for public inspection and copying by the end of the second day following the day on which they were received. An individual may copy a report or statement by hand or by duplicating machine and the board must provide duplicating services at cost for this purpose.

(f) Notwithstanding section 138.163, the board must preserve reports and statements for a period of five years from the date of receipt.

(g) The board must compile and maintain a current list and summary of all statements or parts of statements pertaining to each candidate.

(h) The board may prepare and publish reports it considers appropriate.

(i) The board shall only vote on a matter before the board at a meeting if:

(1) the matter was placed on an agenda distributed to all members of the board at least seven days before the meeting; and

(2) background or other relevant information to the matter was distributed to all members of the board by the executive director or other staff at least seven days before the meeting.

By majority consent of all members of the board, the board may vote on a matter at a meeting that does not satisfy the requirements of this paragraph.

Sec. 6. Minnesota Statutes 2013 Supplement, section 10A.02, subdivision 10, is amended to read:

Subd. 10. **Audits and investigations.** (a) Within limits of available resources, the board may must make audits and investigations; with respect to the requirements of this chapter. A final audit report completed under this chapter must contain the name of the primary board employee responsible for conducting the audit. The board may impose statutory civil penalties; and issue orders for compliance with respect to the requirements of this chapter and provisions under the board's jurisdiction pursuant to subdivision 11. In all matters relating to its official duties, the board has the power to require testimony under oath, to permit written statements to be given under oath, and to issue subpoenas and cause them to be served. If a person does not comply with a subpoena, the board may apply to the District Court of Ramsey County for issuance of an order compelling obedience to the subpoena. A person failing to obey the order is punishable by the court as for contempt.

(b) The board shall issue rules, using the expedited rulemaking process in section 14.389, setting forth procedures to be followed for all audits and investigations conducted by the board under this chapter and other provisions under the board's jurisdiction pursuant to subdivision 11. The rules regarding the board's investigative procedure shall set forth:

(1) the process for the board initiating and overseeing an investigation;

(2) when summary proceedings may be available;

(3) dedication of staff resources in taking witness testimony and conducting discovery;

(4) parties' rights and opportunities to be heard by the board; and

(5) board hearings and disposition of complaints, audits, and investigations.

(c) In addition to the notice required under chapter 14, the board shall notify the chairs and ranking minority members of the committees or subcommittees in the senate and house of representatives with primary jurisdiction over elections within seven calendar days of taking the following actions:

- (1) publication of a notice of intent to adopt rules or a notice of hearing;
- (2) publication of proposed rules in the state register;
- (3) issuance of a statement of need and reasonableness; or
- (4) adoption of final rules.

Sec. 7. Minnesota Statutes 2013 Supplement, section 10A.02, subdivision 11, is amended to read:

Subd. 11. Violations; enforcement. (a) The board may investigate any alleged violation of this chapter. The board may also investigate an alleged violation of section 211B.04, 211B.12, or 211B.15 by or related to a candidate, treasurer, principal campaign committee, political committee, political fund, or party unit, as those terms are defined in this chapter. ~~The board must investigate any violation that is alleged in a written complaint filed with the board and must~~ Upon receipt of a written complaint filed with the board, the board shall promptly provide a copy of the complaint to the subject of the complaint and notify the subject that a determination as to whether the complaint states a prima facie violation will be made and that the subject may, within 15 days of the date the board provided notice to the subject, submit a written statement addressing the prima facie determination. The notice must include the definition of a prima facie determination. Within 30 days after the filing of the complaint make findings and conclusions, the board chair or another board member designated by the chair shall make a determination as to whether a violation has occurred the complaint alleges a prima facie violation. If a determination is made that the complaint does not allege a prima facie violation, the complaint shall be dismissed without prejudice and the complainant must be notified of the reasons the complaint did not allege a prima facie violation. If the complainant files a revised complaint regarding the same facts and the same subject, the prima facie determination must be completed by a board member other than the member who made the initial determination and who does not support the same political party as the member who made the initial determination. The chair may order that the prima facie determination for any complaint be made by the full board and must order that the prima facie determination for a complaint being submitted for the third time be made by the full board. If a determination is made that the complaint alleges a prima facie violation, the board shall, within 45 days of the prima facie determination, make findings and conclusions as to whether probable cause exists to believe the alleged violation that warrants a formal investigation has occurred. Any party filing a complaint and any party against whom a complaint is filed must be given an opportunity to be heard by the board prior to the board's determination as to whether probable cause exists to believe a violation that warrants a formal investigation has occurred. Upon a determination by the board that probable cause exists to believe a violation that warrants a formal investigation has occurred, the board must undertake an investigation under subdivision 10 and must issue an order at the conclusion of the investigation, except that if the complaint alleges a violation of section 10A.25 or 10A.27, the board must either enter a conciliation agreement or make public findings and conclusions as to whether a violation has occurred and must issue an order within 60 days after the filing of the complaint. Prior to making findings and conclusions in an investigation, the board must offer the subject of the complaint an opportunity to answer the allegations of the

complaint in writing and to appear before the board to address the matter. The deadline for action on a written complaint may be extended by majority vote of the board.

(b) The board may bring legal actions or negotiate settlements in its own name to recover money raised from contributions subject to the conditions in this paragraph.

(1) No action may be commenced unless the board has made a formal determination, after an investigation, that the money was raised for political purposes as defined in section 211B.01, subdivision 6, and that the money was used for purposes not permitted under this chapter or under section 211B.12.

(2) Prior to commencing an action, the board must give the association whose money was misused written notice by certified mail of its intent to take action under this subdivision and must give the association a reasonable opportunity, for a period of not less than 90 days, to recover the money without board intervention. This period must be extended for at least an additional 90 days for good cause if the association is actively pursuing recovery of the money. The board may not commence a legal action under this subdivision if the association has commenced a legal action for the recovery of the same money.

(3) Any funds recovered under this subdivision must be deposited in a campaign finance recovery account in the special revenue fund and are appropriated as follows:

(i) an amount equal to the board's actual costs and disbursements in the action, including court reporter fees for depositions taken in the course of an investigation, is appropriated to the board for its operations;

(ii) an amount equal to the reasonable value of legal services provided by the Office of the Attorney General in the recovery matter, calculated on the same basis as is used for charging legal fees to state agencies, is appropriated to the attorney general for the attorney general's operations; and

(iii) any remaining balance is appropriated to the board for distribution to the association to which the money was originally contributed.

(4) Notwithstanding clause (3), item (iii), if the candidate of a principal campaign committee is the person who used the association's money for illegal purposes, or if the association or political fund whose money was misused is no longer registered with the board, any money remaining after the payments specified in clause (3), items (i) and (ii), must be transferred to the general account of the state elections campaign account.

(5) Any action by the board under this paragraph must be commenced not later than four years after the improper use of money is shown on a report filed with the board or the board has actual knowledge of improper use. No action may be commenced under this paragraph for improper uses disclosed on reports for calendar years prior to 2011.

(6) If the board prevails in an action brought under this subdivision and the court makes a finding that the misuse of funds was willful, the court may enter judgment in favor of the board and against the person misusing the funds in the amount of the misused funds.

(c) Within a reasonable time after beginning an investigation of an individual or association, the board must notify the individual or association of the fact of the investigation. The board must not make a finding of ~~whether there is probable cause to believe~~ that a violation has occurred without

notifying the individual or association of the nature of the allegations and affording an opportunity to answer those allegations.

(d) A hearing before the board or action of the board concerning a complaint or investigation other than a ~~finding concerning probable cause~~ findings, conclusions, and orders or a conciliation agreement is confidential. Until the board makes a public finding ~~concerning probable cause~~ or enters a conciliation agreement:

(1) a member, employee, or agent of the board must not disclose to an individual information obtained by that member, employee, or agent concerning a complaint or investigation except as required to carry out the investigation or take action in the matter as authorized by this chapter; and

(2) an individual who discloses information contrary to this subdivision is subject to a civil penalty imposed by the board of up to \$1,000.

(e) A matter that is under the board's jurisdiction pursuant to this section and that may result in a criminal offense must be finally disposed of by the board before the alleged violation may be prosecuted by a city or county attorney.

Sec. 8. Minnesota Statutes 2012, section 10A.02, subdivision 11a, is amended to read:

Subd. 11a. **Data privacy.** If, after making a public finding ~~concerning probable cause~~ or entering a conciliation agreement, the board determines that the record of the investigation contains statements, documents, or other matter that, if disclosed, would unfairly injure the reputation of an innocent individual, the board may:

(1) retain the statement, document, or other matter as a private record, as defined in section 13.02, subdivision 12, for a period of one year, after which it must be destroyed; or

(2) return the statement, document, or other matter to the individual who supplied it to the board.

Sec. 9. Minnesota Statutes 2012, section 10A.02, is amended by adding a subdivision to read:

Subd. 11b. **Data privacy related to electronic reporting system.** The board may develop and maintain systems to enable treasurers to enter and store electronic records online for the purpose of complying with this chapter. Data entered into such systems by treasurers or their authorized agents is not government data under chapter 13 and may not be accessed or used by the board for any purpose without the treasurer's written consent. Data from such systems that has been submitted to the board as a filed report is government data under chapter 13.

Sec. 10. Minnesota Statutes 2013 Supplement, section 10A.02, subdivision 15, is amended to read:

Subd. 15. ~~**Disposition of Fees and penalties.**~~ (a) Upon written request, certified pursuant to section 10A.025, subdivision 2, the board must waive that portion of a late filing fee or a civil penalty imposed for the late filing of a report or statement under this chapter for which the requester demonstrates good cause for the late filing or submission.

(b) The board must deposit all fees and civil penalties collected under this chapter into the general fund in the state treasury.

Sec. 11. Minnesota Statutes 2013 Supplement, section 10A.025, subdivision 4, is amended to read:

Subd. 4. **Changes and corrections.** Material changes in information previously submitted and corrections to a report or statement must be reported in writing to the board within ten days following the date of the event prompting the change or the date upon which the person filing became aware of the inaccuracy. The change or correction must identify the form and the paragraph containing the information to be changed or corrected.

A person who willfully fails to report a material change or correction is subject to a civil penalty imposed by the board of up to \$3,000. A willful violation of this subdivision is a gross misdemeanor.

The board must send a written notice ~~by certified mail~~ to any individual who fails to file a report required by this subdivision. If the individual fails to file the required report within ten business days after the notice was sent, the board may impose a late filing fee of ~~\$5~~ \$25 per day up to ~~\$100~~ \$1,000 starting on the 11th day after the notice was sent. The board ~~must~~ may send an additional notice by certified mail to an individual who fails to file a report within ~~14~~ ten business days after the first notice was sent by the board ~~that~~. The certified notice must state that if the individual does not file the requested report within ten business days after the certified notice was sent, the individual may be subject to a civil penalty for failure to file a report. An individual who fails to file a report required by this subdivision within seven ten business days after the second certified notice was sent by the board is subject to a civil penalty imposed by the board of up to \$1,000.

Sec. 12. Minnesota Statutes 2012, section 10A.025, is amended by adding a subdivision to read:

Subd. 5. **Reconciliation information; penalty.** An individual or association required to file a report under this chapter must provide information requested by the board to reconcile discrepancies between the report and reports filed by other individuals or associations. The board's request for information must be in writing. If the individual or association fails to provide the requested information within ten business days after the request was sent, the board may impose a late filing fee of \$25 per day up to \$1,000.

The board may send notice by certified mail to an individual or association that has not timely responded to the board's written request for reconciliation information. The certified notice must state that if the individual or association does not respond to the board's request for information within ten business days after the certified notice was sent, the individual or association may be subject to a civil penalty for failure to provide information to the board. An individual or association that does not provide the requested information within ten business days after the certified notice was sent is subject to a civil penalty imposed by the board of up to \$1,000.

A person who willfully fails to cooperate with the board to reconcile a report discrepancy is subject to a civil penalty imposed by the board of up to \$3,000.

Sec. 13. Minnesota Statutes 2012, section 10A.09, subdivision 1, is amended to read:

Subdivision 1. **Time for filing.** ~~Except for a candidate for elective office in the judicial branch,~~ An individual must file a statement of economic interest with the board:

(1) within 60 days of accepting employment as a public official or a local official in a metropolitan governmental unit;

(2) within 60 days of assuming office as a district court judge, appeals court judge, supreme court justice, or county commissioner;

~~(2)~~ (3) within 14 days after filing an affidavit of candidacy or petition to appear on the ballot for an elective state constitutional or legislative office or an elective local office in a metropolitan governmental unit other than county commissioner;

~~(3)~~ (4) in the case of a public official requiring the advice and consent of the senate, within 14 days after undertaking the duties of office; or

~~(4)~~ (5) in the case of members of the Minnesota Racing Commission, the director of the Minnesota Racing Commission, chief of security, medical officer, inspector of pari-mutuels, and stewards employed or approved by the commission or persons who fulfill those duties under contract, within 60 days of accepting or assuming duties.

Sec. 14. Minnesota Statutes 2012, section 10A.09, is amended by adding a subdivision to read:

Subd. 1a. **Exception; retired judges.** Notwithstanding subdivision 1, a retired judge or justice appointed to serve as a judge or justice under section 2.724 is not required to comply with the provisions of this section.

Sec. 15. Minnesota Statutes 2012, section 10A.09, subdivision 5, is amended to read:

Subd. 5. **Form.** (a) A statement of economic interest required by this section must be on a form prescribed by the board. The individual filing must provide the following information:

(1) name, address, occupation, and principal place of business;

(2) the name of each associated business and the nature of that association;

(3) a listing of all real property within the state, excluding homestead property, in which the individual holds: (i) a fee simple interest, a mortgage, a contract for deed as buyer or seller, or an option to buy, whether direct or indirect, if the interest is valued in excess of \$2,500; or (ii) an option to buy, if the property has a fair market value of more than \$50,000 ~~or more~~;

(4) a listing of all real property within the state in which a partnership of which the individual is a member holds: (i) a fee simple interest, a mortgage, a contract for deed as buyer or seller, or an option to buy, whether direct or indirect, if the individual's share of the partnership interest is valued in excess of \$2,500; or (ii) an option to buy, if the property has a fair market value of more than \$50,000 ~~or more~~. A listing under clause (3) or (4) must indicate the street address and the municipality or the section, township, range and approximate acreage, whichever applies, and the county in which the property is located; ~~and~~

(5) a listing of any investments, ownership, or interests in property connected with pari-mutuel horse racing in the United States and Canada, including a racehorse, in which the individual directly or indirectly holds a partial or full interest or an immediate family member holds a partial or full interest;

(6) a listing of the principal business or professional activity category of each business from which the individual receives more than \$50 in any month as an employee, if the individual has an ownership interest of 25 percent or more in the business; and

(7) a listing of each principal business or professional activity category from which the individual received compensation of more than \$2,500 in the past 12 months as an independent contractor.

(b) The business or professional categories for purposes of paragraph (a), clauses (6) and (7), must be the general topic headings used by the federal Internal Revenue Service for purposes of reporting self-employment income on Schedule C. This paragraph does not require an individual to report any specific code number from that schedule. Any additional principal business or professional activity category may only be adopted if the category is enacted by law.

EFFECTIVE DATE. This section is effective the day following final enactment for a person who becomes a public official on or after that date, and for a person who files an affidavit of candidacy or a petition to appear on a ballot that is subject to section 10A.09. For a person who is a public official before the effective date of this section, this section is effective for supplementary statements due April 15, 2015.

Sec. 16. Minnesota Statutes 2012, section 10A.09, is amended by adding a subdivision to read:

Subd. 10. **Board audits; data classification.** All data related to an audit, including the existence of the audit, are classified as confidential data, as defined in section 13.02, subdivision 3. A member, employee, or agent of the board must not disclose information obtained by the member, employee, or agent concerning the audit except as required to carry out the audit or take action in the matter. Upon completion of the audit, the board's final audit report is public. The final audit report must contain the name of the individual subject to the audit, a description of any audit findings, a description of any responses provided by the individual who was subject to the audit, and a description of the manner in which any findings were resolved.

Sec. 17. Minnesota Statutes 2012, section 10A.12, subdivision 5, is amended to read:

Subd. 5. **Dues or membership fees.** An association may, if not prohibited by other law, deposit in its political fund money derived from dues or membership fees. Under section 10A.20, the treasurer of the fund must disclose the name of any member whose dues, membership fees, and contributions deposited in the political fund together exceed ~~\$100~~ \$200 in a year.

Sec. 18. Minnesota Statutes 2013 Supplement, section 10A.20, subdivision 2, is amended to read:

Subd. 2. **Time for filing.** (a) The reports must be filed with the board on or before January 31 of each year and additional reports must be filed as required and in accordance with paragraphs (b) to ~~(d)~~ (f).

(b) In each year in which the name of a candidate for legislative or district court judicial office is on the ballot, the report of the principal campaign committee must be filed 15 days before a primary election and ten days before a general election, seven days before a special primary election and seven days before a special general election, and ten days after a special election cycle.

(c) In each general election year, a political committee, a political fund, a state party committee, and a party unit established by all or a part of the party organization within a house of the legislature; and the principal campaign committee of a candidate for constitutional or appellate court judicial office must file reports on the following schedule:

(1) a first-quarter report covering the calendar year through March 31, which is due April 14;

(2) in a year in which a primary election is held in August, a report covering the calendar year through May 31, which is due June 14;

~~(3) in a year in which a primary election is held before August, a pre-general-election report covering the calendar year through July 15, which is due July 29;~~

~~(4) (3) a pre-primary-election report due 15 days before a primary election;~~

~~(5) (4) a pre-general-election report due 42 days before the general election; and~~

~~(6) (5) a pre-general-election report due ten days before a general election; and~~

~~(7) for a special election, a constitutional office candidate whose name is on the ballot must file reports seven days before a special primary and a special election, and ten days after a special election cycle.~~

(d) In each general election year, a party unit not included in paragraph (c) must file reports 15 days before a primary election and ten days before a general election.

(e) In each year in which a constitutional office or appellate court judicial seat is on the ballot, the principal campaign committee of a candidate for that office or seat must file reports on the following schedule:

(1) a first-quarter report covering the calendar year through March 31, which is due April 14;

(2) a report covering the calendar year through May 31, which is due June 14;

(3) a pre-primary-election report due 15 days before a primary election;

(4) a pre-general-election report due 42 days before the general election;

(5) a pre-general-election report due ten days before a general election; and

(6) for a special election, a constitutional office candidate whose name is on the ballot must file reports seven days before a special primary election, seven days before a special general election, and ten days after a special election cycle.

~~(e) (f) Notwithstanding paragraphs (a) to (d), (e):~~

(1) the principal campaign committee of a candidate who did not file for office is not required to file the report due 15 days before the primary election or the report due seven days before a special primary election; and

(2) the principal campaign committee of a candidate whose name will not be on the general election ballot is not required to file the report due 42 days before the general election, the report due ten days before a general election, or the report due seven days before a special general election.

Sec. 19. Minnesota Statutes 2013 Supplement, section 10A.20, subdivision 5, is amended to read:

Subd. 5. **Pre-election reports.** (a) Any loan, contribution, or contributions:

(1) to a political committee or political fund from any one source totaling more than \$1,000;

(2) to the principal campaign committee of a candidate for an appellate court judicial office totaling more than \$2,000;

(3) to the principal campaign committee of a candidate for district court judge totaling more than \$400; or

(4) to the principal campaign committee of a candidate for constitutional office or for the legislature totaling more than 50 percent of the election ~~cycle~~ segment contribution limit for the office,

received between the last day covered in the last report before an election and the election must be reported to the board in the manner provided in paragraph (b).

(b) A loan, contribution, or contributions required to be reported to the board under paragraph (a) must be reported to the board either:

(1) in person by the end of the next business day after its receipt; or

(2) by electronic means sent within 24 hours after its receipt.

(c) These loans and contributions must also be reported in the next required report.

(d) This notice requirement does not apply in a primary election to a candidate who is unopposed in the primary, in a primary election to a ballot question political committee or fund, or in a general election to a candidate whose name is not on the general election ballot. The board must post the report on its Web site by the end of the next business day after it is received.

(e) This subdivision does not apply to a ballot question or independent expenditure political committee or fund that has not met the registration threshold of section 10A.14, subdivision 1a. However, if a contribution that would be subject to this section triggers the registration requirement in section 10A.14, subdivision 1a, then both registration under that section and reporting under this section are required.

Sec. 20. Minnesota Statutes 2012, section 10A.255, subdivision 3, is amended to read:

Subd. 3. **Publication of expenditure limit.** By April 15 of each election year the board must publish ~~in the State Register on its Web site~~ the expenditure limit for each office for that calendar year under section 10A.25 as adjusted by this section. The revisor of statutes must code the adjusted amounts in the next edition of Minnesota Statutes, section 10A.25, subdivision 2.

Sec. 21. Minnesota Statutes 2012, section 10A.28, subdivision 4, is amended to read:

Subd. 4. **Civil action.** If the board is unable after a reasonable time to correct by informal methods a matter ~~that constitutes probable cause~~ where there is reason to believe that excess expenditures have been made or excess contributions accepted contrary to subdivision 1 or 2, the board must make a public finding ~~of probable cause~~ in the matter. ~~After making a public finding, the board must bring an action, or transmit the finding to a county attorney who must bring an action, in the District Court of Ramsey County or, in the case of a legislative candidate, the district court of a county within the legislative district, to collect a civil penalty as imposed by the board under subdivision 1 or 2. All money recovered under this section must be deposited in the general fund of the state treasury.~~ The board may use section 10A.34 to recover fees and penalties or to seek an injunction.

Sec. 22. Minnesota Statutes 2012, section 13.607, subdivision 5, is amended to read:

Subd. 5. **Statements of economic interest.** (a) Disclosure of statements of economic interest filed by local officials is governed by section 10A.09, subdivision 6a.

(b) Data related to audits of statements of economic interest are governed by section 10A.09, subdivision 10.

Sec. 23. Minnesota Statutes 2012, section 13.607, subdivision 5a, is amended to read:

Subd. 5a. **Campaign reports and data.** Certain reports filed with the Campaign Finance and Public Disclosure Board are classified under section 10A.20. Certain data stored by the Campaign Finance and Public Disclosure Board is not government data under section 10A.02, subdivision 11b.

Sec. 24. Minnesota Statutes 2012, section 211A.02, subdivision 2, is amended to read:

Subd. 2. **Information required.** The report to be filed by a candidate or committee must include:

- (1) the name of the candidate or ballot question;
- (2) the printed name, address, telephone number, signature, and e-mail address, if available, of the person responsible for filing the report;
- (3) the total cash on hand designated to be used for political purposes;
- (4) the total amount of receipts contributions and expenditures disbursements for the period from the last previous report to five days before the current report is due;
- (5) the amount, date, and purpose for each expenditure disbursement; and
- (6) the name, address, and employer, or occupation if self-employed, of any individual or committee that during the year has made one or more contributions that in the aggregate exceed \$100, and the amount and date of each contribution. The filing officer must restrict public access to the address of any individual who has made a contribution that exceeds \$100 and who has filed with the filing officer a written statement signed by the individual that withholding the individual's address from the financial report is required for the safety of the individual or the individual's family.

Sec. 25. **REPEALER.**

Minnesota Statutes 2012, section 10A.09, subdivision 8, is repealed.

Sec. 26. **EFFECTIVE DATE.**

Except where otherwise provided, sections 1 to 25 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to campaign finance; modifying duties of board; requiring rulemaking; authorizing online electronic records systems; authorizing the board to request reconciliation information; authorizing penalties; modifying certain definitions and fee amounts; modifying certain reporting and filing requirements; making various technical and clarifying changes; providing data classifications; modifying statements of economic interest; amending Minnesota Statutes 2012, sections 10A.01, subdivision 5, by adding a subdivision; 10A.02, subdivisions 5, 8, 11a, by adding a subdivision; 10A.025, by adding a subdivision; 10A.09, subdivisions 1, 5, by adding subdivisions; 10A.12, subdivision 5; 10A.255, subdivision 3; 10A.28, subdivision 4; 13.607, subdivisions 5, 5a; 211A.02, subdivision 2; Minnesota Statutes 2013 Supplement,

sections 10A.01, subdivision 10; 10A.02, subdivisions 10, 11, 15; 10A.025, subdivision 4; 10A.20, subdivisions 2, 5; repealing Minnesota Statutes 2012, section 10A.09, subdivision 8."

We request the adoption of this report and repassage of the bill.

House Conferees: Carolyn Laine, Laurie Halverson

Senate Conferees: John A. Hoffman, Jeff Hayden, Scott J. Newman

Senator Hoffman moved that the foregoing recommendations and Conference Committee Report on H.F. No. 2531 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

H.F. No. 2531 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

The roll was called, and there were yeas 59 and nays 2, as follows:

Those who voted in the affirmative were:

Bakk	Dziedzic	Jensen	Pappas	Sieben
Benson	Eaton	Kent	Pederson, J.	Skoe
Bonoff	Eken	Koenen	Petersen, B.	Sparks
Brown	Franzen	Latz	Pratt	Stumpf
Carlson	Gazelka	Lourey	Reinert	Thompson
Chamberlain	Goodwin	Marty	Rest	Tomassoni
Champion	Hall	Metzen	Rosen	Torres Ray
Clausen	Hann	Nelson	Ruud	Weber
Cohen	Hawj	Newman	Saxhaug	Westrom
Dahle	Hayden	Nienow	Scalze	Wiger
Dahms	Hoffman	Ortman	Schmit	Wiklund
Dibble	Ingebrigtsen	Osmeck	Sheran	

Those who voted in the negative were:

Anderson Senjem

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

MESSAGES FROM THE HOUSE - CONTINUED

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on House File No. 3073, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 3073 is herewith transmitted to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 16, 2014

CONFERENCE COMMITTEE REPORT ON H. F. NO. 3073

A bill for an act relating to insurance; modifying certain regulations to reduce the incidence of insurance fraud; regulating no-fault auto benefits; regulating certain property and casualty coverages; limiting reimbursement for certain prescription drugs; regulating batch billing; modifying certain economic benefits under chapter 65B; establishing a task force on motor vehicle insurance coverage verification; amending Minnesota Statutes 2012, sections 13.7191, subdivision 16; 60A.952, subdivision 3; 65B.44, subdivisions 2, 3, 4, 6, by adding a subdivision; 65B.525, by adding a subdivision; 65B.54, subdivision 2; 72A.502, subdivision 2; 604.18, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 60A; 65B; repealing Minnesota Statutes 2012, section 72A.327.

May 15, 2014

The Honorable Paul Thissen
Speaker of the House of Representatives

The Honorable Sandra L. Pappas
President of the Senate

We, the undersigned conferees for H. F. No. 3073 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 3073 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2012, section 13.7191, subdivision 16, is amended to read:

Subd. 16. **Regulation of trade practices; insurance contract data.** ~~(a) Insurance contract data.~~ Certain insurance contract data held by the commissioner of commerce are classified under section 72A.20, subdivision 15.

~~(b) Health claims appeals.~~ Documents that are part of an appeal from denial of health care coverage for experimental treatment are classified under section 72A.327.

Sec. 2. Minnesota Statutes 2012, section 60A.952, subdivision 3, is amended to read:

Subd. 3. **Immunity from liability.** If insurers, insurance support organizations as defined in section 72A.491, subdivision 12, agents acting on the insurers' behalf, or authorized persons release information in good faith under this section, whether orally or in writing, they are immune from any liability, civil or criminal, for the release or reporting of the information.

Sec. 3. Minnesota Statutes 2012, section 65B.44, subdivision 2, is amended to read:

Subd. 2. **Medical expense benefits.** (a) Medical expense benefits shall reimburse all reasonable expenses for necessary:

(1) medical, surgical, x-ray, optical, dental, chiropractic, and rehabilitative services, including prosthetic devices;

(2) prescription drugs, provided that:

(i) prescription drugs filled and dispensed outside of a licensed pharmacy shall be billed at the average wholesale price (AWP), or its equivalent, for that drug on that date as published in Medispan, Redbook, or Gold Standard Drug Database, as identified by its National Drug Code, plus a dispensing fee of \$4.18;

(ii) if a prescription drug has been repackaged, the average wholesale price used to determine the maximum reimbursement shall be the average wholesale price for the underlying drug product, as identified by its National Drug Code from the original labeler; and

(iii) compound drugs shall be billed by listing each drug and its National Drug Code number included in the compound and calculating the charge for each drug separately. Reimbursement shall be based on the sum of the fee for each ingredient for which there is an assigned National Drug Code number plus a single dispensing fee of \$4.18. Compound drugs shall not be dispensed without first obtaining preauthorization from the reparation obligor;

(3) ambulance and all other transportation expenses incurred in traveling to receive other covered medical expense benefits;

(4) sign interpreting and language translation services, other than such services provided by a family member of the patient, related to the receipt of medical, surgical, x-ray, optical, dental, chiropractic, hospital, extended care, nursing, and rehabilitative services; and

(5) hospital, extended care, and nursing services.

(b) Hospital room and board benefits may be limited, except for intensive care facilities, to the regular daily semiprivate room rates customarily charged by the institution in which the recipient of benefits is confined.

(c) Such benefits shall also include necessary remedial treatment and services recognized and permitted under the laws of this state for an injured person who relies upon spiritual means through prayer alone for healing in accordance with that person's religious beliefs.

(d) Medical expense loss includes medical expenses accrued prior to the death of a person notwithstanding the fact that benefits are paid or payable to the decedent's survivors.

(e) Medical expense benefits for rehabilitative services shall be subject to the provisions of section 65B.45.

Sec. 4. Minnesota Statutes 2012, section 65B.44, subdivision 3, is amended to read:

Subd. 3. **Disability and income loss benefits.** (a) Disability and income loss benefits shall provide compensation for 85 percent of the injured person's loss of present and future gross income from inability to work proximately caused by the nonfatal injury subject to a maximum of ~~\$250~~ \$500 per week. Loss of income includes the costs incurred by a self-employed person to hire substitute employees to perform tasks which are necessary to maintain the income of the injured person, which are normally performed by the injured person, and which cannot be performed because of the injury.

(b) If the injured person is unemployed at the time of injury and is receiving or is eligible to receive unemployment benefits under chapter 268, but the injured person loses eligibility for those benefits because of inability to work caused by the injury, disability and income loss benefits shall provide compensation for the lost benefits in an amount equal to the unemployment benefits which otherwise would have been payable, subject to a maximum of ~~\$250~~ \$500 per week.

(c) Compensation under this subdivision shall be reduced by any income from substitute work actually performed by the injured person or by income the injured person would have earned in available appropriate substitute work which the injured person was capable of performing but unreasonably failed to undertake.

(d) For the purposes of this section "inability to work" means disability which prevents the injured person from engaging in any substantial gainful occupation or employment on a regular basis, for wage or profit, for which the injured person is or may by training become reasonably qualified. If the injured person returns to employment and is unable by reason of the injury to work continuously, compensation for lost income shall be reduced by the income received while the injured person is actually able to work. The weekly maximums may not be prorated to arrive at a daily maximum, even if the injured person does not incur loss of income for a full week.

(e) For the purposes of this section, an injured person who is "unable by reason of the injury to work continuously" includes, but is not limited to, a person who misses time from work, including reasonable travel time, and loses income, vacation, or sick leave benefits, to obtain medical treatment for an injury arising out of the maintenance or use of a motor vehicle.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 5. Minnesota Statutes 2012, section 65B.44, subdivision 4, is amended to read:

Subd. 4. **Funeral and burial expenses.** Funeral and burial benefits shall be reasonable expenses not in excess of ~~\$2,000~~ \$5,000, including expenses for cremation or delivery under the Darlene Luther Revised Uniform Anatomical Gift Act, chapter 525A.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 6. Minnesota Statutes 2012, section 65B.44, subdivision 6, is amended to read:

Subd. 6. **Survivors economic loss benefits.** Survivors economic loss benefits, in the event of death occurring within one year of the date of the accident, caused by and arising out of injuries received in the accident, are subject to a maximum of ~~\$200~~ \$500 per week and shall cover loss accruing after decedent's death of contributions of money or tangible things of economic value, not including services, that surviving dependents would have received from the decedent for their support during their dependency had the decedent not suffered the injury causing death.

For the purposes of definition under sections 65B.41 to 65B.71, the following described persons shall be presumed to be dependents of a deceased person: (a) a wife is dependent on a husband with whom she lives at the time of his death; (b) a husband is dependent on a wife with whom he lives at the time of her death; (c) any child while under the age of 18 years, or while over that age but physically or mentally incapacitated from earning, is dependent on the parent with whom the child is living or from whom the child is receiving support regularly at the time of the death of such parent; or (d) an actual dependent who lives with the decedent at the time of the decedent's death. Questions of the existence and the extent of dependency shall be questions of fact, considering the support regularly received from the deceased.

Payments shall be made to the dependent, except that benefits to a dependent who is a child or an incapacitated person may be paid to the dependent's surviving parent or guardian. Payments shall be terminated whenever the recipient ceases to maintain a status which if the decedent were alive would be that of dependency.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 7. Minnesota Statutes 2012, section 65B.525, subdivision 1, is amended to read:

Subdivision 1. **Mandatory submission to binding arbitration.** ~~Except as otherwise provided in section 72A.327,~~ The Supreme Court and the several courts of general trial jurisdiction of this state shall by rules of court or other constitutionally allowable device, provide for the mandatory submission to binding arbitration of all cases at issue where the claim at the commencement of arbitration is in an amount of \$10,000 or less against any insured's reparation obligor for no-fault benefits or comprehensive or collision damage coverage.

Sec. 8. Minnesota Statutes 2012, section 65B.57, is amended to read:

65B.57 ECONOMIC LOSS BENEFITS; EXEMPTIONS FROM LEGAL ATTACHMENT.

(a) All economic loss benefits provided by sections 65B.41 to 65B.71, whether paid or payable to any claimant shall not be subject to garnishment, sequestration, attachment or execution, or any other legal process which would deny their receipt and use by that person; ~~provided, however, that~~

(b) This section shall not apply to any person who has provided treatment or services, as described in section 65B.44, subdivision 2, to the victim of a motor vehicle accident.

(c) Economic loss benefits paid or payable to any claimant, person, or entity who has provided treatment or services under sections 65B.41 to 65B.71 shall not be subject to any legal interest in the payment, whether by contract, lien, or other legal process before a denial of benefits by a reparations obligor.

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

Sec. 9. Minnesota Statutes 2012, section 72A.502, subdivision 2, is amended to read:

Subd. 2. **Prevention of fraud.** Personal or privileged information may be disclosed without a written authorization to another person if the information is limited to that which is reasonably necessary to detect or prevent criminal activity, fraud, material misrepresentation, or material nondisclosure in connection with an insurance transaction, and that person agrees not to disclose the information further without the individual written authorization unless the further disclosure is otherwise permitted by this section if made by an insurer, insurance agent, or insurance-support organization. Any insurer, insurance agent, or insurance-support organization making such a disclosure is immune from liability under section 60A.952, subdivision 3.

Sec. 10. **TASK FORCE ON MOTOR VEHICLE INSURANCE COVERAGE VERIFICATION.**

Subdivision 1. **Establishment.** The task force on motor vehicle insurance coverage verification is established to review and evaluate approaches to insurance coverage verification and recommend legislation to create and fund a program in this state.

Subd. 2. **Membership; meetings; staff.** (a) The task force shall be composed of 14 members, who must be appointed by July 1, 2014, and who serve at the pleasure of their appointing authorities:

(1) the commissioner of public safety or a designee;

(2) the commissioner of commerce or a designee;

(3) two members of the house of representatives, one appointed by the speaker of the house and one appointed by the minority leader;

(4) two members of the senate, one appointed by the Subcommittee on Committees of the Committee on Rules and Administration and one appointed by the minority leader;

(5) a representative of Minnesota Deputy Registrars Association;

(6) a representative of AAA Minnesota;

(7) a representative of AARP Minnesota;

(8) a representative of the Insurance Federation of Minnesota;

(9) a representative of the Minnesota Bankers Association;

(10) a representative of the Minnesota Association for Justice;

(11) a representative of the Minnesota Police and Peace Officers Association; and

(12) a representative of the Minnesota chapter of the International Association of Special Investigation Units.

(b) Compensation and expense reimbursement must be as provided under Minnesota Statutes, section 15.059, subdivision 3, to members of the task force.

(c) The commissioner of public safety shall convene the task force by August 1, 2014, and shall appoint a chair from the membership of the task force. Staffing and technical assistance must be provided by the Department of Public Safety.

Subd. 3. **Duties.** The task force shall review and evaluate programs established in other states as well as programs proposed by third parties, identify one or more programs recommended for implementation in this state, and, as to the recommended programs, adopt findings concerning:

(1) comparative costs of programs;

(2) implementation considerations, and in particular, identifying the appropriate supervising agency and assessing compatibility with existing and planned computer systems;

(3) effectiveness in verifying existence of motor vehicle insurance coverage;

(4) identification of categories of authorized users;

(5) simplicity of access and use for authorized users;

(6) data privacy considerations;

(7) data retention policies; and

(8) statutory changes necessary for implementation.

Subd. 4. **Report.** By February 1, 2015, the task force must submit to the chairs and ranking minority members of the house of representatives and senate committees and divisions with primary jurisdiction over commerce and transportation its written recommendations, including any draft legislation necessary to implement the recommendations.

Subd. 5. **Sunset.** The task force shall sunset the day after submitting the report under subdivision 4, or February 2, 2015, whichever is earlier.

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

Sec. 11. **REPEALER.**

Minnesota Statutes 2012, section 72A.327, is repealed."

Delete the title and insert:

"A bill for an act relating to insurance; modifying certain regulations to reduce the incidence of insurance fraud; regulating no-fault auto benefits; modifying certain economic benefits under chapter 65B; establishing a task force on motor vehicle insurance coverage verification; amending Minnesota Statutes 2012, sections 13.7191, subdivision 16; 60A.952, subdivision 3; 65B.44, subdivisions 2, 3, 4, 6; 65B.525, subdivision 1; 65B.57; 72A.502, subdivision 2; repealing Minnesota Statutes 2012, section 72A.327."

We request the adoption of this report and repassage of the bill.

House Conferees: Joe Atkins, Patti Fritz, Denny McNamara

Senate Conferees: Vicki Jensen, Susan Kent, James P. Metzen

Senator Jensen moved that the foregoing recommendations and Conference Committee Report on H.F. No. 3073 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

H.F. No. 3073 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

The roll was called, and there were yeas 41 and nays 21, as follows:

Those who voted in the affirmative were:

Bakk	Eaton	Kent	Rest	Tomassoni
Bonoff	Eken	Koenen	Saxhaug	Torres Ray
Carlson	Franzen	Latz	Scalze	Westrom
Champion	Goodwin	Lourey	Schmit	Wiger
Clausen	Hawj	Marty	Sheran	Wiklund
Cohen	Hayden	Metzen	Sieben	
Dahle	Hoffman	Nelson	Skoe	
Dibble	Jensen	Pappas	Sparks	
Dziedzic	Johnson	Reinert	Stumpf	

Those who voted in the negative were:

Anderson	Gazelka	Nienow	Pratt	Weber
Benson	Hall	Ortman	Rosen	
Brown	Hann	Osmek	Ruud	
Chamberlain	Ingebrigtsen	Pederson, J.	Senjem	
Dahms	Newman	Petersen, B.	Thompson	

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

MOTIONS AND RESOLUTIONS - CONTINUED

Pursuant to Rule 26, Senator Bakk, Chair of the Committee on Rules and Administration, designated H.F. No. 2293 a Special Order to be heard immediately.

SPECIAL ORDER

H.F. No. 2293: A bill for an act relating to commerce; regulating payday lending; amending Minnesota Statutes 2012, sections 47.59, subdivision 2; 47.601, subdivisions 1, 2, 3; 53.05.

Senator Hayden moved to amend H.F. No. 2293, as amended pursuant to Rule 45, adopted by the Senate April 28, 2014, as follows:

(The text of the amended House File is identical to S.F. No. 2368.)

Page 1, line 15, strike "money" and insert "credit"

Page 2, delete sections 2 and 3 and insert:

"Sec. 2. Minnesota Statutes 2012, section 47.601, subdivision 2, is amended to read:

Subd. 2. **Consumer short-term loan contract.** (a) No contract or agreement between a consumer short-term loan lender and a borrower residing in Minnesota may contain the following:

(1) a provision selecting a law other than Minnesota law under which the contract is construed or enforced;

(2) a provision choosing a forum for dispute resolution other than the state of Minnesota; or

(3) a provision limiting class actions against a consumer short-term lender for violations of subdivision 3 or for making consumer short-term loans:

(i) without a required license issued by, or a required registration with, the commissioner; or

(ii) in which interest rates, fees, charges, or loan amounts exceed those allowable under section 47.59, subdivision 6, or 47.60, subdivision 2, other than by de minimis amounts if no pattern or practice exists.

(b) Any provision prohibited by paragraph (a) is void and unenforceable.

(c) A consumer short-term loan lender must furnish a copy of the written loan contract to each borrower. The contract and disclosures must be written in the language in which the loan was negotiated with the borrower and must contain:

(1) the name; address, which may not be a post office box; and telephone number of the lender making the consumer short-term loan;

(2) the name and title of the individual employee or representative who signs the contract on behalf of the lender;

(3) an itemization of the fees and interest charges to be paid by the borrower;

(4) in bold, 24-point type, the annual percentage rate as computed under United States Code, chapter 15, section 1606; and

(5) a description of the borrower's payment obligations under the loan.

(d) The holder or assignee of a check or other instrument evidencing an obligation of a borrower in connection with a consumer short-term loan takes the instrument subject to all claims by and defenses of the borrower against the consumer short-term lender.

Sec. 3. Minnesota Statutes 2012, section 47.601, subdivision 3, is amended to read:

Subd. 3. **Debt collection Requirements; prohibitions.** (a) A consumer short-term lender collecting or attempting to collect on an indebtedness in connection with a consumer short-term loan must not engage in the prohibited debt collection practices referenced in section 332.37.

(b) A consumer short-term lender may not make a consumer short-term loan to a borrower who is presently indebted to the consumer short-term lender or any other consumer short-term lender.

(c) Subject to paragraphs (b) and (d), a consumer short-term lender may not make a consumer short-term loan to a borrower that will cause a borrower to have, as of the date of the loan and within the immediately preceding 12 months, more than ten consumer short-term loans. A consumer short-term lender may not make a consumer short-term loan to a borrower if the lender is unable to verify the number of consumer short-term loans, in total from all consumer short-term lenders, that the borrower has taken within the immediately preceding 12 months.

(d) A consumer short-term lender may not make a consumer short-term loan unless 45 days has elapsed from satisfaction of the fourth and seventh consumer short-term loan within the preceding 12 months.

(e) A consumer short-term lender must independently verify whether making a consumer short-term loan would violate paragraphs (b), (c), and (d). Verification must include:

(1) examination of the consumer short-term lender's own records, including records maintained at the location at which the borrower is applying for the transaction and records maintained at other locations within the state that are owned and operated by the consumer short-term lender; and

(2) utilization of a consumer reporting service.

For purposes of this subdivision, a "consumer reporting service" means a real-time, electronically accessible service that the commissioner determines is capable of providing the consumer short-term lender with adequate verification information to ensure compliance with this paragraph.

The commissioner shall make the determination by evaluating:

(1) lenders' ease of electronically communicating with the consumer reporting service;

(2) the cost per communication;

(3) the technological capability of the consumer reporting service;

(4) the service's ability to generate reports to the commissioner; and

(5) the protocols in place to protect information reported by the consumer short-term lenders.

(f) A consumer short-term lender shall have a duty to promptly report each consumer short-term loan transaction to the consumer reporting service.

(g) A consumer short-term lender shall have a duty to verify whether the borrower is a covered borrower, as defined in Code of Federal Regulations, title 32, section 232.3(c). No consumer short-term lender may make a consumer short-term loan to a covered borrower:

(1) without first providing the disclosures required under Code of Federal Regulations, title 32, section 232.5; or

(2) which violates any of the terms and conditions set forth in Code of Federal Regulations, title 32, section 232.4, for the issuance of consumer credit, as defined in Code of Federal Regulations, title 32, section 232.3(b), except that for purposes of this subdivision, "consumer credit" includes open-end credit.

Sec. 4. **EFFECTIVE DATE.**

Sections 1 and 2 are effective August 1, 2014.

Section 3 is effective October 1, 2014, and applies to consumer short-term loans made on or after that date."

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

H.F. No. 2293 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 37 and nays 25, as follows:

Those who voted in the affirmative were:

Bakk	Eaton	Kent	Rest	Stumpf
Carlson	Eken	Koenen	Saxhaug	Tomassoni
Champion	Franzen	Latz	Scalze	Torres Ray
Clausen	Goodwin	Lourey	Schmit	Wiger
Cohen	Hawj	Marty	Sheran	Wiklund
Dahle	Hayden	Metzen	Sieben	
Dibble	Jensen	Pappas	Skoe	
Dziedzic	Johnson	Reinert	Sparks	

Those who voted in the negative were:

Anderson	Dahms	Ingebrigtsen	Osmek	Ruud
Benson	Gazelka	Nelson	Pederson, J.	Senjem
Bonoff	Hall	Newman	Petersen, B.	Thompson
Brown	Hann	Nienow	Pratt	Weber
Chamberlain	Hoffman	Ortman	Rosen	Westrom

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

MOTIONS AND RESOLUTIONS - CONTINUED

S.F. No. 2470 and the Conference Committee Report thereon were reported to the Senate.

CONFERENCE COMMITTEE REPORT ON S.F. NO. 2470

A bill for an act relating to education; authorizing an innovative partnership to deliver certain technology and educational services; proposing coding for new law in Minnesota Statutes, chapter 123A.

May 15, 2014

The Honorable Sandra L. Pappas
President of the Senate

The Honorable Paul Thissen
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 2470 report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S.F. No. 2470 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2012, section 13.3806, is amended by adding a subdivision to read:

Subd. 22. **Medical use of cannabis data.** Data collected under the registry program authorized under sections 152.22 to 152.37 are governed by sections 152.25, subdivision 1; 152.28, subdivision 2; and 152.37, subdivision 3.

Sec. 2. [152.22] **DEFINITIONS.**

Subdivision 1. **Applicability.** For purposes of sections 152.22 to 152.37, the terms defined in this section have the meanings given them.

Subd. 2. **Commissioner.** "Commissioner" means the commissioner of health.

Subd. 3. **Disqualifying felony offense.** "Disqualifying felony offense" means a violation of a state or federal controlled substance law that is a felony under Minnesota law, or would be a felony if committed in Minnesota, regardless of the sentence imposed, unless the commissioner determines that the person's conviction was for the medical use of cannabis or assisting with the medical use of cannabis.

Subd. 4. **Health care practitioner.** "Health care practitioner" means a Minnesota licensed doctor of medicine, a Minnesota licensed physician assistant acting within the scope of authorized practice, or a Minnesota licensed advanced practice registered nurse who has the primary responsibility for the care and treatment of the qualifying medical condition of a person diagnosed with a qualifying medical condition.

Subd. 5. **Health records.** "Health records" means health records as defined in section 144.291, subdivision 2, paragraph (c).

Subd. 6. **Medical cannabis.** "Medical cannabis" means any species of the genus cannabis plant, or any mixture or preparation of them, including whole plant extracts and resins, and is delivered in the form of:

- (1) liquid, including, but not limited to, oil;
- (2) pill;
- (3) vaporized delivery method with use of liquid or oil but which does not require the use of dried leaves or plant form; or
- (4) any other method, excluding smoking, approved by the commissioner.

Subd. 7. **Medical cannabis manufacturer.** "Medical cannabis manufacturer" or "manufacturer" means an entity registered by the commissioner to cultivate, acquire, manufacture, possess, prepare, transfer, transport, supply, or dispense medical cannabis, delivery devices, or related supplies and educational materials.

Subd. 8. **Medical cannabis product.** "Medical cannabis product" means any delivery device or related supplies and educational materials used in the administration of medical cannabis for a patient with a qualifying medical condition enrolled in the registry program.

Subd. 9. **Patient.** "Patient" means a Minnesota resident who has been diagnosed with a qualifying medical condition by a health care practitioner and who has otherwise met any other requirements for patients under sections 152.22 to 152.37 to participate in the registry program under sections 152.22 to 152.37.

Subd. 10. **Patient registry number.** "Patient registry number" means a unique identification number assigned by the commissioner to a patient enrolled in the registry program.

Subd. 11. **Registered designated caregiver.** "Registered designated caregiver" means a person who:

- (1) is at least 21 years old;
- (2) does not have a conviction for a disqualifying felony offense;
- (3) has been approved by the commissioner to assist a patient who has been identified by a health care practitioner as developmentally or physically disabled and therefore unable to self-administer medication or acquire medical cannabis from a distribution facility due to the disability; and
- (4) is authorized by the commissioner to assist the patient with the use of medical cannabis.

Subd. 12. **Registry program.** "Registry program" means the patient registry established sections 152.22 to 152.37.

Subd. 13. **Registry verification.** "Registry verification" means the verification provided by the commissioner that a patient is enrolled in the registry program and that includes the patient's name, registry number, and qualifying medical condition and, if applicable, the name of the patient's registered designated caregiver or parent or legal guardian.

Subd. 14. **Qualifying medical condition.** "Qualifying medical condition" means a diagnosis of any of the following conditions:

- (1) cancer, if the underlying condition or treatment produces one or more of the following:
 - (i) severe or chronic pain;
 - (ii) nausea or severe vomiting; or

- (iii) cachexia or severe wasting;
- (2) glaucoma;
- (3) human immunodeficiency virus or acquired immune deficiency syndrome;
- (4) Tourette's syndrome;
- (5) amyotrophic lateral sclerosis;
- (6) seizures, including those characteristic of epilepsy;
- (7) severe and persistent muscle spasms, including those characteristic of multiple sclerosis;
- (8) Crohn's disease;
- (9) terminal illness, with a probable life expectancy of under one year, if the illness or its treatment produces one or more of the following:
 - (i) severe or chronic pain;
 - (ii) nausea or severe vomiting; or
 - (iii) cachexia or severe wasting; or
- (10) any other medical condition or its treatment approved by the commissioner.

Sec. 3. [152.23] LIMITATIONS.

(a) Nothing in sections 152.22 to 152.37 permits any person to engage in and does not prevent the imposition of any civil, criminal, or other penalties for:

- (1) undertaking any task under the influence of medical cannabis that would constitute negligence or professional malpractice;
- (2) possessing or engaging in the use of medical cannabis:
 - (i) on a school bus or van;
 - (ii) on the grounds of any preschool or primary or secondary school;
 - (iii) in any correctional facility; or
 - (iv) on the grounds of any child care facility or home daycare;
- (3) vaporizing medical cannabis pursuant to section 152.22, subdivision 6:
 - (i) on any form of public transportation;
 - (ii) where the vapor would be inhaled by a nonpatient minor child; or
 - (iii) in any public place, including any indoor or outdoor area used by or open to the general public or a place of employment as defined under section 144.413, subdivision 1b; and
- (4) operating, navigating, or being in actual physical control of any motor vehicle, aircraft, train, or motorboat, or working on transportation property, equipment, or facilities while under the influence of medical cannabis.

(b) Nothing in sections 152.22 to 152.37 require the medical assistance and MinnesotaCare programs to reimburse an enrollee or a provider for costs associated with the medical use of cannabis. Medical assistance and MinnesotaCare shall continue to provide coverage for all services related to treatment of an enrollee's qualifying medical condition if the service is covered under chapter 256B or 256L.

Sec. 4. [152.24] FEDERALLY APPROVED CLINICAL TRIALS.

The commissioner may prohibit enrollment of a patient in the registry program if the patient is simultaneously enrolled in a federally approved clinical trial for the treatment of a qualifying medical condition with medical cannabis. The commissioner shall provide information to all patients enrolled in the registry program on the existence of federally approved clinical trials for the treatment of the patient's qualifying medical condition with medical cannabis as an alternative to enrollment in the patient registry program.

Sec. 5. [152.25] COMMISSIONER DUTIES.

Subdivision 1. **Medical cannabis manufacturer registration.** (a) The commissioner shall register two in-state manufacturers for the production of all medical cannabis within the state by December 1, 2014, unless the commissioner obtains an adequate supply of federally sourced medical cannabis by August 1, 2014. The commissioner shall register new manufacturers or reregister the existing manufacturers by December 1 of each year, using the factors described in paragraph (c). The commissioner shall continue to accept applications after December 1, 2014, if two manufacturers that meet the qualifications set forth in this subdivision do not apply before December 1, 2014. The commissioner's determination that no manufacturer exists to fulfill the duties under sections 152.22 to 152.37 is subject to judicial review in Ramsey County District Court. Data submitted during the application process are private data on individuals or nonpublic data as defined in section 13.02 until the manufacturer is registered under this section. Data on a manufacturer that is registered are public data, unless the data are trade secret or security information under section 13.37.

(b) As a condition for registration, a manufacturer must agree to:

(1) begin supplying medical cannabis to patients by July 1, 2015; and

(2) comply with all requirements under sections 152.22 to 152.37.

(c) The commissioner shall consider the following factors when determining which manufacturer to register:

(1) the technical expertise of the manufacturer in cultivating medical cannabis and converting the medical cannabis into an acceptable delivery method under section 152.22, subdivision 6;

(2) the qualifications of the manufacturer's employees;

(3) the long-term financial stability of the manufacturer;

(4) the ability to provide appropriate security measures on the premises of the manufacturer;

(5) whether the manufacturer has demonstrated an ability to meet the medical cannabis production needs required by sections 152.22 to 152.37; and

(6) the manufacturer's projection and ongoing assessment of fees on patients with a qualifying medical condition.

(d) The commissioner shall require each medical cannabis manufacturer to contract with an independent laboratory to test medical cannabis produced by the manufacturer. The commissioner shall approve the laboratory chosen by each manufacturer and require that the laboratory report testing results to the manufacturer in a manner determined by the commissioner.

Subd. 2. **Range of compounds and dosages; report.** The commissioner shall review and publicly report the existing medical and scientific literature regarding the range of recommended dosages for each qualifying condition and the range of chemical compositions of any plant of the genus cannabis that will likely be medically beneficial for each of the qualifying medical conditions. The commissioner shall make this information available to patients with qualifying medical conditions beginning December 1, 2014, and update the information annually. The commissioner may consult with the independent laboratory under contract with the manufacturer or other experts in reporting the range of recommended dosages for each qualifying medical condition, the range of chemical compositions that will likely be medically beneficial, and any risks of noncannabis drug interactions. The commissioner shall consult with each manufacturer on an annual basis on medical cannabis offered by the manufacturer. The list of medical cannabis offered by a manufacturer shall be published on the Department of Health Web site.

Subd. 3. **Deadlines.** (a) The commissioner shall adopt rules necessary for the manufacturer to begin distribution of medical cannabis to patients under the registry program by July 1, 2015, and have notice of proposed rules published in the State Register prior to January 1, 2015.

(b) The commissioner shall, by November 1, 2014, advise the public and the cochairs of the task force on medical cannabis therapeutic research established under section 152.36 if the commissioner is unable to register two manufacturers by the December 1, 2014, deadline. The commissioner shall provide a written statement as to the reason or reasons the deadline will not be met. Upon request of the commissioner, the task force shall extend the deadline by six months, but may not extend the deadline more than once.

(c) If notified by a manufacturer that distribution to patients may not begin by the July 1, 2015, deadline, the commissioner shall advise the public and the cochairs of the task force on medical cannabis therapeutic research. Upon notification by the commissioner, the task force shall extend the deadline by six months, but may not extend the deadline more than once.

Subd. 4. **Reports.** (a) The commissioner shall provide regular updates to the task force on medical cannabis therapeutic research regarding any changes in federal law or regulatory restrictions regarding the use of medical cannabis.

(b) The commissioner may submit medical research based on the data collected under sections 152.22 to 152.37 to any federal agency with regulatory or enforcement authority over medical cannabis to demonstrate the effectiveness of medical cannabis for treating a qualifying medical condition.

Sec. 6. **[152.26] RULEMAKING.**

The commissioner may adopt rules to implement sections 152.22 to 152.37. Rules for which notice is published in the State Register before January 1, 2015, may be adopted using the process in section 14.389.

Sec. 7. [152.27] PATIENT REGISTRY PROGRAM ESTABLISHED.

Subdivision 1. Patient registry program; establishment. (a) The commissioner shall establish a patient registry program to evaluate data on patient demographics, effective treatment options, clinical outcomes, and quality-of-life outcomes for the purpose of reporting on the benefits, risks, and outcomes regarding patients with a qualifying medical condition engaged in the therapeutic use of medical cannabis.

(b) The establishment of the registry program shall not be construed or interpreted to condone or promote the illicit recreational use of marijuana.

Subd. 2. Commissioner duties. (a) The commissioner shall:

(1) give notice of the program to health care practitioners in the state who are eligible to serve as health care practitioners and explain the purposes and requirements of the program;

(2) allow each health care practitioner who meets or agrees to meet the program's requirements and who requests to participate, to be included in the registry program to collect data for the patient registry;

(3) provide explanatory information and assistance to each health care practitioner in understanding the nature of therapeutic use of medical cannabis within program requirements;

(4) create and provide a certification to be used by a health care practitioner for the practitioner to certify whether a patient has been diagnosed with a qualifying medical condition and include in the certification an option for the practitioner to certify whether the patient, in the health care practitioner's medical opinion, is developmentally or physically disabled and, as a result of that disability, the patient is unable to self-administer medication or acquire medical cannabis from a distribution facility;

(5) supervise the participation of the health care practitioner in conducting patient treatment and health records reporting in a manner that ensures stringent security and record-keeping requirements and that prevents the unauthorized release of private data on individuals as defined by section 13.02;

(6) develop safety criteria for patients with a qualifying medical condition as a requirement of the patient's participation in the program, to prevent the patient from undertaking any task under the influence of medical cannabis that would constitute negligence or professional malpractice on the part of the patient; and

(7) conduct research and studies based on data from health records submitted to the registry program and submit reports on intermediate or final research results to the legislature and major scientific journals. The commissioner may contract with a third party to complete the requirements of this clause. Any reports submitted must comply with section 152.28, subdivision 2.

(b) If the commissioner wishes to add a delivery method under section 152.22, subdivision 6, or a qualifying medical condition under section 152.22, subdivision 14, the commissioner must notify the chairs and ranking minority members of the legislative policy committees having jurisdiction over health and public safety of the addition and the reasons for its addition, including any written comments received by the commissioner from the public and any guidance received from the task force on medical cannabis research, by January 15 of the year in which the commissioner wishes to make the change. The change shall be effective on August 1 of that year, unless the legislature by law provides otherwise.

Subd. 3. **Patient application.** (a) The commissioner shall develop a patient application for enrollment into the registry program. The application shall be available to the patient and given to health care practitioners in the state who are eligible to serve as health care practitioners. The application must include:

- (1) the name, mailing address, and date of birth of the patient;
- (2) the name, mailing address, and telephone number of the patient's health care practitioner;
- (3) the name, mailing address, and date of birth of the patient's designated caregiver, if any, or the patient's parent or legal guardian if the parent or legal guardian will be acting as a caregiver;
- (4) a copy of the certification from the patient's health care practitioner that is dated within 90 days prior to submitting the application which certifies that the patient has been diagnosed with a qualifying medical condition and, if applicable, that, in the health care practitioner's medical opinion, the patient is developmentally or physically disabled and, as a result of that disability, the patient is unable to self-administer medication or acquire medical cannabis from a distribution facility; and
- (5) all other signed affidavits and enrollment forms required by the commissioner under sections 152.22 to 152.37, including, but not limited to, the disclosure form required under paragraph (c).

(b) The commissioner shall require a patient to resubmit a copy of the certification from the patient's health care practitioner on a yearly basis and shall require that the recertification be dated within 90 days of submission.

(c) The commissioner shall develop a disclosure form and require, as a condition of enrollment, all patients to sign a copy of the disclosure. The disclosure must include:

- (1) a statement that, notwithstanding any law to the contrary, the commissioner, or an employee of any state agency, may not be held civilly or criminally liable for any injury, loss of property, personal injury, or death caused by any act or omission while acting within the scope of office or employment under sections 152.22 to 152.37; and
- (2) the patient's acknowledgement that enrollment in the patient registry program is conditional on the patient's agreement to meet all of the requirements of sections 152.22 to 152.37.

Subd. 4. **Registered designated caregiver.** (a) The commissioner shall register a designated caregiver for a patient if the patient's health care practitioner has certified that the patient, in the health care practitioner's medical opinion, is developmentally or physically disabled and, as a result of that disability, the patient is unable to self-administer medication or acquire medical cannabis from a distribution facility and the caregiver has agreed, in writing, to be the patient's designated caregiver. As a condition of registration as a designated caregiver, the commissioner shall require the person to:

- (1) be at least 21 years of age;
- (2) agree to only possess any medical cannabis for purposes of assisting the patient; and
- (3) agree that if the application is approved, the person will not be a registered designated caregiver for more than one patient, unless the patients reside in the same residence.

(b) The commissioner shall conduct a criminal background check on the designated caregiver prior to registration to ensure that the person does not have a conviction for a disqualifying felony

offense. Any cost of the background check shall be paid by the person seeking registration as a designated caregiver.

Subd. 5. **Parents or legal guardians.** A parent or legal guardian of a patient may act as the caregiver to the patient without having to register as a designated caregiver. The parent or legal guardian shall follow all of the requirements of parents and legal guardians listed in sections 152.22 to 152.37. Nothing in sections 152.22 to 152.37 limits any legal authority a parent or legal guardian may have for the patient under any other law.

Subd. 6. **Patient enrollment.** (a) After receipt of a patient's application and signed disclosure, the commissioner shall enroll the patient in the registry program and issue the patient and patient's registered designated caregiver or parent or legal guardian, if applicable, a registry verification. A patient's enrollment in the registry program shall only be denied if the patient:

(1) does not have certification from a health care practitioner that the patient has been diagnosed with a qualifying medical condition;

(2) has not signed and returned the disclosure form required under subdivision 3, paragraph (c), to the commissioner;

(3) does not provide the information required;

(4) has previously been removed from the registry program for violations of section 152.30 or 152.33; or

(5) provides false information.

(b) The commissioner shall give written notice to a patient of the reason for denying enrollment in the registry program.

(c) Denial of enrollment into the registry program is considered a final decision of the commissioner and is subject to judicial review under the Administrative Procedure Act pursuant to chapter 14.

(d) A patient's enrollment in the registry program may only be revoked if a patient violates a requirement under section 152.30 or 152.33.

(e) The commissioner shall develop a registry verification to provide to the patient, the health care practitioner identified in the patient's application, and to the manufacturer. The registry verification shall include:

(1) the patient's name and date of birth;

(2) the patient registry number assigned to the patient;

(3) the patient's qualifying medical condition as provided by the patient's health care practitioner in the certification; and

(4) the name and date of birth of the patient's registered designated caregiver, if any, or the name of the patient's parent or legal guardian if the parent or legal guardian will be acting as a caregiver.

Subd. 7. **Notice requirements.** Patients and registered designated caregivers shall notify the commissioner of any address or name change within 30 days of the change having occurred.

A patient or registered designated caregiver is subject to a \$100 fine for failure to notify the commissioner of the change.

Sec. 8. **[152.28] HEALTH CARE PRACTITIONER DUTIES.**

Subdivision 1. **Health care practitioner duties.** (a) Prior to a patient's enrollment in the registry program, a health care practitioner shall:

(1) determine, in the health care practitioner's medical judgment, whether a patient suffers from a qualifying medical condition, and, if so determined, provide the patient with a certification of that diagnosis;

(2) determine whether a patient is developmentally or physically disabled and, as a result of that disability, the patient is unable to self-administer medication or acquire medical cannabis from a distribution facility, and, if so determined, include that determination on the patient's certification of diagnosis;

(3) advise patients, registered designated caregivers, and parents or legal guardians who are acting as caregivers of the existence of any nonprofit patient support groups or organizations;

(4) provide explanatory information from the commissioner to patients with qualifying medical conditions, including disclosure to all patients about the experimental nature of therapeutic use of medical cannabis; the possible risks, benefits, and side effects of the proposed treatment; the application and other materials from the commissioner; and provide patients with the Tennessee warning as required by section 13.04, subdivision 2; and

(5) agree to continue treatment of the patient's qualifying medical condition and report medical findings to the commissioner.

(b) Upon notification from the commissioner of the patient's enrollment in the registry program, the health care practitioner shall:

(1) participate in the patient registry reporting system under the guidance and supervision of the commissioner;

(2) report health records of the patient throughout the ongoing treatment of the patient to the commissioner in a manner determined by the commissioner and in accordance with subdivision 2;

(3) determine, on a yearly basis, if the patient continues to suffer from a qualifying medical condition and, if so, issue the patient a new certification of that diagnosis; and

(4) otherwise comply with all requirements developed by the commissioner.

(c) Nothing in this section requires a health care practitioner to participate in the registry program.

Subd. 2. **Data.** Data collected on patients by a health care practitioner and reported to the patient registry are health records under section 144.291, and are private data on individuals under section 13.02, but may be used or reported in an aggregated, nonidentifiable form as part of a scientific, peer-reviewed publication of research conducted under section 152.25 or in the creation of summary data, as defined in section 13.02, subdivision 19.

Sec. 9. [152.29] MANUFACTURER OF MEDICAL CANNABIS DUTIES.

Subdivision 1. **Manufacturer; requirements.** (a) A manufacturer shall operate four distribution facilities, which may include the manufacturer's single location for cultivation, harvesting, manufacturing, packaging, and processing but is not required to include that location. A manufacturer is required to begin distribution of medical cannabis from at least one distribution facility by July 1, 2015. All distribution facilities must be operational and begin distribution of medical cannabis by July 1, 2016. The distribution facilities shall be located based on geographical need throughout the state to improve patient access. A manufacturer shall disclose the proposed locations for the distribution facilities to the commissioner during the registration process. A manufacturer shall operate only one location where all cultivation, harvesting, manufacturing, packaging, and processing shall be conducted. Any additional distribution facilities may dispense medical cannabis and medical cannabis products but may not contain any medical cannabis in a form other than those forms allowed under section 152.22, subdivision 6, and the manufacturer shall not conduct any cultivation, harvesting, manufacturing, packaging, or processing at an additional distribution facility site. Any distribution facility operated by the manufacturer is subject to all of the requirements applying to the manufacturer under sections 152.22 to 152.37, including, but not limited to, security and distribution requirements.

(b) A medical cannabis manufacturer shall contract with a laboratory, subject to the commissioner's approval of the laboratory and any additional requirements set by the commissioner, for purposes of testing medical cannabis manufactured by the medical cannabis manufacturer as to content, contamination, and consistency to verify the medical cannabis meets the requirements of section 152.22, subdivision 6. The cost of laboratory testing shall be paid by the manufacturer.

(c) The operating documents of a manufacturer must include:

(1) procedures for the oversight of the manufacturer and procedures to ensure accurate record keeping; and

(2) procedures for the implementation of appropriate security measures to deter and prevent the theft of medical cannabis and unauthorized entrance into areas containing medical cannabis.

(d) A manufacturer shall implement security requirements, including requirements for protection of each location by a fully operational security alarm system, facility access controls, perimeter intrusion detection systems, and a personnel identification system.

(e) A manufacturer shall not share office space with, refer patients to a health care practitioner, or have any financial relationship with a health care practitioner.

(f) A manufacturer shall not permit any person to consume medical cannabis on the property of the manufacturer.

(g) A manufacturer is subject to reasonable inspection by the commissioner.

(h) For purposes of sections 152.22 to 152.37, a medical cannabis manufacturer is not subject to the Board of Pharmacy licensure or regulatory requirements under chapter 151.

(i) A medical cannabis manufacturer may not employ any person who is under 21 years of age or who has been convicted of a disqualifying felony offense. An employee of a medical cannabis manufacturer must submit a completed criminal history records check consent form, a full set of classifiable fingerprints, and the required fees for submission to the Bureau of Criminal

Apprehension before an employee may begin working with the manufacturer. The bureau must conduct a Minnesota criminal history records check and the superintendent is authorized to exchange the fingerprints with the Federal Bureau of Investigation to obtain the applicant's national criminal history record information. The bureau shall return the results of the Minnesota and federal criminal history records checks to the commissioner.

(j) A manufacturer may not operate in any location, whether for distribution or cultivation, harvesting, manufacturing, packaging, or processing, within 1,000 feet of a public or private school existing before the date of the manufacturer's registration with the commissioner.

(k) A manufacturer shall comply with reasonable restrictions set by the commissioner relating to signage, marketing, display, and advertising of medical cannabis.

Subd. 2. Manufacturer; production. (a) A manufacturer of medical cannabis shall provide a reliable and ongoing supply of all medical cannabis needed for the registry program.

(b) All cultivation, harvesting, manufacturing, packaging, and processing of medical cannabis must take place in an enclosed, locked facility at a physical address provided to the commissioner during the registration process.

(c) A manufacturer must process and prepare any medical cannabis plant material into a form allowable under section 152.22, subdivision 6, prior to distribution of any medical cannabis.

Subd. 3. Manufacturer; distribution. (a) A manufacturer shall require that employees licensed as pharmacists pursuant to chapter 151 be the only employees to distribute the medical cannabis to a patient.

(b) A manufacturer may dispense medical cannabis products, whether or not the products have been manufactured by the manufacturer, but is not required to dispense medical cannabis products.

(c) Prior to distribution of any medical cannabis, the manufacturer shall:

(1) verify that the manufacturer has received the registry verification from the commissioner for that individual patient;

(2) verify that the person requesting the distribution of medical cannabis is the patient, the patient's registered designated caregiver, or the patient's parent or legal guardian listed in the registry verification using the procedures described in section 152.11, subdivision 2d;

(3) assign a tracking number to any medical cannabis distributed from the manufacturer;

(4) ensure that any employee of the manufacturer licensed as a pharmacist pursuant to chapter 151 has consulted with the patient to determine the proper dosage for the individual patient after reviewing the ranges of chemical compositions of the medical cannabis and the ranges of proper dosages reported by the commissioner;

(5) properly package medical cannabis in compliance with the United States Poison Prevention Packing Act regarding child resistant packaging and exemptions for packaging for elderly patients, and label distributed medical cannabis with a list of all active ingredients and individually identifying information, including:

(i) the patient's name and date of birth;

(ii) the name and date of birth of the patient's registered designated caregiver or, if listed on the registry verification, the name of the patient's parent or legal guardian, if applicable;

(iii) the patient's registry identification number;

(iv) the chemical composition of the medical cannabis; and

(v) the dosage; and

(6) ensure that the medical cannabis distributed contains a maximum of a 30-day supply of the dosage determined for that patient.

(d) A manufacturer shall require any employee of the manufacturer who is transporting medical cannabis or medical cannabis products to a distribution facility to carry identification showing that the person is an employee of the manufacturer.

Subd. 4. **Report.** Each manufacturer shall report to the commissioner on a monthly basis the following information on each individual patient for the month prior to the report:

(1) the amount and dosages of medical cannabis distributed;

(2) the chemical composition of the medical cannabis; and

(3) the tracking number assigned to any medical cannabis distributed.

Sec. 10. [152.30] PATIENT DUTIES.

(a) A patient shall apply to the commissioner for enrollment in the registry program by submitting an application as required in section 152.27 and an annual registration fee as determined under section 152.35.

(b) As a condition of continued enrollment, patients shall agree to:

(1) continue to receive regularly scheduled treatment for their qualifying medical condition from their health care practitioner; and

(2) report changes in their qualifying medical condition to their health care practitioner.

(c) A patient shall only receive medical cannabis from a registered manufacturer but is not required to receive medical cannabis products from only a registered manufacturer.

Sec. 11. [152.31] DATA PRACTICES.

(a) Government data in patient files maintained by the commissioner and the health care practitioner, and data submitted to or by a medical cannabis manufacturer, are private data on individuals, as defined in section 13.02, subdivision 12, or nonpublic data, as defined in section 13.02, subdivision 9, but may be used for purposes of complying with chapter 13 and complying with a request from the legislative auditor or the state auditor in the performance of official duties. The provisions of section 13.05, subdivision 11, apply to a registration agreement entered between the commissioner and a medical cannabis manufacturer under section 152.25.

(b) Not public data maintained by the commissioner may not be used for any purpose not provided for in sections 152.22 to 152.37, and may not be combined or linked in any manner with any other list, dataset, or database.

Sec. 12. [152.32] PROTECTIONS FOR REGISTRY PROGRAM PARTICIPATION.

Subdivision 1. **Presumption.** (a) There is a presumption that a patient enrolled in the registry program under sections 152.22 to 152.37 is engaged in the authorized use of medical cannabis.

(b) The presumption may be rebutted by evidence that conduct related to use of medical cannabis was not for the purpose of treating or alleviating the patient's qualifying medical condition or symptoms associated with the patient's qualifying medical condition.

Subd. 2. **Criminal and civil protections.** (a) Subject to section 152.23, the following are not violations under this chapter:

(1) use or possession of medical cannabis or medical cannabis products by a patient enrolled in the registry program, or possession by a registered designated caregiver or the parent or legal guardian of a patient if the parent or legal guardian is listed on the registry verification;

(2) possession, dosage determination, or sale of medical cannabis or medical cannabis products by a medical cannabis manufacturer, employees of a manufacturer, a laboratory conducting testing on medical cannabis, or employees of the laboratory; and

(3) possession of medical cannabis or medical cannabis products by any person while carrying out the duties required under sections 152.22 to 152.37.

(b) Medical cannabis obtained and distributed pursuant to sections 152.22 to 152.37 and associated property is not subject to forfeiture under sections 609.531 to 609.5316.

(c) The commissioner, the commissioner's staff, the commissioner's agents or contractors and any health care practitioner are not subject to any civil or disciplinary penalties by the Board of Medical Practice, the Board of Nursing, or by any business, occupational, or professional licensing board or entity, solely for the participation in the registry program under sections 152.22 to 152.37. A pharmacist licensed under chapter 151 is not subject to any civil or disciplinary penalties by the Board of Pharmacy when acting in accordance with the provisions of sections 152.22 to 152.37. Nothing in this section affects a professional licensing board from taking action in response to violations of any other section of law.

(d) Notwithstanding any law to the contrary, the commissioner, the governor of Minnesota, or an employee of any state agency may not be held civilly or criminally liable for any injury, loss of property, personal injury, or death caused by any act or omission while acting within the scope of office or employment under sections 152.22 to 152.37.

(e) Federal, state, and local law enforcement authorities are prohibited from accessing the patient registry under sections 152.22 to 152.37 except when acting pursuant to a valid search warrant.

(f) Notwithstanding any law to the contrary, neither the commissioner nor a public employee may release data or information about an individual contained in any report, document, or registry created under sections 152.22 to 152.37 or any information obtained about a patient participating in the program, except as provided in sections 152.22 to 152.37.

(g) No information contained in a report, document, registry, or obtained from a patient under sections 152.22 to 152.37 may be admitted as evidence in a criminal proceeding unless independently obtained or in connection with a proceeding involving a violation of sections 152.22 to 152.37.

(h) Notwithstanding section 13.09, any person who violates paragraph (e) or (f) is guilty of a gross misdemeanor.

(i) An attorney may not be subject to disciplinary action by the Minnesota Supreme Court or professional responsibility board for providing legal assistance to prospective or registered manufacturers or others related to activity that is no longer subject to criminal penalties under state law pursuant to sections 152.22 to 152.37.

(j) Possession of a registry verification or application for enrollment in the program by a person entitled to possess or apply for enrollment in the registry program does not constitute probable cause or reasonable suspicion, nor shall it be used to support a search of the person or property of the person possessing or applying for the registry verification, or otherwise subject the person or property of the person to inspection by any governmental agency.

Subd. 3. Discrimination prohibited. (a) No school or landlord may refuse to enroll or lease to and may not otherwise penalize a person solely for the person's status as a patient enrolled in the registry program under sections 152.22 to 152.37, unless failing to do so would violate federal law or regulations or cause the school or landlord to lose a monetary or licensing-related benefit under federal law or regulations.

(b) For the purposes of medical care, including organ transplants, a registry program enrollee's use of medical cannabis under sections 152.22 to 152.37 is considered the equivalent of the authorized use of any other medication used at the discretion of a physician and does not constitute the use of an illicit substance or otherwise disqualify a patient from needed medical care.

(c) Unless a failure to do so would violate federal law or regulations or cause an employer to lose a monetary or licensing-related benefit under federal law or regulations, an employer may not discriminate against a person in hiring, termination, or any term or condition of employment, or otherwise penalize a person, if the discrimination is based upon either of the following:

(1) the person's status as a patient enrolled in the registry program under sections 152.22 to 152.37; or

(2) a patient's positive drug test for cannabis components or metabolites, unless the patient used, possessed, or was impaired by medical cannabis on the premises of the place of employment or during the hours of employment.

(d) An employee who is required to undergo employer drug testing pursuant to section 181.953 may present verification of enrollment in the patient registry as part of the employee's explanation under section 181.953, subdivision 6.

(e) A person shall not be denied custody of a minor child or visitation rights or parenting time with a minor child solely based on the person's status as a patient enrolled in the registry program under sections 152.22 to 152.37. There shall be no presumption of neglect or child endangerment for conduct allowed under sections 152.22 to 152.37, unless the person's behavior is such that it creates an unreasonable danger to the safety of the minor as established by clear and convincing evidence.

Sec. 13. [152.33] VIOLATIONS.

Subdivision 1. Intentional diversion; criminal penalty. In addition to any other applicable penalty in law, a manufacturer or an agent of a manufacturer who intentionally transfers medical

cannabis to a person other than a patient, a registered designated caregiver or, if listed on the registry verification, a parent or legal guardian of a patient is guilty of a felony punishable by imprisonment for not more than two years or by payment of a fine of not more than \$3,000, or both. A person convicted under this subdivision may not continue to be affiliated with the manufacturer and is disqualified from further participation under sections 152.22 to 152.37.

Subd. 2. Diversion by patient, registered designated caregiver, or parent; criminal penalty. In addition to any other applicable penalty in law, a patient, registered designated caregiver or, if listed on the registry verification, a parent or legal guardian of a patient who intentionally sells or otherwise transfers medical cannabis to a person other than a patient, designated registered caregiver or, if listed on the registry verification, a parent or legal guardian of a patient is guilty of a felony punishable by imprisonment for not more than two years or by payment of a fine of not more than \$3,000, or both.

Subd. 3. False statement; criminal penalty. A person who intentionally makes a false statement to a law enforcement official about any fact or circumstance relating to the medical use of cannabis to avoid arrest or prosecution is guilty of a misdemeanor punishable by imprisonment for not more than 90 days or by payment of a fine of not more than \$1,000, or both. The penalty is in addition to any other penalties that may apply for making a false statement or for the possession, cultivation, or sale of cannabis not protected by sections 152.22 to 152.37. If a person convicted of violating this subdivision is a patient or a registered designated caregiver, the person is disqualified from further participation under sections 152.22 to 152.37.

Subd. 4. Submission of false records; criminal penalty. A person who knowingly submits false records or documentation required by the commissioner to register as a manufacturer of medical cannabis under sections 152.22 to 152.37 is guilty of a felony and may be sentenced to imprisonment for not more than two years or by payment of a fine of not more than \$3,000, or both.

Subd. 5. Violation by health care practitioner; criminal penalty. A health care practitioner who knowingly refers patients to a manufacturer or to a designated caregiver, who advertises as a manufacturer, or who issues certifications while holding a financial interest in a manufacturer is guilty of a misdemeanor and may be sentenced to imprisonment for not more than 90 days or by payment of a fine of not more than \$1,000, or both.

Subd. 6. Other violations; civil penalty. A manufacturer shall be fined up to \$1,000 for any violation of sections 152.22 to 152.37, or the regulations issued pursuant to them, where no penalty has been specified. This penalty is in addition to any other applicable penalties in law.

Sec. 14. [152.34] NURSING FACILITIES.

Nursing facilities licensed under chapter 144A, boarding care homes licensed under section 144.50, and assisted living facilities may adopt reasonable restrictions on the use of medical cannabis by a patient enrolled in the registry program who resides at the facility. The restrictions may include a provision that the facility will not store or maintain the patient's supply of medical cannabis, that the facility is not responsible for providing the medical cannabis for patients, and that medical cannabis be used only in a place specified by the facility. Nothing contained in this section shall require the facilities to adopt such restrictions and no facility shall unreasonably limit a patient's access to or use of medical cannabis to the extent that use is authorized by the patient under sections 152.22 to 152.37.

Sec. 15. [152.35] FEES; DEPOSIT OF REVENUE.

(a) The commissioner shall collect an enrollment fee of \$200 from patients enrolled under this section. If the patient attests to receiving Social Security disability, Supplemental Security Insurance payments, or being enrolled in medical assistance or MinnesotaCare, then the fee shall be \$50. The fees shall be payable annually and are due on the anniversary date of the patient's enrollment. The fee amount shall be deposited in the state treasury and credited to the state government special revenue fund.

(b) The commissioner shall collect an application fee of \$20,000 from each entity submitting an application for registration as a medical cannabis manufacturer. Revenue from the fee shall be deposited in the state treasury and credited to the state government special revenue fund.

(c) The commissioner shall establish and collect an annual fee from a medical cannabis manufacturer equal to the cost of regulating and inspecting the manufacturer in that year. Revenue from the fee amount shall be deposited in the state treasury and credited to the state government special revenue fund.

(d) A medical cannabis manufacturer may charge patients enrolled in the registry program a reasonable fee for costs associated with the operations of the manufacturer. The manufacturer may establish a sliding scale of patient fees based upon a patient's household income and may accept private donations to reduce patient fees.

Sec. 16. [152.36] IMPACT ASSESSMENT OF MEDICAL CANNABIS THERAPEUTIC RESEARCH.

Subdivision 1. Task force on medical cannabis therapeutic research. (a) A 23-member task force on medical cannabis therapeutic research is created to conduct an impact assessment of medical cannabis therapeutic research. The task force shall consist of the following members:

(1) two members of the house of representatives, one selected by the speaker of the house, the other selected by the minority leader;

(2) two members of the senate, one selected by the majority leader, the other selected by the minority leader;

(3) four members representing consumers or patients enrolled in the registry program, including at least two parents of patients under age 18;

(4) four members representing health care providers, including one licensed pharmacist;

(5) four members representing law enforcement, one from the Minnesota Chiefs of Police Association, one from the Minnesota Sheriff's Association, one from the Minnesota Police and Peace Officers Association, and one from the Minnesota County Attorneys Association;

(6) four members representing substance use disorder treatment providers; and

(7) the commissioners of health, human services, and public safety.

(b) Task force members listed under paragraph (a), clauses (3), (4), (5), and (6), shall be appointed by the governor under the appointment process in section 15.0597. Members shall serve on the task force at the pleasure of the appointing authority. All members must be appointed by

July 15, 2014, and the commissioner of health shall convene the first meeting of the task force by August 1, 2014.

(c) There shall be two cochair of the task force chosen from the members listed under paragraph (a). One cochair shall be selected by the speaker of the house and the other cochair shall be selected by the majority leader of the senate. The authority to convene meetings shall alternate between the cochairs.

(d) Members of the task force other than those in paragraph (a), clauses (1), (2), and (7), shall receive expenses as provided in section 15.059, subdivision 6.

Subd. 2. **Impact assessment.** The task force shall hold hearings to conduct an assessment that evaluates the impact of the use of medical cannabis and evaluates Minnesota's activities and other states' activities involving medical cannabis, and offer analysis of:

- (1) program design and implementation;
- (2) the impact on the health care provider community;
- (3) patient experiences;
- (4) the impact on the incidence of substance abuse;
- (5) access to and quality of medical cannabis and medical cannabis products;
- (6) the impact on law enforcement and prosecutions;
- (7) public awareness and perception; and
- (8) any unintended consequences.

Subd. 3. **Cost assessment.** By January 15 of each year, beginning January 15, 2015, and ending January 15, 2019, the commissioners of state departments impacted by the medical cannabis therapeutic research study shall report to the cochair of the task force on the costs incurred by each department on implementing sections 152.22 to 152.37. The reports must compare actual costs to the estimated costs of implementing these sections and must be submitted to the task force on medical cannabis therapeutic research.

Subd. 4. **Reports to the legislature.** (a) The cochair of the task force shall submit the following reports to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over health and human services, public safety, judiciary, and civil law:

- (1) by February 1, 2015, a report on the design and implementation of the registry program; and every two years thereafter, a complete impact assessment report; and
- (2) upon receipt of a cost assessment from a commissioner of a state agency, the completed cost assessment.

(b) The task force may make recommendations to the legislature on whether to add or remove conditions from the list of qualifying medical conditions.

Subd. 5. **Expiration.** The task force on medical cannabis therapeutic research does not expire.

Sec. 17. [152.37] FINANCIAL EXAMINATIONS; PRICING REVIEWS.

Subdivision 1. **Financial records.** A medical cannabis manufacturer shall maintain detailed financial records in a manner and format approved by the commissioner, and shall keep all records updated and accessible to the commissioner when requested.

Subd. 2. **Certified annual audit.** A medical cannabis manufacturer shall submit the results of an annual certified financial audit to the commissioner no later than May 1 of each year. The annual audit shall be conducted by an independent certified public accountant and the costs of the audit are the responsibility of the medical cannabis manufacturer. Results of the audit shall be provided to the medical cannabis manufacturer and the commissioner. The commissioner may also require another audit of the medical cannabis manufacturer by a certified public accountant chosen by the commissioner with the costs of the audit paid by the medical cannabis manufacturer.

Subd. 3. **Power to examine.** (a) The commissioner or designee may examine the business affairs and conditions of any medical cannabis manufacturer, including but not limited to a review of the financing, budgets, revenues, sales, and pricing.

(b) An examination may cover the medical cannabis manufacturer's business affairs, practices, and conditions including but not limited to a review of the financing, budgets, revenues, sales, and pricing. The commissioner shall determine the nature and scope of each examination and in doing so shall take into account all available relevant factors concerning the financial and business affairs, practices, and conditions of the examinee. The costs incurred by the department in conducting an examination shall be paid for by the medical cannabis manufacturer.

(c) When making an examination under this section, the commissioner may retain attorneys, appraisers, independent economists, independent certified public accountants, or other professionals and specialists as designees. A certified public accountant retained by the commissioner may not be the same certified public accountant providing the certified annual audit in subdivision 2.

(d) The commissioner shall make a report of an examination conducted under this section and provide a copy to the medical cannabis manufacturer. The commissioner shall then post a copy of the report on the department's Web site. All working papers, recorded information, documents, and copies produced by, obtained by, or disclosed to the commissioner or any other person in the course of an examination, other than the information contained in any commissioner official report, made under this section are private data on individuals or nonpublic data, as defined in section 13.02.

Sec. 18. Minnesota Statutes 2012, section 256B.0625, subdivision 13d, is amended to read:

Subd. 13d. **Drug formulary.** (a) 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.

(b) The formulary shall not include:

(1) drugs, active pharmaceutical ingredients, or products for which there is no federal funding;

(2) over-the-counter drugs, except as provided in subdivision 13;

(3) drugs or active pharmaceutical ingredients used for weight loss, except that medically necessary lipase inhibitors may be covered for a recipient with type II diabetes;

(4) drugs or active pharmaceutical ingredients when used for the treatment of impotence or erectile dysfunction;

(5) drugs or active pharmaceutical ingredients for which medical value has not been established; and

(6) 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; and

(7) medical cannabis as defined in section 152.22, subdivision 6.

(c) If a single-source drug used by at least two percent of the fee-for-service medical assistance recipients is removed from the formulary due to the failure of the manufacturer to sign a rebate agreement with the Department of Health and Human Services, the commissioner shall notify prescribing practitioners within 30 days of receiving notification from the Centers for Medicare and Medicaid Services (CMS) that a rebate agreement was not signed.

Sec. 19. **RULES; ADVERSE INCIDENTS.**

(a) The commissioner of health shall adopt rules to establish requirements for reporting incidents when individuals who are not authorized to possess medical cannabis under Minnesota Statutes, sections 152.22 to 152.37, are found in possession of medical cannabis. The rules must identify professionals required to report, the information they are required to report, and actions the reporter must take to secure the medical cannabis.

(b) The commissioner of health shall adopt rules to establish requirements for law enforcement officials and health care professionals to report incidents involving an overdose of medical cannabis to the commissioner of health.

(c) Rules must include the method by which the commissioner will collect and tabulate reports of unauthorized possession and overdose.

Sec. 20. **INTRACTABLE PAIN.**

The commissioner of health shall consider the addition of intractable pain, as defined in Minnesota Statutes, section 152.125, subdivision 1, to the list of qualifying medical conditions under Minnesota Statutes, section 152.22, subdivision 14, prior to the consideration of any other new qualifying medical conditions. The commissioner shall report findings on the need for adding intractable pain to the list of qualifying medical conditions to the task force established under Minnesota Statutes, section 152.36, no later than July 1, 2016.

Sec. 21. **APPROPRIATIONS; MEDICAL CANNABIS RESEARCH.**

Subdivision 1. **Health Department.** \$2,795,000 is appropriated in fiscal year 2015 from the general fund to the commissioner of health for the costs of administering Minnesota Statutes, sections 152.22 to 152.37. The base for this appropriation is \$829,000 in fiscal year 2016 and \$728,000 in fiscal year 2017.

Subd. 2. **Legislative Coordinating Commission.** \$24,000 is appropriated in fiscal year 2015 from the general fund to the Legislative Coordinating Commission to administer the task force on medical cannabis therapeutic research under Minnesota Statutes, section 152.36, and for the task force to conduct the impact assessment on the use of cannabis for medicinal purposes.

Subd. 3. **Health Department.** \$100,000 is appropriated in fiscal year 2015 from the state government special revenue fund to the commissioner of health for the costs of implementing Minnesota Statutes, sections 152.22 to 152.37. The base for this appropriation is \$834,000 in fiscal year 2016 and \$729,000 in fiscal year 2017.

Sec. 22. **EFFECTIVE DATE.**

Sections 1 to 21 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to health; providing for medical cannabis registry program; authorizing rulemaking; establishing duties of patients, health care practitioners, and manufacturer of medical cannabis; establishing patient protections; imposing penalties; establishing fees; requiring impact assessment of medical cannabis therapeutic research; requiring audits; appropriating money; amending Minnesota Statutes 2012, sections 13.3806, by adding a subdivision; 256B.0625, subdivision 13d; proposing coding for new law in Minnesota Statutes, chapter 152."

We request the adoption of this report and repassage of the bill.

Senate Conferees: D. Scott Dibble, Tony Lourey

House Conferees: Carly Melin, Erin Murphy, Rod Hamilton

Senator Dibble moved that the foregoing recommendations and Conference Committee Report on S.F. No. 2470 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 2470 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

The roll was called, and there were yeas 46 and nays 16, as follows:

Those who voted in the affirmative were:

Bakk	Dziedzic	Kent	Rest	Thompson
Benson	Eken	Koenen	Saxhaug	Tomassoni
Bonoff	Franzen	Latz	Scalze	Torres Ray
Carlson	Goodwin	Lourey	Schmit	Weber
Chamberlain	Hall	Marty	Senjem	Wiger
Champion	Hawj	Metzen	Sheran	Wiklund
Clausen	Hayden	Newman	Sieben	
Cohen	Hoffman	Osmek	Skoe	
Dahle	Jensen	Pappas	Sparks	
Dibble	Johnson	Reinert	Stumpf	

Those who voted in the negative were:

Anderson	Gazelka	Nienow	Pratt
Brown	Hann	Ortman	Rosen
Dahms	Ingebrigtsen	Pederson, J.	Ruud
Eaton	Nelson	Petersen, B.	Westrom

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

MOTIONS AND RESOLUTIONS - CONTINUED

Senator Carlson moved that the name of Senator Clausen be added as a co-author to S.F. No. 1959. The motion prevailed.

RECESS

Senator Bakk 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.

CALL OF THE SENATE

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

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Messages From the House and First Reading of House Bills.

MESSAGES FROM THE HOUSE

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 2470, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 2470: A bill for an act relating to education; authorizing an innovative partnership to deliver certain technology and educational services; proposing coding for new law in Minnesota Statutes, chapter 123A.

Senate File No. 2470 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 16, 2014

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on House File No. 3172, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 3172 is herewith transmitted to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 16, 2014

CONFERENCE COMMITTEE REPORT ON H. F. NO. 3172

A bill for an act relating to state government; providing supplemental appropriations for higher education, jobs and economic development, public safety, corrections, transportation, environment, natural resources, and agriculture, kindergarten through grade 12 and adult education, health and human services; making forecast adjustments; modifying prior appropriations; modifying disposition of certain revenues; dedicating money to the Board of Trustees of the Minnesota State Colleges and Universities for compensation costs associated with settlement of employment contracts; dedicating certain funds for homeownership opportunities for families evicted or given notice of eviction due to a disabled child in the home; requiring the housing finance agency to improve efforts to reduce racial and ethnic inequalities in homeownership rates; creating an office of regenerative medicine development; modifying workforce program outcomes; creating job training programs; providing funding for the Minnesota Racing Commission; providing a grant to the Mille Lacs Tourism Council; funding Peace Officer Standards and Training Board; modifying certain provisions pertaining to victims of domestic violence and sentencing for criminal sexual conduct; continuing the fire safety advisory committee; providing for disaster assistance for public entities when federal aid is granted and when federal aid is absent; establishing certain transportation oversight authority; modifying provisions for railroad and pipeline safety; modifying certain transportation provisions; providing compensation for bee deaths due to pesticide poisoning; establishing pollinator emergency response team; providing nonresident off-highway motorcycle state trail pass; requiring certain recycling; modifying solid waste reduction; regulating harmful chemicals in children's products; providing for state parks and trails license plates, and licensing and inspection of commercial dog and cat breeders; providing for invasive terrestrial plants and pests center; providing funding and policy modifications for early childhood, kindergarten through grade 12, and adult education, including general education, education excellence, special education, facilities, nutrition, community education, self-sufficiency and lifelong learning, and state agencies; making changes to provisions governing the Department of Health, Department of Human Services, children and family services, continuing care, community first services and supports, health care, public assistance programs, and chemical dependency; providing for unborn child protection; modifying the hospital payment system; modifying provisions governing background studies and home and community-based services standards; setting fees; providing rate increases; establishing grant programs; modifying medical assistance provisions; modifying the use of positive support strategies and emergency manual restraint; providing for certain grants; defining terms; creating accounts; requiring reports; providing penalties; authorizing rulemaking; amending Minnesota Statutes 2012, sections 12.03, by adding subdivisions; 12.221, subdivision 4, by adding a subdivision; 12A.02, subdivision 2, by adding subdivisions; 12A.03, subdivision 3; 12A.15, subdivision 1; 13.46, subdivision 4; 13.643, subdivision 6; 13.7411, subdivision 8; 13.84, subdivisions 5, 6; 16A.28, by adding a subdivision; 18B.01, by adding subdivisions; 18B.03, by adding a subdivision; 18B.04; 84.788, subdivision 2; 85.053, subdivision 2; 85.34, subdivision 7; 85A.02, subdivision 2; 103G.271, subdivision 6; 115A.151; 115A.55, subdivision 4; 115A.551, subdivisions 1, 2a; 115A.557, subdivisions 2, 3; 115B.39, subdivision 2; 115E.01, by adding subdivisions; 115E.08, by adding subdivisions; 116.9401; 116.9402; 116.9403; 116.9405; 116.9406; 116L.98; 119B.09, subdivision 9a, by adding a subdivision; 121A.19; 122A.40, subdivision 13; 122A.41, subdivision 6; 122A.415, subdivision 1; 123A.05, subdivision 2; 123A.485; 123A.64; 123B.57, subdivision 6; 123B.71, subdivisions 8, 9; 124D.09, subdivisions 9, 13; 124D.111, by adding a subdivision; 124D.16, subdivision 2; 124D.522; 124D.531, subdivision 3; 124D.59, subdivision 2; 125A.76, subdivision 2; 126C.10, subdivisions

25, 26; 127A.45, subdivisions 2, 3; 127A.49, subdivisions 2, 3; 129C.10, subdivision 3, by adding a subdivision; 144.0724, as amended; 144.551, subdivision 1; 145.4131, subdivision 1; 165.15, subdivision 2; 169.826, by adding a subdivision; 169.8261, by adding a subdivision; 169.86, subdivision 5; 169.863, by adding a subdivision; 169.865, subdivisions 1, 2, by adding a subdivision; 169.866, subdivision 3, by adding a subdivision; 174.24, by adding a subdivision; 174.56, subdivision 1, by adding a subdivision; 179.02, by adding a subdivision; 181A.07, by adding a subdivision; 219.015, subdivisions 1, 2; 243.167, subdivision 1; 245A.03, subdivision 2c; 245C.03, by adding a subdivision; 245C.04, by adding a subdivision; 245C.05, subdivision 5; 245C.10, by adding a subdivision; 245C.33, subdivisions 1, 4; 252.27, by adding a subdivision; 252.451, subdivision 2; 254B.12; 256.01, by adding a subdivision; 256.9685, subdivisions 1, 1a; 256.9686, subdivision 2; 256.969, subdivisions 1, 2, 2b, 3a, 3b, 3c, 6a, 8, 8a, 9, 10, 12, 14, 17, 18, 25, 30, by adding subdivisions; 256.9752, subdivision 2; 256B.04, by adding a subdivision; 256B.0625, subdivisions 18b, 18c, 18d, 18g, 30, by adding a subdivision; 256B.0751, by adding a subdivision; 256B.199; 256B.35, subdivision 1; 256B.431, by adding a subdivision; 256B.434, by adding a subdivision; 256B.441, by adding a subdivision; 256B.5012, by adding a subdivision; 256I.04, subdivision 2b; 256I.05, subdivision 2; 256J.49, subdivision 13; 256J.53, subdivisions 1, 2, 5; 256J.531; 257.85, subdivision 11; 260C.212, subdivision 1; 260C.515, subdivision 4; 260C.611; 299F.012, subdivisions 1, 2; 469.084, by adding a subdivision; 473.408, by adding a subdivision; 609.135, subdivision 2; 609.3451, subdivision 3; 611A.06, by adding a subdivision; Minnesota Statutes 2013 Supplement, sections 16A.724, subdivision 2; 123B.53, subdivisions 1, 5; 123B.54; 123B.75, subdivision 5; 124D.11, subdivision 1; 124D.111, subdivision 1; 124D.165, subdivision 5; 124D.531, subdivision 1; 124D.65, subdivision 5; 124D.862, subdivisions 1, 2; 125A.0942; 125A.11, subdivision 1; 125A.76, subdivisions 1, 2a, 2b, 2c; 125A.79, subdivisions 1, 5, 8; 126C.05, subdivision 15; 126C.10, subdivisions 2, 2a, 2d, 24, 31; 126C.17, subdivisions 6, 7b, 9, 9a; 126C.44; 126C.48, subdivision 8; 127A.47, subdivision 7; 145.4716, subdivision 2; 168.123, subdivision 2; 174.42, subdivision 2; 245.8251; 245A.03, subdivision 7; 245A.042, subdivision 3; 245A.16, subdivision 1; 245C.08, subdivision 1; 245D.02, subdivisions 3, 4b, 8b, 11, 15b, 29, 34, 34a, by adding a subdivision; 245D.03, subdivisions 1, 2, 3, by adding a subdivision; 245D.04, subdivision 3; 245D.05, subdivisions 1, 1a, 1b, 2, 4, 5; 245D.051; 245D.06, subdivisions 1, 2, 4, 6, 7, 8; 245D.071, subdivisions 3, 4, 5; 245D.081, subdivision 2; 245D.09, subdivisions 3, 4a; 245D.091, subdivisions 2, 3, 4; 245D.10, subdivisions 3, 4; 245D.11, subdivision 2; 256B.04, subdivision 21; 256B.056, subdivision 5c; 256B.0625, subdivisions 17, 18e; 256B.0949, subdivisions 4, 11; 256B.439, subdivisions 1, 7; 256B.441, subdivision 53; 256B.4912, subdivision 1; 256B.492; 256B.69, subdivision 34; 256B.85, subdivisions 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 23, 24, by adding subdivisions; 256N.22, subdivisions 1, 2, 4; 256N.23, subdivision 4; 256N.25, subdivisions 2, 3; 256N.26, subdivision 1; 256N.27, subdivision 4; Laws 2008, chapter 363, article 5, section 4, subdivision 7, as amended; Laws 2009, chapter 83, article 1, section 10, subdivision 7; Laws 2010, chapter 189, sections 15, subdivision 12; 26, subdivision 4; Laws 2012, chapter 249, section 11; Laws 2012, chapter 263, section 1; Laws 2012, chapter 287, article 2, sections 1; 3; Laws 2012, First Special Session chapter 1, article 1, section 28; Laws 2013, chapter 1, section 6, as amended; Laws 2013, chapter 85, article 1, sections 3, subdivisions 2, 5, 6; 4, subdivisions 1, 2; 5; 13, subdivision 5; Laws 2013, chapter 86, article 1, sections 12, subdivision 3, as amended; 13; Laws 2013, chapter 108, article 1, section 24; article 3, section 48; article 7, sections 14; 49; article 14, sections 2, subdivisions 1, 4, as amended, 5, 6, as amended; 3, subdivisions 1, 4; 4, subdivision 8; 12; Laws 2013, chapter 114, article 3, section 4, subdivision 3; Laws 2013, chapter 116, article 1, section 58, subdivisions 2, 3, 4, 5, 6, 7, 11; article 3, section 37, subdivisions 3, 4, 5, 6, 8, 11, 15, 20; article 4, section 9, subdivision 2; article

5, section 31, subdivisions 2, 3, 4, 8; article 6, section 12, subdivisions 2, 3, 4, 5, 6; article 7, section 21, subdivisions 2, 3, 4, 6, 7, 9; article 8, section 5, subdivisions 2, 3, 4, 10, 11, 14; article 9, sections 1, subdivision 2; 2; Laws 2013, chapter 117, article 1, sections 3, subdivisions 2, 3, 4; proposing coding for new law in Minnesota Statutes, chapters 8; 18B; 19; 84; 85; 87A; 115E; 116; 116J; 123A; 123B; 124D; 129C; 144; 144A; 145; 168; 219; 299A; 347; 473; proposing coding for new law as Minnesota Statutes, chapter 12B; repealing Minnesota Statutes 2012, sections 115A.551, subdivision 2; 116J.997; 123B.71, subdivision 1; 256.969, subdivisions 2c, 8b, 9a, 9b, 11, 13, 20, 21, 22, 26, 27, 28; 256.9695, subdivisions 3, 4; Minnesota Statutes 2013 Supplement, sections 256B.0625, subdivision 18f; 256N.26, subdivision 7.

May 16, 2014

The Honorable Paul Thissen
Speaker of the House of Representatives

The Honorable Sandra L. Pappas
President of the Senate

We, the undersigned conferees for H. F. No. 3172 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendment and that H. F. No. 3172 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

HIGHER EDUCATION

Section 1. **APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are added to the appropriations in Laws 2013, chapter 99, article 1, unless otherwise specified, to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal year indicated for each purpose. The figure "2015" used in this article means that the appropriation listed under it is available for the fiscal year ending June 30, 2015.

<u>APPROPRIATIONS</u>	
<u>Available for the Year</u>	
<u>Ending June 30</u>	
<u>2014</u>	<u>2015</u>

Sec. 2. **OFFICE OF HIGHER EDUCATION**

	<u>\$</u>	<u>750,000</u>
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This appropriation is for immediate transfer to College Possible for the purpose of expanding College Possible coaching and mentoring programs in Minnesota schools. The appropriation shall be used for:

(1) increasing the number of low-income high school students served by College Possible by adding at least 150 students and partnering with at least three additional high schools in 2015;

(2) expenses related to direct support for low-income high school students in after-school programming led by College Possible; and

(3) coaching and support of low-income college students through the completion of their college degree.

College Possible must, by February 1, 2015, report to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over higher education and E-12 education on activities funded by this appropriation. The report must include, but is not limited to, information about the expansion of College Possible in Minnesota, the number of College Possible coaches hired, the expansion within existing partner high schools, the expansion of high school partnerships, the number of high school and college students served, the total hours of community service by high school and college students, and a list of communities and organizations benefitting from student service hours.

This appropriation must not be used for the expansion and support of College Possible outside of Minnesota.

This is a onetime appropriation.

Sec. 3. BOARD OF TRUSTEES OF THE MINNESOTA STATE COLLEGES AND UNIVERSITIES

\$ 17,000,000

\$17,000,000 in fiscal year 2015 is appropriated from the general fund to the Board of Trustees of the Minnesota State Colleges and Universities for compensation costs associated with the settlement of employment contracts for fiscal year 2014. The board's appropriation base is increased

by \$17,000,000 in fiscal years 2016 and 2017.

Sec. 4. BOARD OF REGENTS OF THE UNIVERSITY OF MINNESOTA

Subdivision 1. Total Appropriation **\$ 4,500,000**

Subd. 2. Health Sciences Special **4,500,000**

(a) This appropriation is from the general fund for the direct and indirect expenses of the collaborative partnership between the University of Minnesota and the Mayo Clinic for regenerative medicine research, clinical translation, and commercialization. In addition to representatives from the University of Minnesota and the Mayo Clinic, the collaborative partnership must include representatives of private industry and others with expertise in regenerative medicine research, clinical translation, commercialization, and medical venture financing who are not affiliated with either the University of Minnesota or the Mayo Clinic.

(b) By January 15 of each odd-numbered year beginning in 2017, the partnership must submit an independent financial audit to the chairs and ranking minority members of the committees of the house of representatives and senate having jurisdiction over higher education and economic development. The audit must include the names of all recipients of grants awarded by the partnership and their affiliation, if any, with the University of Minnesota or the Mayo Clinic.

(c) The full amount of this appropriation is for the partnership and may not be used by the University of Minnesota for administrative or monitoring expenses.

(d) For fiscal year 2016 and thereafter, the base for this program is \$4,350,000.

Sec. 5. [5.39] STUDY ABROAD PROGRAMS.

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

(b) "Postsecondary institution" means an institution that meets the eligibility requirements under section 136A.103 to participate in state financial aid programs.

(c) "Program" means a study abroad program offered or approved for credit by a postsecondary institution in which program participants travel outside of the United States in connection with an educational experience.

Subd. 2. **Report.** (a) A postsecondary institution, must file by November 1 of each year a report on its programs with the secretary of state. The report must contain the following information from the previous academic year, including summer terms:

(1) deaths of program participants that occurred during program participation as a result of program participation; and

(2) accidents and illnesses that occurred during program participation as a result of program participation and that required hospitalization.

Information reported under clause (1) may be supplemented by a brief explanatory statement.

(b) A postsecondary institution must report to the secretary of state annually by November 1 whether its program complies with health and safety standards set by the Forum on Education Abroad or a similar study abroad program standard setting agency.

Subd. 3. **Secretary of state; publication of program information.** (a) The secretary of state must publish the reports required by subdivision 2, on its Web site in a format that facilitates identifying information related to a particular postsecondary institution.

(b) The secretary of state shall publish on its Web site the best available information by country on sexual assaults and other criminal acts affecting study abroad program participants during program participation. This information shall not be limited to programs subject to this section.

Subd. 4. **Office of Higher Education.** The secretary of state shall provide the information it posts on its Web site under subdivision 3 to the Office of Higher Education, in electronic format, at the time it posts the information. The Office of Higher Education shall post the information on its Web site and may otherwise distribute the information. In materials distributed or posted, the Office of Higher Education must reference this section.

Subd. 5. **Program material.** A postsecondary institution must include in its written materials provided to prospective program participants a link to the secretary of state Web site stating that program health and safety information is available at the Web site.

EFFECTIVE DATE. This section is effective August 1, 2014, provided that the initial reports under subdivision 2 are due November 1, 2015.

Sec. 6. [135A.0431] MILITARY VETERANS; RESIDENT TUITION.

(a) A person who is honorably discharged from the armed forces of the United States is entitled to the resident tuition rate at Minnesota public postsecondary institutions.

(b) This section is in addition to any other statute, rule, or higher education institution regulation or policy providing eligibility for a resident tuition rate or its equivalent to a student.

EFFECTIVE DATE. This section is effective for academic terms beginning after August 1, 2014.

Sec. 7. Minnesota Statutes 2012, section 136A.01, subdivision 2, is amended to read:

Subd. 2. **Responsibilities.** (a) The Minnesota Office of Higher Education is responsible for:

(1) necessary state level administration of financial aid programs, including accounting, auditing, and disbursing state and federal financial aid funds, and reporting on financial aid programs to the governor and the legislature;

(2) approval, registration, licensing, and financial aid eligibility of private collegiate and career schools, under sections 136A.61 to 136A.71 and chapter 141;

(3) determining whether to enter into an interstate reciprocity agreement regarding postsecondary distance education;

~~(3)~~ (4) negotiating and administering reciprocity agreements;

~~(4)~~ (5) publishing and distributing financial aid information and materials, and other information and materials under section 136A.87, to students and parents;

~~(5)~~ (6) collecting and maintaining student enrollment and financial aid data and reporting data on students and postsecondary institutions to develop and implement a process to measure and report on the effectiveness of postsecondary institutions;

~~(6)~~ (7) administering the federal programs that affect students and institutions on a statewide basis; and

~~(7)~~ (8) prescribing policies, procedures, and rules under chapter 14 necessary to administer the programs under its supervision.

(b) The office may match individual student data from the student record enrollment database with individual student financial aid data collected and maintained by the office in order to audit or evaluate federal or state supported education programs as permitted by United States Code, title 20, section 1232g(b)(3), and Code of Federal Regulations, title 34, section 99.35. The office shall not release data that personally identifies parents or students other than to employees and contractors of the office.

Sec. 8. Minnesota Statutes 2012, section 136A.1702, is amended to read:

136A.1702 LEGISLATIVE OVERSIGHT.

The office shall notify the chairs of the legislative committees with primary jurisdiction over higher education finance of any proposed material change to any of its student loan programs, including loan refinancing under section 136A.1704, prior to making the change.

Sec. 9. **[136A.1704] STUDENT LOAN REFINANCING.**

The office may refinance student and parent loans as provided by this section and on other terms and conditions the office prescribes. The office may establish credit requirements for borrowers and determine what types of student and parent loans will be eligible for refinancing. The refinanced

loan need not have been made through a loan program administered by the office. Loans shall be made with available funds in the loan capital fund under section 136A.1785. The maximum amount of outstanding loans refinanced under this section may not exceed \$100,000,000. The maximum loan under this section may not exceed \$70,000.

EFFECTIVE DATE. This section is effective the day following final enactment, provided no loans may be refinanced prior to June 1, 2015.

Sec. 10. Minnesota Statutes 2012, section 136A.1785, is amended to read:

136A.1785 LOAN CAPITAL FUND.

The office may deposit and hold assets derived from the operation of its student loan programs and refinanced education loans authorized by this chapter in a fund known as the loan capital fund. Assets in the loan capital fund are available to the office solely for carrying out the purposes and terms of sections 136A.15 to ~~136A.1703~~ 136A.1704, including, but not limited to, making student loans authorized by this chapter, refinancing education loans authorized by this chapter, paying administrative expenses associated with the operation of its student loan programs, repurchasing defaulted student loans, and paying expenses in connection with the issuance of revenue bonds authorized under this chapter. Assets in the loan capital fund may be invested as provided in sections 11A.24 and 136A.16, subdivision 8. All interest and earnings from the investment of the loan capital fund inure to the benefit of the fund and are deposited into the fund.

Sec. 11. **[136A.658] EXEMPTION; STATE AUTHORIZATION RECIPROCITY AGREEMENT SCHOOLS.**

(a) The office may participate in an interstate reciprocity agreement regarding postsecondary distance education if it determines that participation is in the best interest of Minnesota postsecondary students.

(b) If the office decides to participate in an interstate reciprocity agreement, an institution that meets the following requirements is exempt from the provisions of sections 136A.61 to 136A.71:

(1) the institution is situated in a state which is also participating in the interstate reciprocity agreement;

(2) the institution has been approved to participate in the interstate reciprocity agreement by the institution's home state and other entities with oversight of the interstate reciprocity agreement; and

(3) the institution has elected to participate in and operate in compliance with the terms of the interstate reciprocity agreement.

Sec. 12. **MINNESOTA STATE COLLEGES AND UNIVERSITIES BACCALAUREATE DEGREE COMPLETION PLAN.**

The Board of Trustees of the Minnesota State Colleges and Universities shall develop a plan to implement multi-campus articulation agreements that lead to baccalaureate degree completion upon earning the number of credits required for the degree minus 60 credits at a system university after transfer to the system university by a student with an associate in arts degree, associate of science degree, or an associate of fine arts (AFA) degree from a system college. The board shall assign the task of developing the plan to the appropriate committee formed under the board's "Charting the

Future" initiative. The board shall report on this plan to the legislative committees with primary jurisdiction over higher education finance and policy by March 15, 2015.

Sec. 13. REPORT; OFFICE OF HIGHER EDUCATION.

The Office of Higher Education shall, by February 1, 2015, report to the committees of the legislature with primary jurisdiction over higher education policy and finance, its plans and proposed terms and conditions for operating a student loan refinancing program under section 136A.1704, along with any recommended legislation.

Sec. 14. STUDY ABROAD PROGRAM; ASSESSMENT OF APPROPRIATE REGULATION.

The Office of Higher Education shall, using existing staff and budget, assess the appropriate state regulation of postsecondary study abroad programs. The assessment must be based on a balanced approach of protecting the health and safety of program participants and maintaining the opportunity of students to study abroad. The office shall report the results of its assessment with any legislative recommendation by February 1, 2015, to the committees of the legislature with primary jurisdiction over higher education.

Sec. 15. UNIVERSITY OF MINNESOTA BASE ADJUSTMENT.

For fiscal years 2016 to 2041, \$3,500,000 is added to the base operations and maintenance appropriation to the Board of Regents of the University of Minnesota in Laws 2013, chapter 99, article 1, section 5.

Sec. 16. JAMES FORD BELL NATURAL HISTORY MUSEUM AND PLANETARIUM.

The Board of Regents of the University of Minnesota is requested to complete the design of and to construct, furnish, and equip a new James Ford Bell Natural History Museum and Planetarium on the St. Paul campus.

ARTICLE 2

APPROPRIATIONS FOR DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT, DEPARTMENT OF LABOR AND INDUSTRY, DEPARTMENT OF COMMERCE, AND HOUSING FINANCE

Section 1. APPROPRIATIONS.

The sums shown in the columns under "Appropriations" are added to or, if shown in parentheses, subtracted from the appropriations in Laws 2013, chapter 85, article 1, or other law to the specified agencies. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2014" and "2015" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2014, or June 30, 2015, respectively. Appropriations for the fiscal year ending June 30, 2014, are effective the day following final enactment. Reductions may be taken in either fiscal year.

APPROPRIATIONS
Available for the Year
Ending June 30

(B) analyze the deployment data collected to help inform future investments in broadband infrastructure; and

(C) conduct business and residential surveys that measure broadband adoption and use in the state.

Data provided by a broadband provider to the contractor under this paragraph is nonpublic data under Minnesota Statutes, section 13.02, subdivision 9. Maps produced under this paragraph are public data under Minnesota Statutes, section 13.03.

(b) \$475,000 in fiscal year 2015 is from the general fund for a grant to the Southwest Initiative Foundation for business revolving loans or other lending programs at below market interest rates. This is a onetime appropriation.

(c) \$475,000 in fiscal year 2015 is from the general fund for a grant to the West Central Initiative Foundation for business revolving loans or other lending programs at below market interest rates. This is a onetime appropriation.

(d) \$475,000 in fiscal year 2015 is from the general fund for a grant to the Southern Minnesota Initiative Foundation for business revolving loans or other lending programs at below market interest rates. This is a onetime appropriation.

(e) \$475,000 in fiscal year 2015 is from the general fund for a grant to the Northwest Minnesota Foundation for business revolving loans or other lending programs at below market interest rates. This is a onetime appropriation.

(f) \$475,000 in fiscal year 2015 is from the general fund for a grant to the Initiative Foundation for business revolving loans or other lending programs at below market interest rates. This is a onetime appropriation.

(g) \$475,000 in fiscal year 2015 is from the general fund for a grant to the Northland

Foundation for business revolving loans or other lending programs at below market interest rates. This is a onetime appropriation.

(h) \$650,000 in fiscal year 2015 is from the general fund for a grant to the Urban Initiative Board under Minnesota Statutes, chapter 116M, for loans at below market interest rates, business technical assistance, or organizational capacity building. Funds available under this paragraph must be allocated as follows: (1) 50 percent of the funds must be allocated for projects in the counties of Dakota, Ramsey, and Washington; and (2) 50 percent of the funds must be allocated for projects in the counties of Anoka, Carver, Hennepin, and Scott. This is a onetime appropriation.

(i) \$500,000 in fiscal year 2015 is from the general fund for grants to small business development centers under Minnesota Statutes, section 116J.68. Funds made available under this paragraph may be used to match funds under the federal Small Business Development Center (SBDC) program under United States Code, title 15, section 648, to provide consulting and technical services, or to build additional SBDC network capacity to serve entrepreneurs and small businesses. The commissioner shall allocate funds equally among the nine regional centers and lead center. This is a onetime appropriation.

(j) \$400,000 in fiscal year 2015 is from the general fund for the innovation voucher pilot program. This is a onetime appropriation and is available until June 30, 2017. Of this amount, up to five percent may be used for administration. Vouchers require a 50 percent match by recipients.

(k) \$475,000 in fiscal year 2015 is from the general fund for the Minnesota Jobs Skills Partnership program under Minnesota Statutes, section 116L.02. This is a onetime appropriation.

(l) \$2,200,000 in fiscal year 2015 is from the general fund for the greater Minnesota business development public infrastructure grant program under Minnesota Statutes, section 116J.431, for grants to design, construct, prepare, and improve infrastructure for economic development. This is a onetime appropriation and is available until June 30, 2017.

(m) \$150,000 in fiscal year 2015 is from the general fund for a grant to the city of Proctor to design and construct a sand and salt storage facility to prevent runoff into surface water. This appropriation is not available until the commissioner determines that at least an equal amount is committed to the project from nonstate sources. This is a onetime appropriation.

Subd. 3. Workforce Development

0

1,050,000

(a) \$300,000 in fiscal year 2015 is from the workforce development fund for workforce program outcome activities under Minnesota Statutes, section 116L.98. This is a onetime appropriation.

(b) \$250,000 in fiscal year 2015 is from the workforce development fund for a grant to the Northwest Indian Opportunities Industrialization Center and may be used for a green jobs deconstruction pilot program in collaboration with a research institute and a nonprofit organization with experience developing deconstruction jobs, new products from reclaimed materials, and reuse of materials. This is a onetime appropriation.

(c) \$250,000 in fiscal year 2015 is from the workforce development fund for a grant to the Northeast Minnesota Office of Job Training. This is a onetime appropriation.

(d) \$250,000 in fiscal year 2015 is from the workforce development fund for a grant to Twin Cities RISE! to provide job training. This is a onetime appropriation.

Subd. 4. General Support Services0500,000

\$500,000 in fiscal year 2015 is from the general fund for establishing and operating the interagency Olmstead Implementation Office. The base appropriation for the office is \$875,000 each year for fiscal years 2016 and 2017. The state recognizes its obligations under Jensen, et al. v. Minnesota Department of Human Services, et al. During the 2015 legislative session, the legislature intends to review the funding levels provided for the Olmstead Implementation Office to ensure that amounts sufficient to comply with the obligations imposed by the court's order are appropriated in fiscal years 2016 and 2017.

Subd. 5. Vocational Rehabilitation-0-700,000Appropriations by Fund

<u>General</u>	<u>-0-</u>	<u>450,000</u>
<u>Workforce Development</u>	<u>-0-</u>	<u>250,000</u>

(a) \$250,000 in fiscal year 2015 is from the workforce development fund for rate increases to providers of extended employment services for persons with severe disabilities under Minnesota Statutes, section 268A.15. This is a onetime appropriation.

(b) \$450,000 in fiscal year 2015 is from the general fund for grants to the eight Minnesota Centers for Independent Living. This is a onetime appropriation.

Subd. 6. Transfer

The commissioner shall transfer \$7,100,000 from the Minnesota minerals 21st century fund to the commissioner of the Iron Range Resources and Rehabilitation Board for a grant or forgivable loan to the city of Hoyt Lakes for building and municipal infrastructure in support of a biochemical manufacturing project to be located in the city. This transfer is available until June 30, 2018.

Sec. 3. DEPARTMENT OF LABOR AND INDUSTRY

\$ 250,000

For the purpose of establishing competency standards for programs in advanced manufacturing, health care services, information technology, and agriculture. This is a onetime appropriation.

Sec. 4. DEPARTMENT OF COMMERCE

\$ (350,000) \$ -0-

\$350,000 in fiscal year 2014 is a onetime reduction to the appropriation for the gold bullion dealer registration program.

Sec. 5. HOUSING FINANCE AGENCY

\$ -0- \$ 2,200,000

\$2,200,000 in fiscal year 2015 is from the general fund for up to two grants for housing projects, not to exceed \$1,100,000 per grant or 50 percent of the total development costs of the housing project, whichever is less, in communities that have:

- (1) low housing vacancy rates; and
- (2) education and training centers for jobs in the natural resources or aviation maintenance fields, or other fields with anticipated significant job growth potential.

Funds must be used for grants for housing projects with financial and in-kind contributions from nonagency resources that, when combined with a grant under this section, are sufficient to complete the housing project. This is a onetime appropriation. If funds remain uncommitted by the end of calendar year 2015, the agency may transfer the uncommitted funds to the economic development and housing challenge program under Minnesota Statutes, section 462A.33.

Sec. 6. Laws 2013, chapter 85, article 1, section 3, subdivision 2, is amended to read:

Subd. 2. <u>Business and Community Development</u>	53,642,000	45,407,000
Appropriations by Fund		
General	52,942,000	44,707,000

Remediation	700,000	700,000
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(a)(1) \$15,000,000 each year is for the Minnesota investment fund under Minnesota Statutes, section 116J.8731. Of this amount, the commissioner of employment and economic development may use up to three percent for administrative expenses and technology upgrades. This appropriation is available until spent.

(2) Of the amount available under clause (1), up to \$3,000,000 in fiscal year 2014 is for a loan to facilitate initial investment in the purchase and operation of a biopharmaceutical manufacturing facility. This loan is not subject to the loan limitations under Minnesota Statutes, section 116J.8731, and shall be forgiven by the commissioner of employment and economic development upon verification of meeting performance goals. Purchases related to and for the purposes of this loan award must be made between January 1, 2013, and June 30, 2015. The amount under this clause is available until expended.

(3) Of the amount available under clause (1), up to \$2,000,000 is available for subsequent investment in the biopharmaceutical facility project in clause (2). The amount under this clause is available until expended. Loan thresholds under clause (2) must be achieved and maintained to receive funding. Loans are not subject to the loan limitations under Minnesota Statutes, section 116J.8731, and shall be forgiven by the commissioner of employment and economic development upon verification of meeting performance goals. Purchases related to and for the purposes of loan awards must be made during the biennium the loan was received.

(4) Notwithstanding any law to the contrary, the biopharmaceutical manufacturing facility in this paragraph shall be deemed eligible for the Minnesota job creation fund under Minnesota Statutes, section 116J.8748,

by having at least \$25,000,000 in capital investment and 190 retained employees.

(5) For purposes of clauses (1) to (4), "biopharmaceutical" and "biologics" are interchangeable and mean medical drugs or medicinal preparations produced using technology that uses biological systems, living organisms, or derivatives of living organisms, to make or modify products or processes for specific use. The medical drugs or medicinal preparations include but are not limited to proteins, antibodies, nucleic acids, and vaccines.

(b) \$12,000,000 each year is for the Minnesota job creation fund under Minnesota Statutes, section 116J.8748. Of this amount, the commissioner of employment and economic development may use up to three percent for administrative expenses. This appropriation is available until spent. The base funding for this program shall be \$12,500,000 each year in the fiscal year 2016-2017 biennium.

(c) \$1,272,000 each year is from the general fund for contaminated site cleanup and development grants under Minnesota Statutes, sections 116J.551 to 116J.558. This appropriation is available until expended.

(d) \$700,000 each year is from the remediation fund for contaminated site cleanup and development grants under Minnesota Statutes, sections 116J.551 to 116J.558. This appropriation is available until expended.

(e) \$1,425,000 the first year and \$1,425,000 the second year are from the general fund for the business development competitive grant program. Of this amount, up to five percent is for administration and monitoring of the business development competitive grant program. All grant awards shall be for two consecutive years. Grants shall be awarded in the first year.

(f) \$4,195,000 each year is from the general fund for the Minnesota job skills partnership program under Minnesota Statutes, sections 116L.01 to 116L.17. If the appropriation for either year is insufficient, the appropriation for the other year is available. This appropriation is available until spent.

(g) \$6,000,000 the first year is from the general fund for the redevelopment program under Minnesota Statutes, section 116J.571. This is a onetime appropriation and is available until spent.

(h) \$12,000 each year is from the general fund for a grant to the Upper Minnesota Film Office.

(i) \$325,000 each year is from the general fund for the Minnesota Film and TV Board. The appropriation in each year is available only upon receipt by the board of \$1 in matching contributions of money or in-kind contributions from nonstate sources for every \$3 provided by this appropriation, except that each year up to \$50,000 is available on July 1 even if the required matching contribution has not been received by that date.

(j) \$100,000 each year is for a grant to the Northern Lights International Music Festival.

(k) \$5,000,000 each year is from the general fund for a grant to the Minnesota Film and TV Board for the film production jobs program under Minnesota Statutes, section 116U.26. This appropriation is available until expended. The base funding for this program shall be \$1,500,000 each year in the fiscal year 2016-2017 biennium.

(l) \$375,000 each year is from the general fund for a grant to Enterprise Minnesota, Inc., for the small business growth acceleration program under Minnesota Statutes, section 116O.115. This is a onetime appropriation.

(m) \$160,000 each year is from the general fund for a grant to develop and implement a southern and southwestern Minnesota

initiative foundation collaborative pilot project. Funds available under this paragraph must be used to support and develop entrepreneurs in diverse populations in southern and southwestern Minnesota. This is a onetime appropriation and is available until expended.

(n) \$100,000 each year is from the general fund for the Center for Rural Policy and Development. This is a onetime appropriation.

(o) \$250,000 each year is from the general fund for the Broadband Development Office.

(p) \$250,000 the first year is from the general fund for a onetime grant to the St. Paul Planning and Economic Development Department for neighborhood stabilization use in NSP3.

(q) \$1,235,000 the first year is from the general fund for a onetime grant to a city of the second class that is designated as an economically depressed area by the United States Department of Commerce. The appropriation is for economic development, redevelopment, and job creation programs and projects. This appropriation is available until expended.

(r) \$875,000 each year is from the general fund for the Host Community Economic Development Program established in Minnesota Statutes, section 116J.548.

(s) \$750,000 the first year is from the general fund for a onetime grant to the city of Morris for loans or grants to agricultural processing facilities for energy efficiency improvements. Funds available under this section shall be used to increase conservation and promote energy efficiency through retrofitting existing systems and installing new systems to recover waste heat from industrial processes and reuse energy. This appropriation is not available until the commissioner determines that at least ~~\$1,250,000~~ a match of \$750,000 is committed to the project from nonpublic

sources. This appropriation is available until expended.

EFFECTIVE DATE. This section is effective retroactively from July 1, 2013.

Sec. 7. Laws 2013, chapter 85, article 1, section 3, subdivision 5, is amended to read:

Subd. 5. Minnesota Trade Office	2,322,000	2,292,000
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(a) \$330,000 in fiscal year 2014 and \$300,000 in fiscal year 2015 are for the STEP grants in Minnesota Statutes, section 116J.979. Of the fiscal year 2014 appropriation, \$30,000 is available for expenditure until June 30, 2015, for establishing trade, export, and cultural exchange relations between the state of Minnesota and east African nations.

(b) \$180,000 in fiscal year 2014 and \$180,000 in fiscal year 2015 are for the Invest Minnesota marketing initiative in Minnesota Statutes, section 116J.9781. Notwithstanding any other law, this provision does not expire.

(c) \$270,000 each year is from the general fund for the expansion of Minnesota Trade Offices under Minnesota Statutes, section 116J.978.

(d) \$50,000 each year is from the general fund for the trade policy advisory group under Minnesota Statutes, section 116J.9661.

(e) The commissioner of employment and economic development, in consultation with the commissioner of agriculture, shall identify and increase export opportunities for Minnesota agricultural products.

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

Sec. 8. Laws 2013, chapter 85, article 1, section 3, subdivision 6, is amended to read:

Subd. 6. Vocational Rehabilitation	27,691,000	27,691,000
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Appropriations by Fund

General	20,861,000	20,861,000
Workforce Development	6,830,000	6,830,000

(a) \$10,800,000 each year is from the general fund for the state's vocational rehabilitation

program under Minnesota Statutes, chapter 268A.

(b) \$2,261,000 each year is from the general fund for grants to centers for independent living under Minnesota Statutes, section 268A.11.

(c) \$5,745,000 each year from the general fund and \$6,830,000 each year from the workforce development fund is for extended employment services for persons with severe disabilities under Minnesota Statutes, section 268A.15. The allocation of extended employment funds to Courage Center from July 1, 2012 to June 30, 2013 must be contracted to Allina Health systems from July 1, 2013 to June 30, ~~2014~~ 2015 to provide extended employment services in accordance with Minnesota Rules, parts 3300.2005 to 3300.2055.

(d) \$2,055,000 each year is from the general fund for grants to programs that provide employment support services to persons with mental illness under Minnesota Statutes, sections 268A.13 and 268A.14. The base appropriation for this program is \$1,555,000 each year in the fiscal year 2016-2017 biennium.

Sec. 9. Laws 2013, chapter 85, article 1, section 4, subdivision 1, is amended to read:

Subdivision 1. Total Appropriation	\$	58,748,000	\$	42,748,000
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The amounts that may be spent for each purpose are specified in the following subdivisions.

Unless otherwise specified, this appropriation is for transfer to the housing development fund for the programs specified in this section. Except as otherwise indicated, this transfer is part of the agency's permanent budget base.

The Housing Finance Agency must make continuous improvements to its ongoing efforts to reduce the racial and ethnic inequalities in homeownership rates and must

seek opportunities to deploy increasing levels of resources toward these efforts.

Sec. 10. Laws 2013, chapter 85, article 1, section 4, subdivision 2, is amended to read:

Subd. 2. Challenge Program	19,203,000	9,203,000
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(a) This appropriation is for the economic development and housing challenge program under Minnesota Statutes, section 462A.33. The agency must continue to strengthen its efforts to address the disparity rate between white households and indigenous American Indians and communities of color. Of this amount, \$1,208,000 each year shall be made available during the first 11 months of the fiscal year exclusively for housing projects for American Indians. Any funds not committed to housing projects for American Indians in the first 11 months of the fiscal year shall be available for any eligible activity under Minnesota Statutes, section 462A.33.

(b) Of this amount, \$10,000,000 is a onetime appropriation and is targeted for housing in communities and regions that have:

(1)(i) low housing vacancy rates; and

(ii) cooperatively developed a plan that identifies current and future housing needs; and

(2)(i) experienced job growth since 2005 and have at least 2,000 jobs within the commuter shed;

(ii) evidence of anticipated job expansion; or

(iii) a significant portion of area employees who commute more than 30 miles between their residence and their employment.

(c) Priority shall be given to programs and projects that are land trust programs and programs that work in coordination with a land trust program.

(d) Of this amount, \$500,000 is for homeownership opportunities for families who have been evicted or been given notice of an eviction due to a disabled

child in the home, including adjustments for the incremental increase in costs of addressing the unique housing needs of those households. Any funds not expended for this purpose may be returned to the challenge fund after October 31, 2014.

(d) (e) The base funding for this program in the 2016-2017 biennium is \$12,925,000 each year.

Sec. 11. Laws 2013, chapter 85, article 1, section 5, is amended to read:

Sec. 5. EXPLORE MINNESOTA TOURISM	\$	13,988,000	\$	13,988,000
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(a) To develop maximum private sector involvement in tourism, \$500,000 in fiscal year 2014 and \$500,000 in fiscal year 2015 must be matched by Explore Minnesota Tourism from nonstate sources. Each \$1 of state incentive must be matched with \$6 of private sector funding. Cash match is defined as revenue to the state or documented cash expenditures directly expended to support Explore Minnesota Tourism programs. Up to one-half of the private sector contribution may be in-kind or soft match. The incentive in fiscal year 2014 shall be based on fiscal year 2013 private sector contributions. The incentive in fiscal year 2015 shall be based on fiscal year 2014 private sector contributions. This incentive is ongoing.

Funding for the marketing grants is available either year of the biennium. Unexpended grant funds from the first year are available in the second year.

(b) \$100,000 of the second year appropriation is for a grant to the Mille Lacs Tourism Council to enhance marketing activities related to tourism promotion in the Mille Lacs Lake area.

(c) \$100,000 of the second year appropriation is for additional marketing activities.

Sec. 12. Laws 2013, chapter 85, article 1, section 13, subdivision 5, is amended to read:

Subd. 5. Telecommunications		1,949,000		2,249,000
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Appropriations by Fund		
General	1,009,000	1,009,000
Special Revenue	940,000	1,240,000

\$940,000 in fiscal year 2014 and \$1,240,000 in fiscal year 2015 are appropriated to the commissioner from the telecommunication access fund for the following transfers. This appropriation is added to the department's base.

(1) \$500,000 in fiscal year 2014 and \$800,000 in fiscal year 2015 to the commissioner of human services to supplement the ongoing operational expenses of the Commission of Deaf, DeafBlind, and Hard-of-Hearing Minnesotans;

(2) \$290,000 in fiscal year 2014 and \$290,000 in fiscal year 2015 to the chief information officer for the purpose of coordinating technology accessibility and usability; and

(3) \$150,000 in fiscal year 2014 and \$150,000 in fiscal year 2015 to the Legislative Coordinating Commission for captioning of legislative coverage and for a consolidated access fund for other state agencies. These transfers are subject to Minnesota Statutes, section 16A.281.

Sec. 13. EXTENDED EMPLOYMENT CARRYFORWARD.

Notwithstanding Minnesota Statutes, section 268A.15, subdivision 8, appropriations from the general fund and workforce development fund in fiscal years 2014 and 2015 to the commissioner of employment and economic development for the purposes of Minnesota Statutes, sections 268A.13 and 268A.14, are available until June 30, 2015.

Sec. 14. ASSIGNED RISK TRANSFER.

(a) By June 30, 2015, if the commissioner of commerce determines on the basis of an audit that there is an excess surplus in the assigned risk plan created under Minnesota Statutes, section 79.252, the commissioner of management and budget shall transfer the amount of the excess surplus, not to exceed \$10,500,000, to the general fund. This transfer occurs prior to any transfer under Minnesota Statutes, section 79.251, subdivision 1, paragraph (a), clause (1). This is a onetime transfer.

(b) By June 30, 2015, and each year thereafter, if the commissioner of commerce determines on the basis of an audit that there is an excess surplus in the assigned risk plan created under Minnesota Statutes, section 79.252, the commissioner of management and budget shall transfer the amount of the excess surplus, not to exceed \$4,820,000 each year, to the Minnesota minerals

21st century fund under Minnesota Statutes, section 116J.423. This transfer occurs prior to any transfer under Minnesota Statutes, section 79.251, subdivision 1, paragraph (a), clause (1), but after the transfer authorized in paragraph (a). The total amount authorized for all transfers under this paragraph must not exceed \$24,100,000. This paragraph expires the day following the transfer in which the total amount transferred under this paragraph to the Minnesota minerals 21st century fund equals \$24,100,000.

(c) By June 30, 2015, if the commissioner of commerce determines on the basis of an audit that there is an excess surplus in the assigned risk plan created under Minnesota Statutes, section 79.252, the commissioner of management and budget shall transfer the amount of the excess surplus, not to exceed \$4,820,000, to the general fund. This transfer occurs prior to any transfer under Minnesota Statutes, section 79.251, subdivision 1, paragraph (a), clause (1), but after any transfers authorized in paragraphs (a) and (b). If a transfer occurs under this paragraph, the amount transferred is appropriated from the general fund in fiscal year 2015 to the commissioner of labor and industry for the purposes of section 15. Both the transfer and appropriation under this paragraph are onetime.

(d) By June 30, 2016, if the commissioner of commerce determines on the basis of an audit that there is an excess surplus in the assigned risk plan created under Minnesota Statutes, section 79.252, the commissioner of management and budget shall transfer the amount of the excess surplus, not to exceed \$4,820,000, to the general fund. This transfer occurs prior to any transfer under Minnesota Statutes, section 79.251, subdivision 1, paragraph (a), clause (1), but after the transfers authorized in paragraphs (a) and (b). If a transfer occurs under this paragraph, the amount transferred is appropriated from the general fund in fiscal year 2016 to the commissioner of labor and industry for the purposes of section 15. Both the transfer and appropriation under this paragraph are onetime.

(e) Notwithstanding Minnesota Statutes, section 16A.28, the commissioner of management and budget shall transfer to the assigned risk plan under Minnesota Statutes, section 79.252, any unencumbered or unexpended balance of the appropriations under paragraphs (c) and (d) remaining on June 30, 2017, or the date the commissioner of commerce determines that an excess surplus in the assigned risk plan does not exist, whichever occurs earlier.

Sec. 15. WORKERS' COMPENSATION SYSTEM REFORM; USE OF FUNDS.

(a) The appropriations under section 14 to the commissioner of labor and industry are for reform of the workers' compensation system. Funds appropriated under section 14, paragraphs (c) and (d), may be expended by the commissioner only after the advisory council on workers' compensation created under Minnesota Statutes, section 175.007, has approved a new system including, but not limited to: a Medicare-based diagnosis-related group (MS-DRG) or similar system for payment of workers' compensation inpatient hospital services. Of the amount appropriated under section 14, paragraphs (c) and (d), up to \$100,000 may be used by the commissioner to develop and implement the new system approved by the advisory council on workers' compensation.

(b) Funds available for expenditure under paragraph (a) may be used by the commissioner for reimbursement of expenditures that are reasonable and necessary to defray the costs of the implementation by hospitals, insurers, and self-insured employers of the new system including, but not limited to: a Medicare-based diagnosis-related group (MS-DRG) or similar system for payment of workers' compensation inpatient hospital services, litigation expense reform, worker safety training, administrative costs, or other related system reform.

(c) For the purposes of this section, reasonable and necessary system reform and implementation costs include, but are not limited to:

(1) the cost of analyzing data to determine the anticipated costs and savings of implementing the new system;

(2) the cost of analyzing system or organizational changes necessary for implementation;

(3) the cost of determining how an organization would implement group or other software;

(4) the cost of upgrading existing software or purchasing new software and other technology upgrades needed for implementation;

(5) the cost of educating and training staff about the new system as applied to workers' compensation; and

(6) the cost of integrating the new system with electronic billing and remittance systems.

Sec. 16. AFFORDABLE HOUSING PLAN; DISPARITIES REPORT.

(a) The Housing Finance Agency shall provide the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over the agency with the draft and final versions of its affordable housing plan before and after it has been submitted to the agency board for consideration.

(b) The Housing Finance Agency shall annually report to the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over the agency on the progress, if any, the agency has made in closing the racial disparity gap and low-income concentrated housing disparities.

ARTICLE 3

JOBS, ECONOMIC DEVELOPMENT, ENERGY, AND LABOR

Section 1. Minnesota Statutes 2012, section 13.681, is amended by adding a subdivision to read:

Subd. 9. **Community energy efficiency and renewable energy loan.** Energy usage data provided by an industrial, commercial, or health care facility customer for community energy efficiency and renewable energy loans are governed by section 216C.145, subdivision 3.

Sec. 2. [116J.394] DEFINITIONS.

(a) For the purposes of sections 116J.394 to 116J.396, the following terms have the meanings given them.

(b) "Broadband" or "broadband service" has the meaning given in section 116J.39, subdivision 1, paragraph (b).

(c) "Broadband infrastructure" means networks of deployed telecommunications equipment and technologies necessary to provide high-speed Internet access and other advanced telecommunications services for end users.

(d) "Commissioner" means the commissioner of employment and economic development.

(e) "Last-mile infrastructure" means broadband infrastructure that serves as the final leg connecting the broadband service provider's network to the end-use customer's on-premises telecommunications equipment.

(f) "Middle-mile infrastructure" means broadband infrastructure that links a broadband service provider's core network infrastructure to last-mile infrastructure.

(g) "Political subdivision" means any county, city, town, school district, special district or other political subdivision, or public corporation.

(h) "Underserved areas" means areas of Minnesota in which households or businesses lack access to wire-line broadband service at speeds that meet the state broadband goals of ten to 20 megabits per second download and five to ten megabits per second upload.

(i) "Unserved areas" means areas of Minnesota in which households or businesses lack access to wire-line broadband service at speeds that meet a Federal Communications Commission threshold of four megabits per second download and one megabit per second upload.

Sec. 3. **[116J.395] BORDER-TO-BORDER BROADBAND DEVELOPMENT GRANT PROGRAM.**

Subdivision 1. **Establishment.** A grant program is established under the Department of Employment and Economic Development to award grants to eligible applicants in order to promote the expansion of access to broadband service in unserved or underserved areas of the state.

Subd. 2. **Eligible expenditures.** Grants may be awarded under this section to fund the acquisition and installation of middle-mile and last-mile infrastructure that support broadband service scalable to speeds of at least 100 megabits per second download and 100 megabits per second upload.

Subd. 3. **Eligible applicants.** Eligible applicants for grants awarded under this section include:

- (1) an incorporated business or a partnership;
- (2) a political subdivision;
- (3) an Indian tribe;
- (4) a Minnesota nonprofit organization organized under chapter 317A;
- (5) a Minnesota cooperative association organized under chapter 308A or 308B; and
- (6) a Minnesota limited liability corporation organized under chapter 322B for the purpose of expanding broadband access.

Subd. 4. **Application process.** An eligible applicant must submit an application to the commissioner on a form prescribed by the commissioner. The commissioner shall develop administrative procedures governing the application and grant award process. The commissioner shall act as fiscal agent for the grant program and shall be responsible for receiving and reviewing grant applications and awarding grants under this section.

Subd. 5. **Application contents.** An applicant for a grant under this section shall provide the following information on the application:

- (1) the location of the project;

- (2) the kind and amount of broadband infrastructure to be purchased for the project;
- (3) evidence regarding the unserved or underserved nature of the community in which the project is to be located;
- (4) the number of households passed that will have access to broadband service as a result of the project, or whose broadband service will be upgraded as a result of the project;
- (5) significant community institutions that will benefit from the proposed project;
- (6) evidence of community support for the project;
- (7) the total cost of the project;
- (8) sources of funding or in-kind contributions for the project that will supplement any grant award; and
- (9) any additional information requested by the commissioner.

Subd. 6. **Awarding grants.** (a) In evaluating applications and awarding grants, the commissioner shall give priority to applications that are constructed in areas identified by the director of the Office of Broadband Development as unserved.

(b) In evaluating applications and awarding grants, the commissioner may give priority to applications that:

(1) are constructed in areas identified by the director of the Office of Broadband Development as underserved;

(2) offer new or substantially upgraded broadband service to important community institutions including, but not limited to, libraries, educational institutions, public safety facilities, and healthcare facilities;

(3) facilitate the use of telemedicine and electronic health records;

(4) serve economically distressed areas of the state, as measured by indices of unemployment, poverty, or population loss that are significantly greater than the statewide average;

(5) provide technical support and train residents, businesses, and institutions in the community served by the project to utilize broadband service;

(6) include a component to actively promote the adoption of the newly available broadband services in the community;

(7) provide evidence of strong support for the project from citizens, government, businesses, and institutions in the community;

(8) provide access to broadband service to a greater number of unserved or underserved households and businesses; or

(9) leverage greater amounts of funding for the project from other private and public sources.

(c) The commissioner shall endeavor to award grants under this section to qualified applicants in all regions of the state.

Subd. 7. **Limitation.** (a) No grant awarded under this section may fund more than 50 percent of the total cost of a project.

(b) Grants awarded to a single project under this section must not exceed \$5,000,000.

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

Sec. 4. **[116J.396] BORDER-TO-BORDER BROADBAND FUND.**

Subdivision 1. **Account established.** The border-to-border broadband fund account is established as a separate account in the special revenue fund in the state treasury. The commissioner shall credit to the account appropriations and transfers to the account. Earnings, such as interest, dividends, and any other earnings arising from assets of the account, must be credited to the account. Funds remaining in the account at the end of a fiscal year are not canceled to the general fund, but remain in the account until expended. The commissioner shall manage the account.

Subd. 2. **Expenditures.** Money in the account may be used only:

(1) for grant awards made under section 116J.395, including costs incurred by the Department of Employment and Economic Development to administer that section;

(2) to supplement revenues raised by bonds sold by local units of government for broadband infrastructure development; or

(3) to contract for the collection of broadband deployment data from providers and the creation of maps showing the availability of broadband service.

Subd. 3. **Appropriation.** Money in the account is appropriated to the commissioner for the purposes of subdivision 2.

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

Sec. 5. Minnesota Statutes 2012, section 116J.423, subdivision 2, is amended to read:

Subd. 2. **Use of fund.** The commissioner shall use money in the fund to make loans or equity investments in mineral or taconite processing facilities ~~including, but not limited to, taconite processing, direct reduction processing, and, steel production facilities,~~ facilities for the manufacturing of renewable energy products, or facilities for the manufacturing of biobased or biomass products, and that are located within the taconite relief tax area as defined under section 273.134. The commissioner must, prior to making any loans or equity investments and after consultation with industry and public officials, develop a strategy for making loans and equity investments that assists the Minnesota mineral industry in becoming globally competitive. Money in the fund may also be used to pay for the costs of carrying out the commissioner's due diligence duties under this section.

Sec. 6. Minnesota Statutes 2012, section 116J.8731, subdivision 5, is amended to read:

Subd. 5. **Grant limits.** A Minnesota investment fund grant may not be approved for an amount in excess of \$1,000,000. This limit covers all money paid to complete the same project, whether paid to one or more grant recipients and whether paid in one or more fiscal years. A local community or recognized Indian tribal government may retain ~~20~~ 40 percent, but not more than \$100,000, of a Minnesota investment fund grant when it is repaid to the local community or recognized Indian tribal government by the person or entity to which it was loaned by the local community or Indian

tribal government. Money repaid to the state must be credited to a Minnesota investment revolving loan account in the state treasury. Funds in the account are appropriated to the commissioner and must be used in the same manner as are funds appropriated to the Minnesota investment fund. Funds repaid to the state through existing Minnesota investment fund agreements must be credited to the Minnesota investment revolving loan account effective July 1, 2005. A grant or loan may not be made to a person or entity for the operation or expansion of a casino or a store which is used solely or principally for retail sales. Persons or entities receiving grants or loans must pay each employee total compensation, including benefits not mandated by law, that on an annualized basis is equal to at least 110 percent of the federal poverty level for a family of four.

Sec. 7. Minnesota Statutes 2012, section 116L.98, is amended to read:

116L.98 WORKFORCE PROGRAM OUTCOMES.

Subdivision 1. **Requirements.** The commissioner shall develop and implement a set of standard approaches for assessing the outcomes of workforce programs under this chapter. The outcomes assessed must include, but are not limited to, periodic comparisons of workforce program participants and nonparticipants uniform outcome measurement and reporting system for adult workforce-related programs funded in whole or in part by the workforce development fund.

The commissioner shall also monitor the activities and outcomes of programs and services funded by legislative appropriations and administered by the department on a pass-through basis and develop a consistent and equitable method of assessing recipients for the costs of its monitoring activities.

Subd. 2. **Definitions.** (a) For the purposes of this section, the terms defined in this subdivision have the meanings given.

(b) "Credential" means postsecondary degrees, diplomas, licenses, and certificates awarded in recognition of an individual's attainment of measurable technical or occupational skills necessary to obtain employment or advance with an occupation. This definition does not include certificates awarded by workforce investment boards or work-readiness certificates.

(c) "Exit" means to have not received service under a workforce program for 90 consecutive calendar days. The exit date is the last date of service.

(d) "Net impact" means the use of matched control groups and regression analysis to estimate the impacts attributable to program participation net of other factors, including observable personal characteristics and economic conditions.

(e) "Pre-enrollment" means the period of time before an individual was enrolled in a workforce program.

Subd. 3. **Uniform outcome report card; reporting by commissioner.** (a) By December 31 of each even-numbered year, the commissioner must report to the chairs and ranking minority members of the committees of the house of representatives and the senate having jurisdiction over economic development and workforce policy and finance the following information separately for each of the previous two fiscal or calendar years, for each program subject to the requirements of subdivision 1:

(1) the total number of participants enrolled;

(2) the median pre-enrollment wages based on participant wages for the second through the fifth calendar quarters immediately preceding the quarter of enrollment excluding those with zero income;

(3) the total number of participants with zero income in the second through fifth calendar quarters immediately preceding the quarter of enrollment;

(4) the total number of participants enrolled in training;

(5) the total number of participants enrolled in training by occupational group;

(6) the total number of participants that exited the program and the average enrollment duration of participants that have exited the program during the year;

(7) the total number of exited participants who completed training;

(8) the total number of exited participants who attained a credential;

(9) the total number of participants employed during three consecutive quarters immediately following the quarter of exit, by industry;

(10) the median wages of participants employed during three consecutive quarters immediately following the quarter of exit;

(11) the total number of participants employed during eight consecutive quarters immediately following the quarter of exit, by industry; and

(12) the median wages of participants employed during eight consecutive quarters immediately following the quarter of exit.

(b) The report to the legislature must contain participant information by education level, race and ethnicity, gender, and geography, and a comparison of exited participants who completed training and those who did not.

(c) The requirements of this section apply to programs administered directly by the commissioner or administered by other organizations under a grant made by the department.

Subd. 4. **Data to commissioner; uniform report card.** (a) A recipient of a future or past grant or direct appropriation made by or through the department must report data to the commissioner by September 1 of each even-numbered year on each of the items in subdivision 3 for each program it administers except wages and number employed, which the department shall provide. The data must be in a format prescribed by the commissioner.

(b) Beginning July 1, 2014, the commissioner shall provide notice to grant applicants and recipients regarding the data collection and reporting requirements under this subdivision and must provide technical assistance to applicants and recipients to assist in complying with the requirements of this subdivision.

Subd. 5. **Information.** The information collected and reported under subdivisions 3 and 4 shall be made available on the department's Web site.

Subd. 6. **Limitations on future appropriations.** (a) A program that is a recipient of public funds and subject to the requirements of this section as of May 1, 2014, is not eligible for additional

state appropriations for any fiscal year beginning after June 30, 2015, unless all of the reporting requirements under subdivision 4 have been satisfied.

(b) A program with an initial request for funds on or after the effective date of this section may be considered for receipt of public funds for the first two fiscal years only if a plan that demonstrates how the data collection and reporting requirements under subdivision 4 will be met has been submitted and approved by the commissioner. Any subsequent request for funds after an initial request is subject to the requirements of paragraph (a).

Subd. 7. **Workforce program net impact analysis.** (a) By January 15, 2015, the commissioner must report to the committees of the house of representatives and the senate having jurisdiction over economic development and workforce policy and finance on the results of the net impact pilot project already underway as of the date of enactment of this section.

(b) The commissioner shall contract with an independent entity to conduct an ongoing net impact analysis of the programs included in the net impact pilot project under paragraph (a) and any other programs deemed appropriate by the commissioner. The net impact methodology used by the independent entity under this paragraph must be based on the methodology and evaluation design used in the net impact pilot project under paragraph (a).

(c) By January 15, 2017, and every four years thereafter, the commissioner must report to the committees of the house of representatives and the senate having jurisdiction over economic development and workforce policy and finance the following information for each program subject to paragraph (b):

(1) the net impact of workforce services on individual employment, earnings, and public benefit usage outcomes; and

(2) a cost-benefit analysis for understanding the monetary impacts of workforce services from the participant and taxpayer points of view.

The report under this paragraph must be made available to the public in an electronic format on the Department of Employment and Economic Development's Web site.

(d) The department is authorized to create and maintain data-sharing agreements with other departments, including corrections, human services, and any other department that are necessary to complete the analysis. The department shall supply the information collected for use by the independent entity conducting net impact analysis pursuant to the data practices requirements under chapters 13, 13A, 13B, and 13C.

Sec. 8. Minnesota Statutes 2012, section 179.02, is amended by adding a subdivision to read:

Subd. 6. **Receipt of gifts, money; appropriation.** (a) The commissioner may apply for, accept, and disburse gifts, bequests, grants, or payments for services from the United States, the state, private foundations, or any other source.

(b) Money received by the commissioner under this subdivision must be deposited in a separate account in the state treasury and invested by the State Board of Investment. The amount deposited, including investment earnings, is appropriated to the commissioner to carry out duties of the commissioner.

(c) The commissioner must post and maintain, on the Bureau of Mediation Services Web site, a list of the sources of funds and amounts received under this subdivision.

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

Sec. 9. Minnesota Statutes 2012, section 181A.07, is amended by adding a subdivision to read:

Subd. 7. **Approved training programs.** The commissioner may grant exemptions from any provisions of sections 181A.01 to 181A.12 for minors participating in training programs approved by the commissioner; or students in a valid apprenticeship program taught by or required by a trade union, the commissioner of education, the commissioner of employment and economic development, the Board of Trustees of the Minnesota State Colleges and Universities, or the Board of Regents of the University of Minnesota.

Sec. 10. Minnesota Statutes 2012, section 216B.241, subdivision 1d, is amended to read:

Subd. 1d. **Technical assistance.** (a) The commissioner shall evaluate energy conservation improvement programs on the basis of cost-effectiveness and the reliability of the technologies employed. The commissioner shall, by order, establish, maintain, and update energy-savings assumptions that must be used when filing energy conservation improvement programs. The commissioner shall establish an inventory of the most effective energy conservation programs, techniques, and technologies, and encourage all Minnesota utilities to implement them, where appropriate, in their service territories. The commissioner shall describe these programs in sufficient detail to provide a utility reasonable guidance concerning implementation. The commissioner shall prioritize the opportunities in order of potential energy savings and in order of cost-effectiveness. The commissioner may contract with a third party to carry out any of the commissioner's duties under this subdivision, and to obtain technical assistance to evaluate the effectiveness of any conservation improvement program. The commissioner may assess up to ~~\$800,000 annually until June 30, 2009,~~ and \$450,000 \$850,000 annually thereafter for the purposes of this subdivision. The assessments must be deposited in the state treasury and credited to the energy and conservation account created under subdivision 2a. An assessment made under this subdivision is not subject to the cap on assessments provided by section 216B.62, or any other law.

(b) Of the assessment authorized under paragraph (a), the commissioner may expend up to \$400,000 annually for the purpose of developing, operating, maintaining, and providing technical support for a uniform electronic data reporting and tracking system available to all utilities subject to this section, in order to enable accurate measurement of the cost and energy savings of the energy conservation improvements required by this section. This paragraph expires June 30, 2017, and may be used for no more than three annual assessments occurring prior to that date.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to assessments made after June 30, 2014.

Sec. 11. Minnesota Statutes 2012, section 216C.145, is amended to read:

216C.145 MICROENERGY COMMUNITY ENERGY EFFICIENCY AND RENEWABLE ENERGY LOAN PROGRAM.

Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this section.

(b) "Small-scale Community energy efficiency and renewable energy projects" projects include means solar thermal water heating, solar electric or photovoltaic equipment, small wind energy

conversion systems of less than 250 kW, anaerobic digester gas systems, microhydro systems up to 100 kW, ~~and heating and cooling applications using geothermal energy~~ solar thermal or ground source technology, and cost-effective energy efficiency projects installed in industrial, commercial or public buildings, or health care facilities.

(c) "Health care facilities" means a hospital licensed under sections 144.50 to 144.56, or a nursing home licensed under chapter 144A.

(d) "Industrial customer" means a business that is classified under the North American Industrial Classification System under codes 21, 31 to 33, 48, 49, or 562.

(e) "Small business" means a business that employs 50 or fewer employees.

(e) (f) "Unit of local government" means any home rule charter or statutory city, county, commission, district, authority, or other political subdivision or instrumentality of this state, including a sanitary district, park district, the Metropolitan Council, a port authority, an economic development authority, or a housing and redevelopment authority.

Subd. 2. **Program established.** The commissioner of commerce shall develop, implement, and administer a ~~microenergy~~ community energy efficiency and renewable energy loan program under this section.

Subd. 3. **Loan purposes.** (a) The commissioner may issue low-interest, long-term loans to units of local government to:

(1) finance community-owned or publicly owned ~~small-scale~~ renewable energy systems or to cost-effective energy efficiency improvements to public buildings; or

~~provide loans or other aids to small businesses to install small-scale renewable energy systems~~

(2) provide loans or other aids to industrial or commercial businesses or health care facilities for cost-effective energy efficiency projects or to install renewable energy systems.

(b) The commissioner may participate in loans made by the Housing Finance Agency to residential property owners, private developers, nonprofit organizations, or units of local government under sections 462A.05, subdivisions 14 and 18; and 462A.33 for the construction, purchase, or rehabilitation of residential housing to facilitate the installation of ~~small-scale~~ renewable energy systems in residential housing and cost-effective energy conservation improvements identified in an energy efficiency audit. The commissioner shall assist the Housing Finance Agency in assessing the technical qualifications of loan applicants.

(c) If an industrial, commercial, or health care facility customer seeks a loan under paragraph (a), clause (2), the commissioner may require an individual industrial, commercial, or health care facility customer to provide its energy usage data for the limited purpose of assessing the energy and cost savings of the project that is subject to the loan. Industrial, commercial, or health care facility customer's energy usage data may only be released upon the express, written consent of the individual industrial, commercial, or health care facility customer. The commissioner shall not require an industrial, commercial, or health care facility customer to provide energy usage data or aggregation of energy usage data that includes an industrial, commercial, or health care facility customer for any other loan under this section. Any individual industrial, commercial, or health care facility customer's energy usage data provided under this section shall be classified as nonpublic data as defined in section 13.02, subdivision 9.

Subd. 4. **Technical standards.** The commissioner shall determine technical standards for ~~small-scale renewable energy systems~~ community energy efficiency and renewable energy projects to qualify for loans under this section.

Subd. 5. **Loan proposals.** (a) At least once a year, the commissioner shall publish in the State Register a request for proposals from units of local government for a loan under this section. Within 45 days after the deadline for receipt of proposals, the commissioner shall select proposals based on the following criteria:

- (1) the reliability and cost-effectiveness of the renewable or energy efficiency technology to be installed under the proposal;
- (2) the extent to which the proposal effectively integrates with the conservation and energy efficiency programs or goals of the energy utilities serving the proposer;
- (3) the total life cycle energy use and greenhouse gas emissions reductions per dollar of installed cost;
- (4) the diversity of the renewable energy or energy efficiency technology installed under the proposal;
- (5) the geographic distribution of projects throughout the state;
- (6) the percentage of total project cost requested;
- (7) the proposed security for payback of the loan; and
- (8) other criteria the commissioner may determine to be necessary and appropriate.

Subd. 6. **Loan terms.** A loan under this section must be issued at the lowest interest rate required to recover principal and interest plus the costs of issuing the loan, and must be for a minimum of 15 years, unless the commissioner determines that a shorter loan period of no less than ~~ten~~ five years is necessary and feasible.

Subd. 7. **Account.** A ~~microenergy~~ community energy efficiency and renewable energy loan account is established in the state treasury. Money in the account consists of the proceeds of revenue bonds issued under section 216C.146, interest and other earnings on money in the account, money received in repayment of loans from the account, legislative appropriations, and money from any other source credited to the account.

Subd. 8. **Appropriation.** Money in the account is appropriated to the commissioner of commerce to make ~~microenergy~~ community energy efficiency and renewable energy loans under this section and to the commissioner of management and budget to pay debt service and other costs under section 216C.146. Payment of debt service costs and funding reserves take priority over use of money in the account for any other purpose.

Sec. 12. Minnesota Statutes 2012, section 216C.146, is amended to read:

216C.146 MICROENERGY COMMUNITY ENERGY EFFICIENCY AND RENEWABLE ENERGY LOAN REVENUE BONDS.

Subdivision 1. **Bonding authority; definition.** (a) The commissioner of management and budget, if requested by the commissioner of commerce, shall sell and issue state revenue bonds for the following purposes:

(1) to make microenergy community energy efficiency and renewable energy loans under section 216C.145;

(2) to pay the costs of issuance, debt service, including capitalized interest, and bond insurance or other credit enhancements, and to fund reserves, and make payments under other agreements entered into under subdivision 2, but excludes refunding bonds sold and issued under this subdivision; and

(3) to refund bonds issued under this section.

(b) The aggregate principal amount of bonds for the purposes of paragraph (a), clause (1), that may be outstanding at any time may not exceed \$100,000,000, of which up to \$20,000,000 shall be reserved for community energy efficiency and renewable energy projects taking place in small businesses and public buildings; the principal amount of bonds that may be issued for the purposes of paragraph (a), clauses (2) and (3), is not limited.

(c) For the purpose of this section, "commissioner" means the commissioner of management and budget.

(d) Revenue bonds may be issued from time to time in one or more series on the terms and conditions the commissioner determines to be in the best interests of the state at any price or percentages of par value, but the term on any series of revenue bonds may not exceed 25 years. The revenue bonds of each issue and series thereof shall be dated and bear interest, and may be includable in or excludable from the gross income of the owners for federal income tax purposes.

(e) Revenue bonds may be sold at either public or private sale. Any bid received may be rejected.

(f) The revenue bonds are not subject to chapter 16C.

(g) Notwithstanding any other law, revenue bonds issued under this section shall be fully negotiable.

(h) Revenue bond terms must be no longer than the term of any corresponding loan made under section 216C.145.

Subd. 2. **Procedure.** The commissioner may sell and issue the bonds on the terms and conditions the commissioner determines to be in the best interests of the state. The bonds may be sold at public or private sale. The commissioner may enter into any agreements or pledges the commissioner determines necessary or useful to sell the bonds that are not inconsistent with section 216C.145. Sections 16A.672 to 16A.675 apply to the bonds. The proceeds of the bonds issued under this section must be credited to the microenergy community energy efficiency and renewable energy loan account created under section 216C.145.

Subd. 3. **Revenue sources.** The debt service on the bonds is payable only from the following sources:

(1) revenue credited to the microenergy community energy efficiency and renewable energy loan account from the sources identified in section 216C.145 or from any other source; and

(2) other revenues pledged to the payment of the bonds, including reserves established by a local government unit.

Subd. 4. **Refunding bonds.** The commissioner may issue bonds to refund outstanding bonds issued under subdivision 1, including the payment of any redemption premiums on the bonds and

any interest accrued or to accrue to the first redemption date after delivery of the refunding bonds. The proceeds of the refunding bonds may, at the discretion of the commissioner, be applied to the purchases or payment at maturity of the bonds to be refunded, or the redemption of the outstanding bonds on the first redemption date after delivery of the refunding bonds and may, until so used, be placed in escrow to be applied to the purchase, retirement, or redemption. Refunding bonds issued under this subdivision must be issued and secured in the manner provided by the commissioner.

Subd. 5. **Not a general or moral obligation.** Bonds issued under this section are not public debt, and the full faith, credit, and taxing powers of the state are not pledged for their payment. The bonds may not be paid, directly in whole or in part from a tax of statewide application on any class of property, income, transaction, or privilege. Payment of the bonds is limited to the revenues explicitly authorized to be pledged under this section. The state neither makes nor has a moral obligation to pay the bonds if the pledged revenues and other legal security for them is insufficient.

Subd. 6. **Trustee.** The commissioner may contract with and appoint a trustee for bondholders. The trustee has the powers and authority vested in it by the commissioner under the bond and trust indentures.

Subd. 7. **Pledges.** A pledge made by the commissioner is valid and binding from the time the pledge is made. The money or property pledged and later received by the commissioner is immediately subject to the lien of the pledge without any physical delivery of the property or money or further act, and the lien of the pledge is valid and binding as against all parties having claims of any kind in tort, contract, or otherwise against the commissioner, whether or not those parties have notice of the lien or pledge. Neither the order nor any other instrument by which a pledge is created need be recorded.

Subd. 8. **Bonds; purchase and cancellation.** The commissioner, subject to agreements with bondholders that may then exist, may, out of any money available for the purpose, purchase bonds of the commissioner at a price not exceeding (1) if the bonds are then redeemable, the redemption price then applicable plus accrued interest to the next interest payment date thereon, or (2) if the bonds are not redeemable, the redemption price applicable on the first date after the purchase upon which the bonds become subject to redemption plus accrued interest to that date.

Subd. 9. **State pledge against impairment of contracts.** The state pledges and agrees with the holders of any bonds that the state will not limit or alter the rights vested in the commissioner to fulfill the terms of any agreements made with the bondholders, or in any way impair the rights and remedies of the holders until the bonds, together with interest on them, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the bondholders, are fully met and discharged. The commissioner may include this pledge and agreement of the state in any agreement with the holders of bonds issued under this section.

Subd. 10. **Revenue bonds as legal investments.** Any of the following entities may legally invest any sinking funds, money, or other funds belonging to them or under their control in any revenue bonds issued under this section:

(1) the state, the investment board, public officers, municipal corporations, political subdivisions, and public bodies;

(2) banks and bankers, savings and loan associations, credit unions, trust companies, savings banks and institutions, investment companies, insurance companies, insurance associations, and other persons carrying on a banking or insurance business; and

(3) personal representatives, guardians, trustees, and other fiduciaries.

Subd. 11. **Waiver of immunity.** The waiver of immunity by the state provided for by section 3.751, subdivision 1, shall be applicable to the revenue bonds and any ancillary contracts to which the commissioner is a party.

Sec. 13. Minnesota Statutes 2012, section 268A.01, subdivision 14, is amended to read:

Subd. 14. **Affirmative business enterprise employment.** "Affirmative business enterprise employment" means employment which provides paid work on the premises of an affirmative business enterprise as certified by the commissioner.

Affirmative business enterprise employment is considered community employment for purposes of funding under Minnesota Rules, parts 3300.1000 to 3300.2055, provided that the wages for individuals reported must be at or above customary wages for the same employer. The employer must also provide one benefit package that is available to all employees at the specific site certified as an affirmative business enterprise.

Sec. 14. **[268A.16] EMPLOYMENT SERVICES FOR PERSONS WHO ARE DEAF, DEAFBLIND, OR HARD-OF-HEARING.**

Subdivision 1. **Deaf, deafblind, and hard-of-hearing grants.** (a) The commissioner shall develop and implement a specialized statewide grant program to provide long-term supported employment services for persons who are deaf, deafblind, and hard-of-hearing. Programs and services eligible for grants under this section must:

(1) assist persons who are deaf, deafblind, and hard-of-hearing in retaining and advancing in employment;

(2) provide services with staff who must possess fluency in all forms of manual communication, including American Sign Language; knowledge of hearing loss and psychosocial implications; sensitivity to cultural issues; familiarity with community services and communication strategies for people who are hard-of-hearing and do not sign; and awareness of adaptive technology options;

(3) provide specialized employment support services for individuals who have a combined hearing and vision loss that address the individual's unique ongoing visual and auditory communication needs; and

(4) involve clients in the planning, development, oversight, and delivery of long-term ongoing support services.

(b) Priority for funding shall be given to organizations with experience in developing innovative employment support services for persons who are deaf, deafblind, and hard-of-hearing. Each applicant for funds under this section shall submit an evaluation protocol as part of the grant application.

Subd. 2. **Employment services for transition-aged youth who are deaf, deafblind, and hard-of-hearing.** (a) The commissioner shall develop statewide or regional grant programs to provide school-based communication, access, and employment services for youth who are deaf,

deafblind, and hard-of-hearing. Services must include staff who have the skills addressed in subdivision 1, clauses (2) and (3), and expertise in serving transition-aged youth.

(b) Priority for funding shall be given to organizations with experience in providing innovative employment support services and readiness for postsecondary training for transition-aged youths who are deaf, deafblind, and hard-of-hearing. Each applicant for funds under this section shall submit an evaluation protocol as part of the grant application.

Subd. 3. **Administration.** Up to five percent of the biennial appropriation for the purpose of this section is available to the commissioner for administration of the program.

EFFECTIVE DATE. This section is effective upon enactment of a direct appropriation for grants under this section.

Sec. 15. Minnesota Statutes 2012, section 298.28, subdivision 2, is amended to read:

Subd. 2. **City or town where quarried or produced.** (a) 4.5 cents per gross ton of merchantable iron ore concentrate, hereinafter referred to as "taxable ton," plus the amount provided in paragraph (c), must be allocated to the city or town in the county in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among such subdivisions upon the basis of attributing 50 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each such taxing district. The commissioner's order making such apportionment shall be subject to review by the Tax Court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner.

(b) Four cents per taxable ton shall be allocated to cities and organized townships affected by mining because their boundaries are within three miles of a taconite mine pit that has been actively mined in at least one of the prior three years. If a city or town is located near more than one mine meeting these criteria, the city or town is eligible to receive aid calculated from only the mine producing the largest taxable tonnage. When more than one municipality qualifies for aid based on one company's production, the aid must be apportioned among the municipalities in proportion to their populations. ~~Of The amounts distributed under this paragraph to each municipality, one-half must be used for infrastructure improvement projects, and one-half must be used for projects in which two or more municipalities cooperate. Each municipality that receives a distribution under this paragraph must report annually to the Iron Range Resources and Rehabilitation Board and the commissioner of Iron Range resources and rehabilitation on the projects involving cooperation with other municipalities.~~

(c) The amount that would have been computed for the current year under Minnesota Statutes 2008, section 126C.21, subdivision 4, for a school district shall be distributed 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.

Sec. 16. Laws 2013, chapter 143, article 11, section 10, is amended to read:

Sec. 10. **2013 DISTRIBUTION ONLY.**

For the 2013 distribution, a special fund is established to receive 38.7 cents per ton of any excess of the balance remaining after distribution of amounts required under Minnesota Statutes, section 298.28, subdivision 6. The following amounts are allocated to St. Louis County acting as the fiscal agent for the recipients for the following specific purposes:

- (1) 5.1 cents per ton to the city of Hibbing for improvements to the city's water supply system;
- (2) 4.3 cents per ton to the city of Mountain Iron for the cost of moving utilities required as a result of actions undertaken by United States Steel Corporation;
- (3) 2.5 cents per ton to the city of Biwabik for improvements to the city's water supply system, payable upon agreement with ArcelorMittal to satisfy water permit conditions system to further the established collaborative efforts between the city of Biwabik, the city of Aurora, and surrounding communities;
- (4) 2 cents per ton to the city of Tower for the Tower Marina;
- (5) 2.4 cents per ton to the city of Grand Rapids for an eco-friendly heat transfer system to replace aging effluent lines and for parking lot repaving;
- (6) 2.4 cents per ton to the city of Two Harbors for wastewater treatment plant improvements;
- (7) 0.9 cents per ton to the city of Ely for the sanitary sewer replacement project;
- (8) 0.6 cents per ton to the town of Crystal Bay for debt service of the Claire Nelson Intermodal Transportation Center;
- (9) 0.5 cents per ton to the Greenway Joint Recreation Board for the Coleraine hockey arena renovations;
- (10) 1.2 cents per ton for the West Range Regional Fire Hall and Training Center to merge the existing fire services of Coleraine, Bovey, Taconite Marble, Calumet, and Greenway Township;
- (11) 2.5 cents per ton to the city of Hibbing for the Memorial Building;
- (12) 0.7 cents per ton to the city of Chisholm for public works infrastructure;
- (13) 1.8 cents per ton to the Crane Lake Water and Sanitary District for sanitary sewer extension;
- (14) 2.5 cents per ton for the city of Buhl for the roof on the Mesabi Academy;
- (15) 1.2 cents per ton to the city of Gilbert for the New Jersey/Ohio Avenue project;
- (16) ~~1.5~~ 2.0 cents per ton to the city of Cook for street improvements, business park infrastructure, and a maintenance garage;
- ~~(17)~~ 0.5 cents per ton to the city of Cook for a water line project;
- ~~(18)~~ (17) 1.8 cents per ton to the city of Eveleth to be used for Jones Street reconstruction and the city auditorium;
- ~~(19)~~ (18) 0.5 cents per ton for the city of Keewatin for an electrical substation and water line replacements;
- ~~(20)~~ (19) 3.3 cents per ton for the city of Virginia for Fourth Street North infrastructure and Franklin Park improvement; and

~~(21)~~ (20) 0.5 cents per ton to the city of Grand Rapids for an economic development project.

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

Sec. 17. 2014 DISTRIBUTION ONLY.

For the 2014 distribution, a special fund is established to receive 18.84 cents per ton of any excess of the balance remaining after distribution of amounts required under Minnesota Statutes, section 298.28, subdivision 6. The following amounts are allocated to St. Louis County acting as the fiscal agent for the recipients for the following specific purposes:

- (1) 1.3 cents per ton to the city of Silver Bay for a water project under Highway 61;
- (2) 0.5 cents per ton to the city of Grand Rapids for soil and landscape remediation at the Reif Center;
- (3) 0.65 cents per ton to the city of LaPrairie for sewer, water, and road improvements to accommodate business expansion in the city;
- (4) 0.78 cents per ton to the city of Cohasset for an infrastructure project;
- (5) 0.39 cents per ton to Balkan Township for a salt storage building and energy-efficient cold storage building;
- (6) 3.0 cents per ton to the city of McKinley to construct a water line from the city of Gilbert or the city of Biwabik to the city of McKinley's distribution center in order to secure a potable water source for the city, provided that the city of McKinley secures the remainder of the project costs from other sources, and expires three years following the date of distribution;
- (7) 6.5 cents per ton to the Iron Range Resources and Rehabilitation Board for township block grants to be distributed by the board;
- (8) 0.5 cents per ton to the city of Marble for a water main and looping project;
- (9) 0.65 cents per ton to the city of Nashwauk for an infrastructure project;
- (10) 0.35 cents per ton to the city of Babbitt for demolition of a public building;
- (11) 0.65 cents per ton to the city of Hoyt Lakes for a storm water project;
- (12) 0.65 cents per ton to the city of Aurora for an infrastructure project;
- (13) 0.65 cents per ton to the town of Silver Creek for an infrastructure project;
- (14) 0.5 cents per ton to the city of Calumet for an infrastructure project;
- (15) 0.5 cents per ton to Nashwauk Township for the Nashwauk town hall;
- (16) 0.5 cents per ton to the city of Biwabik for emergency repair of a wastewater treatment project;
- (17) 0.47 cents per ton to the city of Cuyuna for improvements to city properties and facilities, including construction, electrical, water, sewer, and site preparation; and
- (18) 0.3 cents per ton to Morse Township for a recreational trail.

EFFECTIVE DATE. This section is effective for the 2014 distribution, and all payments must be made separately and within ten days of the date of the August 2014 payment.

Sec. 18. CIP ELECTRONIC DATA REPORTING AND TRACKING SYSTEM; EVALUATION.

The commissioner of commerce may utilize a stakeholder group to annually monitor the usability and product development of systems for electronic data reporting and tracking for the use of utilities under the conservation improvement plan program under Minnesota Statutes, section 216B.241. The initial group may be convened by November 1, 2014, and must, among others, include representatives from all sectors of the gas and electric utility industry and providers of energy conservation.

Sec. 19. INNOVATION VOUCHER PILOT PROGRAM.

(a) The commissioner of employment and economic development shall develop and implement an innovation voucher pilot program to provide financing to small businesses to purchase technical assistance and services from public higher education institutions and nonprofit entities to assist in the development or commercialization of innovative new products or services.

(b) Funds available under this section may be used by a small business to access technical assistance and other services including, but not limited to: research, technical development, product development, commercialization, market development, technology exploration, and improved business practices including strategies to grow business and create operational efficiencies.

(c) To be eligible for a voucher under this section, a business must enter into an agreement with the commissioner that includes:

(1) a list of the technical assistance and services the business proposes to purchase and from whom the services will be purchased; and

(2) deliverable outcomes in one of the following areas:

(i) research and development;

(ii) business model development;

(iii) market feasibility;

(iv) operations; or

(v) other outcomes determined by the commissioner.

As part of the agreement, the commissioner must approve the technical assistance and services to be purchased, and the entities from which the services or technical assistance will be purchased.

(d) For the purposes of this section, a small business means a business with fewer than 40 employees.

(e) A voucher award must not exceed \$25,000 per business.

(f) The commissioner must report to the chairs of the committees of the house of representatives and senate having jurisdiction over economic development and workforce policy and finance issues by December 1, 2014, on the vouchers awarded to date.

Sec. 20. COMMISSIONER'S ACCOUNTABILITY PLAN.

By December 1, 2014, the commissioner shall report to the committees of the house of representatives and senate having jurisdiction over workforce development and economic development policy and finance issues, on the department's plan, and any request for funding, to design and implement a performance accountability outcome measurement system for programs under Minnesota Statutes, chapters 116J and 116L.

Sec. 21. COMPETENCY STANDARDS: ADVANCED MANUFACTURING, HEALTH CARE SERVICES, INFORMATION TECHNOLOGY, AND AGRICULTURE.

(a) The commissioner of labor and industry, in collaboration with the commissioner of employment and economic development, shall establish competency standards for programs in advanced manufacturing, health care services, information technology, and agriculture. This initiative shall be administered by the Department of Labor and Industry. In establishing the competency standards, the commissioner shall convene recognized industry experts, representative employers, higher education institutions, and representatives of labor to assist in defining credible competency standards acceptable to the advanced manufacturing, health care services, information technology, and agriculture industries.

(b) The outcomes expected from the initiatives in this section include:

(1) establishment of competency standards for entry level and at least two additional higher skill levels in each industry;

(2) verification of competency standards and skill levels and their transferability by representatives of each respective industry;

(3) models of ways for Minnesota educational institutions to engage in providing education and training to meet the competency standards established; and

(4) participation from the identified industry sectors.

(c) By January 15, 2015, the commissioner of labor and industry shall report to the legislative committees with jurisdiction over jobs on the progress and success, including outcomes, of the initiatives in this section and recommendations on occupations in which similar competency standards should be developed and implemented.

Sec. 22. AGRICULTURAL EMPLOYMENT; REPORT.

The commissioner of labor and industry shall report by January 1, 2015, to the chairs and ranking minority members of the standing committees of the house of representatives and senate with jurisdiction over labor policy and finance issues on the number of agricultural employers who are using a 48 hour work week and the number of employees affected. The commissioner shall include recommendations for appropriate compensation for such agricultural employees. For the purposes of this section, "agriculture" has the meaning given in Minnesota Rules, part 5200.0260.

Sec. 23. REPEALER.

Minnesota Statutes 2012, section 116J.997, is repealed.

ARTICLE 4

STATE DEPARTMENTS AND VETERANS

Section 1. **STATE DEPARTMENTS AND VETERANS APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are added to the appropriations in Laws 2013, chapter 142, article 1, to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2014" and "2015" used in this article mean that the addition to the appropriation listed under them is available for the fiscal year ending June 30, 2014, or June 30, 2015, respectively. Supplemental appropriations for the fiscal year ending June 30, 2014, are effective the day following final enactment.

<u>APPROPRIATIONS</u>	
<u>Available for the Year</u>	
<u>Ending June 30</u>	
<u>2014</u>	<u>2015</u>

Sec. 2. **STATE DEPARTMENTS AND VETERANS APPROPRIATIONS**

Subdivision 1. **Legislative Coordinating Commission**

<u>\$</u>	<u>-0-</u>	<u>\$</u>	<u>380,000</u>
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\$225,000 is for operating costs of the joint legislative offices. \$150,000 each year is added to the base.

\$155,000 is for the Legislative Water Commission established in section 3. \$145,000 each fiscal year is added to the base through fiscal year 2019.

Subd. 2. **Minnesota Housing Finance Agency**

<u>-0-</u>	<u>250,000</u>
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\$250,000 is for at least five grants of up to \$50,000 each to conduct a housing needs assessment for veterans in any community within the state. No more than five percent may be used by the Minnesota Housing Finance Agency to administer these grants. The grants may be awarded to any government or nongovernmental organization. The assessment, which may be a study or a survey, may examine the need for scattered site housing for veterans and their families who are homeless or in danger of homelessness or for housing that addresses

the health care needs of disabled or aging veterans. The assessment must be started by July 30, 2015, and completed by July 30, 2016. The commissioner of the Minnesota Housing Finance Agency must provide copies of any completed assessment to the chairs and ranking minority members of the legislative committees with jurisdiction over housing and veterans affairs no later than January 1, 2017. This is a onetime appropriation.

Subd. 3. Racing Commission

100,000

85,000

These appropriations are from the racing and card playing regulation accounts in the special revenue fund. These appropriations are onetime and are available in either year of the biennium.

Subd. 4. Amateur Sports Commission

-0-

50,000

\$50,000 is to develop a pilot program to prevent and reduce childhood obesity. This appropriation is onetime and is available until June 30, 2017.

Subd. 5. Minnesota Historical Society

-0-

25,000

\$25,000 is for a grant to Farm America for repairs and maintenance of the Minnesota Agricultural Interpretive Center and for audit expenses. This is a onetime appropriation and is available until June 30, 2017.

Subd. 6. Board of the Arts

-0-

750,000

\$750,000 is appropriated from the arts and cultural heritage fund for arts education in partnership with the President's Turnaround Arts Initiative. This appropriation is contingent on Minnesota being designated a Turnaround site. This appropriation is available until June 30, 2015. This is a onetime appropriation.

Subd. 7. Minnesota Humanities Center

-0-

225,000

\$125,000 is from the arts and cultural heritage fund for the Veterans' Voices program to educate and engage the community regarding

veterans' contributions, knowledge, skills, and experiences. Of this amount, \$25,000 is for transfer to the Association of Minnesota Public Education Radio Stations for statewide programming to promote the Veterans' Voices program. This is a onetime appropriation.

\$100,000 is from the arts and cultural heritage fund for professional development for kindergarten through grade 12 educators to better culturally engage their work with at-risk student populations. This may include new and original literature that addresses literacy of emerging cultural communities. This is a onetime appropriation.

Subd. 8. Department of Education

-0-

44,000

This appropriation is to implement expedited and temporary licensing provisions of Minnesota Statutes, section 197.4552. This is a onetime appropriation.

Subd. 9. Board of Accountancy

-0-

44,000

This appropriation is to implement expedited and temporary licensing provisions of Minnesota Statutes, section 197.4552. This is a onetime appropriation.

Subd. 10. Board of Architecture, Engineering, Land Surveying, Landscape, Architecture, Geoscience, and Interior Design

-0-

44,000

This appropriation is to implement expedited and temporary licensing provisions of Minnesota Statutes, section 197.4552. This is a onetime appropriation.

Subd. 11. Board of Cosmetologist Examiners

-0-

20,000

This appropriation is to implement expedited and temporary licensing provisions of Minnesota Statutes, section 197.4552. This is a onetime appropriation.

Subd. 12. Board of Barber Examiners

-0-

10,000

This appropriation is to implement expedited and temporary licensing provisions of

Minnesota Statutes, section 197.4552. This is a onetime appropriation.

Subd. 13. **Board of Private Detectives** -0- 44,000

This appropriation is to implement expedited and temporary licensing provisions of Minnesota Statutes, section 197.4552. This is a onetime appropriation.

Subd. 14. **Board of Behavioral Health and Therapy** -0- 15,000

This appropriation is from the state government special revenue fund to implement expedited and temporary licensing provisions of Minnesota Statutes, section 197.4552. This is a onetime appropriation.

Subd. 15. **Board of Dentistry** -0- 10,000

This appropriation is from the state government special revenue fund to implement expedited and temporary licensing provisions of Minnesota Statutes, section 197.4552. This is a onetime appropriation.

Subd. 16. **Board of Dietetics and Nutrition Practice** -0- 10,000

This appropriation is from the state government special revenue fund to implement expedited and temporary licensing provisions of Minnesota Statutes, section 197.4552. This is a onetime appropriation.

Subd. 17. **Board of Marriage and Family Therapy** -0- 14,000

This appropriation is from the state government special revenue fund to implement expedited and temporary licensing provisions of Minnesota Statutes, section 197.4552. This is a onetime appropriation.

Subd. 18. **Board of Nursing Home Administrators** -0- 1,000

This appropriation is from the state government special revenue fund to implement expedited and temporary licensing provisions of Minnesota Statutes, section 197.4552. This is a onetime appropriation.

Subd. 19. **Board of Optometry** -0- 10,000

This appropriation is from the state government special revenue fund to implement expedited and temporary licensing provisions of Minnesota Statutes, section 197.4552. This is a onetime appropriation.

Subd. 20. **Board of Podiatric Medicine** -0- 10,000

This appropriation is from the state government special revenue fund to implement expedited and temporary licensing provisions of Minnesota Statutes, section 197.4552. This is a onetime appropriation.

Subd. 21. **Board of Social Work** -0- 3,000

This appropriation is from the state government special revenue fund to implement expedited and temporary licensing provisions of Minnesota Statutes, section 197.4552. This is a onetime appropriation.

Sec. 3. [3.886] LEGISLATIVE WATER COMMISSION.

Subdivision 1. **Establishment.** A Legislative Water Commission is established.

Subd. 2. **Membership.** (a) The Legislative Water Commission consists of 12 members appointed as follows:

(1) six members of the senate, including three majority party members appointed by the majority leader and three minority party members appointed by the minority leader; and

(2) six members of the house of representatives, including three majority party members appointed by the speaker of the house and three minority party members appointed by the minority leader.

(b) Members serve at the pleasure of the appointing authority and continue to serve until their successors are appointed or until a member is no longer a member of the legislative body that appointed the member to the commission. Vacancies shall be filled in the same manner as the original positions. Vacancies occurring on the commission do not affect the authority of the remaining members of the Legislative Water Commission to carry out the function of the commission.

(c) Members shall elect a chair, vice chair, and other officers as determined by the commission. The chair may convene meetings as necessary to conduct the duties prescribed by this section.

Subd. 3. **Commission staffing.** The Legislative Coordinating Commission must employ staff and contract with consultants as necessary to enable the Legislative Water Commission to carry out its duties and functions.

Subd. 4. **Powers and duties.** (a) The Legislative Water Commission shall review water policy reports and recommendations of the Environmental Quality Board, the Board of Water and Soil

Resources, the Pollution Control Agency, the Department of Natural Resources, the Metropolitan Council, and other water-related reports as may be required by law or the legislature.

(b) The commission may conduct public hearings and otherwise secure data and comments.

(c) The commission shall make recommendations as it deems proper to assist the legislature in formulating legislation.

(d) Data or information compiled by the Legislative Water Commission or its subcommittees shall be made available to the Legislative-Citizen Commission on Minnesota Resources, the Clean Water Council, and standing and interim committees of the legislature on request of the chair of the respective commission, council, or committee.

(e) The commission shall coordinate with the Clean Water Council.

Subd. 5. **Compensation.** Members of the commission may receive per diem and expense reimbursement incurred doing the work of the commission in the manner and amount prescribed for per diem and expense payments by the senate Committee on Rules and Administration and the house of representatives Committee on Rules and Legislative Administration.

Subd. 6. **Expiration.** This section expires July 1, 2019.

Sec. 4. Minnesota Statutes 2013 Supplement, section 15A.082, subdivision 1, is amended to read:

Subdivision 1. **Creation.** A Compensation Council is created each odd-numbered year to assist the legislature in establishing the compensation of constitutional officers, ~~members of the legislature,~~ justices of the Supreme Court, judges of the Court of Appeals and district court, and the heads of state and metropolitan agencies included in section 15A.0815.

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

Sec. 5. Minnesota Statutes 2013 Supplement, section 15A.082, subdivision 3, is amended to read:

Subd. 3. **Submission of recommendations.** (a) By ~~March~~ April 15 in each odd-numbered year, the Compensation Council shall submit to the speaker of the house and the president of the senate salary recommendations for constitutional officers, ~~legislators,~~ justices of the Supreme Court, and judges of the Court of Appeals and district court. The recommended salary for each other office must take effect on the first Monday in January of the next odd-numbered year, with no more than one adjustment, to take effect on January 1 of the year after that. The salary recommendations for ~~legislators;~~ judges; and constitutional officers take effect if an appropriation of money to pay the recommended salaries is enacted after the recommendations are submitted and before their effective date. Recommendations may be expressly modified or rejected. ~~The salary recommendations for legislators are subject to additional terms that may be adopted according to section 3.099, subdivisions 1 and 3.~~

(b) The council shall also submit to the speaker of the house and the president of the senate recommendations for the salary ranges of the heads of state and metropolitan agencies, to be effective retroactively from January 1 of that year if enacted into law. The recommendations shall include the appropriate group in section 15A.0815 to which each agency head should be assigned

and the appropriate limitation on the maximum range of the salaries of the agency heads in each group, expressed as a percentage of the salary of the governor.

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

Sec. 6. Minnesota Statutes 2012, section 15A.082, subdivision 4, is amended to read:

Subd. 4. **Criteria.** In making compensation recommendations, the council shall consider the amount of compensation paid in government service and the private sector to persons with similar qualifications, the amount of compensation needed to attract and retain experienced and competent persons, and the ability of the state to pay the recommended compensation. ~~In making recommendations for legislative compensation, the council shall also consider the average length of a legislative session, the amount of work required of legislators during interim periods, and opportunities to earn income from other sources without neglecting legislative duties.~~

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

Sec. 7. Minnesota Statutes 2012, section 16C.16, subdivision 6a, is amended to read:

Subd. 6a. **Veteran-owned small businesses.** (a) Except when mandated by the federal government as a condition of receiving federal funds, the commissioner shall award up to a six percent preference, but no less than the percentage awarded to any other group under this section, in the amount bid on state procurement to certified small businesses that are majority-owned and operated by: veterans.

~~(1) recently separated veterans who have served in active military service, at any time on or after September 11, 2001, and who have been discharged under honorable conditions from active service, as indicated by the person's United States Department of Defense form DD-214 or by the commissioner of veterans affairs;~~

~~(2) veterans with service-connected disabilities, as determined at any time by the United States Department of Veterans Affairs; or~~

~~(3) any other veteran-owned small businesses certified under section 16C.19, paragraph (d).~~

(b) The purpose of this designation is to facilitate the transition of veterans from military to civilian life, and to help compensate veterans for their sacrifices, including but not limited to their sacrifice of health and time, to the state and nation during their military service, as well as to enhance economic development within Minnesota.

Sec. 8. Minnesota Statutes 2012, section 16C.19, is amended to read:

16C.19 ELIGIBILITY; RULES.

(a) A small business wishing to participate in the programs under section 16C.16, subdivisions 4 to 7, must be certified by the commissioner. The commissioner shall adopt by rule standards and procedures for certifying that ~~small businesses, small targeted group businesses, and small businesses located in economically disadvantaged areas,~~ and veteran-owned small businesses are eligible to participate under the requirements of sections 16C.16 to 16C.21. The commissioner shall adopt by rule standards and procedures for hearing appeals and grievances and other rules necessary to carry out the duties set forth in sections 16C.16 to 16C.21.

(b) The commissioner may make rules which exclude or limit the participation of nonmanufacturing business, including third-party lessors, brokers, franchises, jobbers, manufacturers' representatives, and others from eligibility under sections 16C.16 to 16C.21.

(c) The commissioner may make rules that set time limits and other eligibility limits on business participation in programs under sections 16C.16 to 16C.21.

(d) Notwithstanding paragraph (c), for purposes of sections 16C.16 to 16C.21, a veteran-owned small business, the principal place of business of which is in Minnesota, is certified if it has been verified by the United States Department of Veterans Affairs as being either a veteran-owned small business or a service-disabled veteran-owned small business, in accordance with Public Law 109-461 and Code of Federal Regulations, title 38, part 74.

(e) Until rules are adopted pursuant to paragraph (a) for the purpose of certifying veteran-owned small businesses, the provisions of Minnesota Rules, part 1230.1700, may be read to include veteran-owned small businesses. In addition to the documentation required in Minnesota Rules, part 1230.1700, the veteran owner must have been discharged under honorable conditions from active service, as indicated by the veteran owner's most current United States Department of Defense form DD-214.

Sec. 9. Minnesota Statutes 2012, section 122A.18, is amended by adding a subdivision to read:

Subd. 7c. **Temporary military license.** The Board of Teaching shall establish a temporary license in accordance with section 197.4552 for teaching. The fee for a temporary license under this subdivision shall be \$87.90 for an online application or \$86.40 for a paper application.

Sec. 10. **[148.595] TEMPORARY MILITARY PERMIT; FEE.**

The Board of Optometry shall establish a temporary permit in accordance with section 197.4552. The fee for the temporary military permit is \$250.

Sec. 11. Minnesota Statutes 2012, section 148.624, is amended by adding a subdivision to read:

Subd. 5. **Temporary military permit.** The board shall issue a temporary permit to members of the military in accordance with section 197.4552. The fee for the temporary permit is \$250.

Sec. 12. Minnesota Statutes 2013 Supplement, section 148B.17, subdivision 2, is amended to read:

Subd. 2. **Licensure and application fees.** Nonrefundable licensure and application fees established by the board shall not exceed the following amounts:

- (1) application fee for national examination is \$110;
- (2) application fee for Licensed Marriage and Family Therapist (LMFT) state examination is \$110;
- (3) initial LMFT license fee is prorated, but cannot exceed \$125;
- (4) annual renewal fee for LMFT license is \$125;
- (5) late fee for LMFT license renewal is \$50;
- (6) application fee for LMFT licensure by reciprocity is \$220;

- (7) fee for initial Licensed Associate Marriage and Family Therapist (LAMFT) license is \$75;
- (8) annual renewal fee for LAMFT license is \$75;
- (9) late fee for LAMFT renewal is \$25;
- (10) fee for reinstatement of license is \$150; **and**
- (11) fee for emeritus status is \$125; and
- (12) fee for temporary license for members of the military is \$100.

Sec. 13. Minnesota Statutes 2012, section 148B.53, subdivision 3, is amended to read:

Subd. 3. **Fee.** Nonrefundable fees are as follows:

- (1) initial license application fee for licensed professional counseling (LPC) - \$150;
- (2) initial license fee for LPC - \$250;
- (3) annual active license renewal fee for LPC - \$250 or equivalent;
- (4) annual inactive license renewal fee for LPC - \$125;
- (5) initial license application fee for licensed professional clinical counseling (LPCC) - \$150;
- (6) initial license fee for LPCC - \$250;
- (7) annual active license renewal fee for LPCC - \$250 or equivalent;
- (8) annual inactive license renewal fee for LPCC - \$125;
- (9) license renewal late fee - \$100 per month or portion thereof;
- (10) copy of board order or stipulation - \$10;
- (11) certificate of good standing or license verification - \$25;
- (12) duplicate certificate fee - \$25;
- (13) professional firm renewal fee - \$25;
- (14) sponsor application for approval of a continuing education course - \$60;
- (15) initial registration fee - \$50;
- (16) annual registration renewal fee - \$25; **and**
- (17) approved supervisor application processing fee - \$30; and
- (18) temporary license for members of the military - \$250.

Sec. 14. Minnesota Statutes 2012, section 150A.091, is amended by adding a subdivision to read:

Subd. 9c. **Temporary permit.** Applications for a temporary military permit in accordance with section 197.4552 shall submit a fee not to exceed the amount of \$250.

Sec. 15. Minnesota Statutes 2012, section 153.16, is amended by adding a subdivision to read:

Subd. 4. **Temporary military permit.** The board shall establish a temporary permit in accordance with section 197.4552. The fee for the temporary military permit is \$250.

Sec. 16. Minnesota Statutes 2012, section 154.11, as amended by Laws 2013, chapter 85, article 5, section 12, is amended to read:

154.11 EXAMINATION OF NONRESIDENT BARBERS AND INSTRUCTORS OF BARBERING; TEMPORARY APPRENTICE PERMITS; TEMPORARY MILITARY LICENSE AND APPRENTICE PERMITS.

Subdivision 1. **Examination of nonresidents.** A person who meets all of the requirements for barber registration in sections 154.001, 154.002, 154.003, 154.01 to 154.161, 154.19 to 154.21, and 154.24 to 154.26 and either has a license, certificate of registration, or an equivalent as a practicing barber or instructor of barbering from another state or country which in the discretion of the board has substantially the same requirements for registering barbers and instructors of barbering as required by sections 154.001, 154.002, 154.003, 154.01 to 154.161, 154.19 to 154.21, and 154.24 to 154.26 or can prove by sworn affidavits practice as a barber or instructor of barbering in another state or country for at least five years immediately prior to making application in this state, shall, upon payment of the required fee, be issued a certificate of registration without examination.

Subd. 2. **Temporary apprentice permits for nonresidents.** Any person who qualifies for examination as a registered barber under this section may apply for a temporary apprentice permit which is effective no longer than six months. All persons holding a temporary apprentice permit are subject to all provisions of sections 154.001, 154.002, 154.003, 154.01 to 154.161, 154.19 to 154.21, and 154.24 to 154.26 and the rules adopted by the board under those sections concerning the conduct and obligations of registered apprentices.

Subd. 3. **Temporary military license.** The board shall establish a temporary license for barbers and master barbers and a temporary permit for apprentices in accordance with section 197.4552. The fee for a temporary license under this subdivision for a master barber is \$85. The fee for a temporary license under this subdivision for a barber is \$180. The fee for a temporary permit under this subdivision for an apprentice is \$80.

Sec. 17. Minnesota Statutes 2012, section 155A.27, is amended by adding a subdivision to read:

Subd. 5a. **Temporary military license.** The board shall establish temporary licenses for a cosmetologist, nail technician, and esthetician, in accordance with section 197.4552. The fee for a temporary license under this subdivision for a cosmetologist, nail technician, or esthetician is \$100.

Sec. 18. [197.4552] EXPEDITED AND TEMPORARY LICENSING FOR FORMER AND CURRENT MEMBERS OF THE MILITARY.

Subdivision 1. **Expedited licensing processing.** Notwithstanding any other law to the contrary, each professional licensing board defined in section 214.01, subdivisions 2 and 3, shall establish a procedure to expedite the issuance of a license or certification to perform professional services regulated by each board to a qualified individual who is:

- (1) an active duty military member;
- (2) the spouse of an active duty military member; or

(3) a veteran who has left service in the two years preceding the date of license or certification application, and has confirmation of an honorable or general discharge status.

Subd. 2. **Temporary licenses.** (a) Notwithstanding any other law to the contrary, each professional licensing board defined in section 214.01, subdivisions 2 and 3, shall establish a procedure to issue a temporary license or certification to perform professional services regulated by each board to a qualified individual who is:

(1) an active duty military member;

(2) the spouse of an active duty military member; or

(3) a veteran who has left service in the two years preceding the date of license or certification application, and has confirmation of an honorable or general discharge status.

(b) A qualified individual under paragraph (a) must provide evidence of:

(1) a current, valid license, certificate, or permit in another state without history of disciplinary action by a regulatory authority in the other state; and

(2) a current criminal background study without a criminal conviction that is determined by the board to adversely affect the applicants' ability to become licensed.

(c) A temporary license or certificate issued under this subdivision shall allow a qualified individual to perform regulated professional services for a limited length of time as determined by the licensing board. During the temporary license period, the individual shall complete the full application procedure as required by applicable law.

Subd. 3. **Rulemaking.** Each licensing board may adopt rules to carry out the provisions of this section.

Sec. 19. Minnesota Statutes 2012, section 326.04, as amended by Laws 2014, chapter 236, section 3, is amended to read:

326.04 BOARD ESTABLISHED.

Subdivision 1. Board composition. To carry out the provisions of sections 326.02 to 326.15 there is hereby created a Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design consisting of 21 members, who shall be appointed by the governor. Three members shall be licensed architects, five members shall be licensed engineers, two members shall be licensed landscape architects, two members shall be licensed land surveyors, two members shall be certified interior designers, two members shall be licensed geoscientists, and five members shall be public members. Not more than one member of the board shall be from the same branch of the profession of engineering. Membership terms, compensation of members, removal of members, the filling of membership vacancies, and fiscal year and reporting requirements shall be as provided in sections 214.07 to 214.09. Members shall be limited to two terms. The provision of staff, administrative services and office space; the review and processing of complaints; the setting of board fees; and other provisions relating to board operations shall be as provided in chapter 214.

Subd. 2. **Temporary military certificate.** The board shall establish a temporary military certificate in accordance with section 197.4552.

Sec. 20. Minnesota Statutes 2012, section 326.10, is amended by adding a subdivision to read:

Subd. 10. **Temporary military license.** The board shall establish a temporary license in accordance with section 197.4552 for the practice of architecture, professional engineering, geosciences, land surveying, landscape architecture, and interior design. The fee for the temporary license under this subdivision for the practice of architecture, professional engineering, geosciences, land surveying, landscape architecture, or interior design is \$132.

Sec. 21. Minnesota Statutes 2012, section 326.3382, is amended by adding a subdivision to read:

Subd. 6. **Temporary military license.** The board shall establish a temporary license to engage in the business of private detective or protective agent in accordance with section 197.4552. The fee for the temporary license under this subdivision for a private detective is \$1,000. The fee for a temporary license under this subdivision for a protective agent is \$800.

Sec. 22. Minnesota Statutes 2012, section 326A.04, is amended by adding a subdivision to read:

Subd. 1a. **Temporary military certificate.** The board shall establish a temporary military certificate in accordance with section 197.4552.

Sec. 23. Minnesota Statutes 2013 Supplement, section 326A.04, subdivision 5, is amended to read:

Subd. 5. **Fee.** (a) The board shall charge a fee for each application for initial issuance or renewal of a certificate or temporary military certificate under this section as provided in paragraph (b). The fee for the temporary military certificate is \$100.

(b) The board shall charge the following fees:

- (1) initial issuance of certificate, \$150;
- (2) renewal of certificate with an active status, \$100 per year;
- (3) initial CPA firm permits, except for sole practitioners, \$100;
- (4) renewal of CPA firm permits, except for sole practitioners and those firms specified in clause (17), \$35 per year;
- (5) initial issuance and renewal of CPA firm permits for sole practitioners, except for those firms specified in clause (17), \$35 per year;
- (6) annual late processing delinquency fee for permit, certificate, or registration renewal applications not received prior to expiration date, \$50;
- (7) copies of records, per page, 25 cents;
- (8) registration of noncertificate holders, nonlicensees, and nonregistrants in connection with renewal of firm permits, \$45 per year;
- (9) applications for reinstatement, \$20;
- (10) initial registration of a registered accounting practitioner, \$50;
- (11) initial registered accounting practitioner firm permits, \$100;

(12) renewal of registered accounting practitioner firm permits, except for sole practitioners, \$100 per year;

(13) renewal of registered accounting practitioner firm permits for sole practitioners, \$35 per year;

(14) CPA examination application, \$40;

(15) CPA examination, fee determined by third-party examination administrator;

(16) renewal of certificates with an inactive status, \$25 per year; and

(17) renewal of CPA firm permits for firms that have one or more offices located in another state, \$68 per year.

Sec. 24. Minnesota Statutes 2012, section 363A.44, subdivision 1, as added by Laws 2014, chapter 239, article 2, section 6, is amended to read:

Subdivision 1. **Scope.** (a) No department, agency of the state, the Metropolitan Council, or an agency subject to section 473.143, subdivision 1, shall execute a contract for goods or services or an agreement for goods or services in excess of \$500,000 with a business that has 40 or more full-time employees in this state or a state where the business has its primary place of business on a single day during the prior 12 months, unless the business has an equal pay certificate or it has certified in writing that it is exempt. A certificate is valid for four years.

(b) This section does not apply to a business with respect to a specific contract if the commissioner of administration determines that application of this section would cause undue hardship to the contracting entity. This section does not apply to a contract to provide goods and services to individuals under chapters 43A, 62A, 62C, 62D, 62E, 256B, 256I, 256L, and 268A, with a business that has a license, certification, registration, provider agreement, or provider enrollment contract that is prerequisite to providing those goods and services. This section does not apply to contracts entered into by the State Board of Investment for investment options under section 352.965, subdivision 4.

EFFECTIVE DATE. This section is effective August 1, 2014.

Sec. 25. **LEGISLATIVE WATER COMMISSION INITIAL APPOINTMENTS AND FIRST MEETING.**

Initial appointments to the Legislative Water Commission established in section 3 must be made by September 1, 2014. The first meeting of the Legislative Water Commission shall be convened by the chair or a designee of the Legislative Coordinating Commission by October 15, 2014. The Legislative Water Commission shall select a chair from its membership at its first meeting.

Sec. 26. **STUDY OF SPECIAL REVENUE ACCOUNT FOR CENTRAL ACCOMMODATION.**

The commissioner of management and budget, in consultation with the Commission of Deaf, DeafBlind and Hard-of-Hearing Minnesotans, must report to the chairs and ranking minority members of the senate Finance Committee, the house of representatives Ways and Means Committee, the house of representatives State Government Finance Committee, the senate State Departments and Veterans Budget Division, and the governor by January 5, 2015, on advantages and disadvantages of creating an account for the special revenue fund in the state treasury to pay

for costs of providing accommodations to executive branch state employees with disabilities. The report must include:

(1) a summary of money spent by executive branch state agencies in fiscal years 2012 and 2013 for providing accommodations to executive branch state employees, to the extent that such expenditures can be determined; and

(2) recommendations for laws and policies needed to implement an account in the special revenue fund, if one is recommended under this section; or other recommendations related to best practices in provision of accommodations for employees with disabilities in the executive branch.

ARTICLE 5

PUBLIC SAFETY AND CORRECTIONS APPROPRIATIONS

Section 1. **SUMMARY OF APPROPRIATIONS.**

The amounts shown in this section summarize direct appropriations, by fund, made in this article.

	<u>2014</u>	<u>2015</u>	<u>Total</u>
<u>General</u>	\$ -0-	\$ 35,057,000	\$ 35,057,000
<u>State Government Special Revenue</u>	12,361,000	6,865,000	19,226,000
<u>Total</u>	\$ 12,361,000	\$ 41,922,000	\$ 54,283,000

Sec. 2. **APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are added to the appropriations in Laws 2013, chapter 86, article 1, to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2014" and "2015" used in this article mean that the addition to the appropriation listed under them is available for the fiscal year ending June 30, 2014, or June 30, 2015, respectively. Supplemental appropriations for the fiscal year ending June 30, 2014, are effective the day following final enactment.

APPROPRIATIONS
Available for the Year
Ending June 30
2014 2015

Sec. 3. **PUBLIC SAFETY**

Subdivision 1. <u>Total Appropriation</u>	\$	<u>12,361,000</u>	<u>8,638,000</u>
<u>Appropriations by Fund</u>			
<u>General</u>	<u>-0-</u>	<u>1,773,000</u>	

State Government

<u>Special Revenue</u>	<u>12,361,000</u>	<u>6,865,000</u>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

<u>Subd. 2. Emergency Communication Networks</u>	<u>5,059,000</u>	<u>6,865,000</u>
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This onetime appropriation is from the state government special revenue fund for 911 emergency telecommunications services.

<u>Subd. 3. Office of Justice Programs</u>	<u>-0-</u>	<u>1,300,000</u>
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(a) \$500,000 in fiscal year 2015 is for youth intervention programs under Minnesota Statutes, section 299A.73. The appropriation must be used to create new programs statewide in underserved areas and to help existing programs serve unmet needs in program communities. Of this amount, \$100,000 in fiscal year 2015 is for a youth intervention program targeted toward East African youth. This is a onetime appropriation and is available until expended.

(b) \$500,000 in fiscal year 2015 is for a grant to provide emergency shelter programming for victims of domestic abuse and trafficking. The program shall provide shelter to East African women and children. The appropriation must be used for the operating expenses of a shelter. This is a onetime appropriation, and is available until June 30, 2017.

(c) \$300,000 in fiscal year 2015 is for grants to sexual assault advocacy programs for sexual violence community prevention networks. For purposes of this section, "sexual assault" means a violation of Minnesota Statutes, sections 609.342 to 609.3453. \$300,000 in each of fiscal years 2016 and 2017 is added to the base.

<u>Subd. 4. Fire Safety Account</u>	<u>1,300,000</u>	<u>-0-</u>
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\$1,300,000 in fiscal year 2014 is from the fire safety account in the special revenue fund

for activities and programs under Minnesota Statutes, section 299F.012. This is a onetime appropriation. By January 15, 2015, the commissioner shall report to the chairs and ranking minority members of the legislative committees with jurisdiction over the fire safety account regarding the balances and uses of the account.

Subd. 5. Criminal Apprehension

\$473,000 in fiscal year 2015 is to implement the expungement law changes in Laws 2014, chapter 246. The base for this activity shall be \$583,000 in each of fiscal years 2016 and 2017.

Sec. 4. CORRECTIONS

<u>Subdivision 1. Total Appropriation</u>	<u>\$</u>	<u>-0-</u>	<u>\$</u>	<u>30,139,000</u>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

<u>Subd. 2. Correctional Institutions</u>		<u>-0-</u>		<u>27,289,000</u>
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This includes a onetime appropriation of \$11,089,000.

<u>Subd. 3. Community Services</u>		<u>-0-</u>		<u>1,950,000</u>
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\$50,000 in fiscal year 2015 is a onetime appropriation to implement the victim notification provisions in article 6, sections 1, 2, and 5.

<u>Subd. 4. Operations Support</u>		<u>-0-</u>		<u>900,000</u>
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<u>Sec. 5. PEACE OFFICER STANDARDS AND TRAINING (POST) BOARD</u>		<u>-0-</u>		<u>50,000</u>
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\$50,000 in fiscal year 2015 is for training state and local community safety personnel in the use of crisis de-escalation techniques for use with Minnesota veterans following their return from active military service in a combat zone. The director may consult with any other state or local governmental official or nongovernmental authority that

the director determines to be relevant, to include postsecondary institutions, when selecting a service provider for this training. The training provider must have a demonstrated understanding of the transitions and challenges that veterans may experience during their re-entry into society following combat service. The training opportunities provided must be reasonably distributed statewide. This is a onetime appropriation.

Sec. 6. HUMAN RIGHTS \$ 0 \$ 50,000

For outreach to the community regarding the role and duties of the Council on Black Minnesotans, the Council on Asian Pacific Minnesotans, the Chicano Latino Affairs Council, and the Minnesota Indian Affairs Council. This is a onetime appropriation.

Sec. 7. HUMAN SERVICES \$ 0 \$ 45,000

\$45,000 in fiscal year 2015 is to implement the expungement law changes in Laws 2014, chapter 246. The base for this activity shall be \$90,000 in each of fiscal years 2016 and 2017.

Sec. 8. Laws 2009, chapter 83, article 1, section 10, subdivision 7, is amended to read:

Subd. 7. **Emergency Communication Networks** 66,470,000 70,233,000

This appropriation is from the state government special revenue fund for 911 emergency telecommunications services.

(a) **Public Safety Answering Points.** \$13,664,000 each year is to be distributed as provided in Minnesota Statutes, section 403.113, subdivision 2.

(b) **Medical Resource Communication Centers.** \$683,000 each year is for grants to the Minnesota Emergency Medical Services Regulatory Board for the Metro East and Metro West Medical Resource Communication Centers that were in operation before January 1, 2000.

(c) **ARMER Debt Service.** \$17,557,000 the first year and \$23,261,000 the second year are to the commissioner of finance to pay

debt service on revenue bonds issued under Minnesota Statutes, section 403.275.

Any portion of this appropriation not needed to pay debt service in a fiscal year may be used by the commissioner of public safety to pay cash for any of the capital improvements for which bond proceeds were appropriated by Laws 2005, chapter 136, article 1, section 9, subdivision 8, or Laws 2007, chapter 54, article 1, section 10, subdivision 8.

(d) Metropolitan Council Debt Service. \$1,410,000 each year is to the commissioner of finance for payment to the Metropolitan Council for debt service on bonds issued under Minnesota Statutes, section 403.27.

(e) ARMER State Backbone Operating Costs. \$5,060,000 each year is to the commissioner of transportation for costs of maintaining and operating the statewide radio system backbone.

(f) ARMER Improvements. \$1,000,000 each year is for the Statewide Radio Board for costs of design, construction, maintenance of, and improvements to those elements of the statewide public safety radio and communication system that support mutual aid communications and emergency medical services or provide enhancement of public safety communication interoperability.

(g) Next Generation 911. \$3,431,000 the first year and \$6,490,000 the second year are to replace the current system with the Next Generation Internet Protocol (IP) based network. This appropriation is available until expended. The base level of funding for fiscal year 2012 shall be \$2,965,000.

(h) Grants to Local Government. \$5,000,000 the first year is for grants to local units of government to assist with the transition to the ARMER system. This appropriation is available until June 30, 2012.

EFFECTIVE DATE. This section is effective retroactively from June 29, 2011.

Sec. 9. Laws 2013, chapter 86, article 1, section 12, subdivision 1, is amended to read:

Subdivision 1. Total Appropriation	\$	157,851,000	\$	<u>161,191,000</u>	<u>161,911,000</u>
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Appropriations by Fund

	2014	2015
General	82,213,000	82,772,000
Special Revenue	14,062,000	13,062,000
State Government		
Special Revenue	59,241,000	63,742,000
Environmental	69,000	69,000
Trunk Highway	2,266,000	2,266,000

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

Sec. 10. Laws 2013, chapter 86, article 1, section 12, subdivision 3, as amended by Laws 2013, chapter 140, section 2, is amended to read:

Subd. 3. Criminal Apprehension	47,588,000	47,197,000
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Appropriations by Fund

General	42,315,000	42,924,000
Special Revenue	3,000,000	2,000,000
State Government		
Special Revenue	7,000	7,000
Trunk Highway	2,266,000	2,266,000

(a) DWI Lab Analysis; Trunk Highway Fund

Notwithstanding Minnesota Statutes, section 161.20, subdivision 3, \$1,941,000 each year is from the trunk highway fund for laboratory analysis related to driving-while-impaired cases.

(b) Criminal History System

\$50,000 the first year and \$580,000 the second year from the general fund and, notwithstanding Minnesota Statutes, section 299A.705, subdivision 4, \$3,000,000 the first year and \$2,000,000 the second year from the vehicle services account in the special revenue fund are to replace the state

criminal history system. This appropriation is available until expended. Of this amount, \$2,980,000 the first year and \$2,580,000 the second year are for a onetime transfer to the Office of Enterprise Technology for start-up costs. Service level agreements must document all project-related transfers under this paragraph. Ongoing operating and support costs for this system shall be identified and incorporated into future service level agreements.

The commissioner is authorized to use funds appropriated under this paragraph for the purposes specified in paragraph (c).

The general fund base for this program is \$4,930,000 in fiscal year 2016 and \$417,000 in fiscal year 2017.

(c) Criminal Reporting System

\$1,360,000 the first year and \$1,360,000 the second year from the general fund are to replace the state's crime reporting system and include one full-time equivalent business analyst. This appropriation is available until expended. Of these amounts, \$1,360,000 the first year and ~~\$1,360,000~~ \$1,290,000 the second year are for a onetime transfer to the Office of Enterprise Technology for start-up costs. Service level agreements must document all project-related transfers under this paragraph. Ongoing operating and support costs for this system shall be identified and incorporated into future service level agreements.

The commissioner is authorized to use funds appropriated under this paragraph for the purposes specified in paragraph (b).

The base funding for this program is \$1,360,000 in fiscal year 2016 and \$380,000 in fiscal year 2017.

(d) Forensic Laboratory

\$125,000 the first year and \$125,000 the second year from the general fund and,

notwithstanding Minnesota Statutes, section 161.20, subdivision 3, \$125,000 the first year and \$125,000 the second year from the trunk highway fund are to replace forensic laboratory equipment at the Bureau of Criminal Apprehension.

\$200,000 the first year and \$200,000 the second year from the general fund and, notwithstanding Minnesota Statutes, section 161.20, subdivision 3, \$200,000 the first year and \$200,000 the second year from the trunk highway fund are to improve forensic laboratory staffing at the Bureau of Criminal Apprehension.

(e) Livescan Fingerprinting

\$310,000 the first year and \$389,000 the second year from the general fund are to maintain Livescan fingerprinting machines.

(f) Report

If the vehicle services special revenue account accrues an unallocated balance in excess of 50 percent of the previous fiscal year's expenditures, the commissioner of public safety shall submit a report to the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over transportation and public safety policy and finance. The report must contain specific policy and legislative recommendations for reducing the fund balance and avoiding future excessive fund balances. The report is due within three months of the fund balance exceeding the threshold established in this paragraph.

Sec. 11. Laws 2013, chapter 86, article 1, section 13, is amended to read:

Sec. 13. PEACE OFFICER STANDARDS AND TRAINING (POST) BOARD	\$	3,870,000	\$	3,870,000
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(a) Excess Amounts Transferred

This appropriation is from the peace officer training account in the special revenue fund. Any new receipts credited to that account in

the first year in excess of \$3,870,000 must be transferred and credited to the general fund. Any new receipts credited to that account in the second year in excess of \$3,870,000 must be transferred and credited to the general fund.

(b) Peace Officer Training Reimbursements

\$2,734,000 each year is for reimbursements to local governments for peace officer training costs.

(c) Training; Sexually Exploited and Trafficked Youth

Of the appropriation in paragraph (b), \$100,000 the first year is for reimbursements to local governments for peace officer training costs on sexually exploited and trafficked youth, including effectively identifying sex trafficked victims and traffickers, investigation techniques, and assisting sexually exploited youth. These funds are available until June 30, 2016.

Reimbursement shall be provided on a flat fee basis of \$100 per diem per officer.

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

Sec. 12. TRANSFER; EMERGENCY MANAGEMENT.

On July 1, 2014, the commissioner of management and budget shall transfer \$3,000,000 from the general fund to the disaster assistance contingency account created in article 7, section 4.

ARTICLE 6

PUBLIC SAFETY AND CORRECTIONS

Section 1. Minnesota Statutes 2012, section 13.84, subdivision 5, is amended to read:

Subd. 5. **Disclosure.** Private or confidential court services data shall not be disclosed except:

(a) pursuant to section 13.05;

(b) pursuant to a statute specifically authorizing disclosure of court services data;

(c) with the written permission of the source of confidential data;

(d) to the court services department, parole or probation authority or state or local correctional agency or facility having statutorily granted supervision over the individual subject of the data;

- (e) pursuant to subdivision 6; or
- (f) pursuant to a valid court order; or
- (g) pursuant to section 611A.06, subdivision 6.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 2. Minnesota Statutes 2012, section 13.84, subdivision 6, is amended to read:

Subd. 6. **Public benefit data.** (a) The responsible authority or its designee of a parole or probation authority or correctional agency may release private or confidential court services data related to:

- (1) criminal acts to any law enforcement agency, if necessary for law enforcement purposes; and
- (2) criminal acts or delinquent acts to the victims of criminal or delinquent acts to the extent that the data are necessary for the victim to assert the victim's legal right to restitution.

(b) A parole or probation authority, a correctional agency, or agencies that provide correctional services under contract to a correctional agency may release to a law enforcement agency the following data on defendants, parolees, or probationers: current address, dates of entrance to and departure from agency programs, and dates and times of any absences, both authorized and unauthorized, from a correctional program.

(c) The responsible authority or its designee of a juvenile correctional agency may release private or confidential court services data to a victim of a delinquent act to the extent the data are necessary to enable the victim to assert the victim's right to request notice of release under section 611A.06. The data that may be released include only the name, home address, and placement site of a juvenile who has been placed in a juvenile correctional facility as a result of a delinquent act.

(d) Upon the victim's written or electronic request and, if the victim and offender have been household or family members as defined in section 518B.01, subdivision 2, paragraph (b), the commissioner of corrections or the commissioner's designee may disclose to the victim of an offender convicted of a qualified domestic violence-related offense as defined in section 609.02, subdivision 16, notification of the city and five-digit zip code of the offender's residency upon or after release from a Department of Corrections facility, unless:

- (1) the offender is not under correctional supervision at the time of the victim's request;
- (2) the commissioner or the commissioner's designee does not have the city or zip code; or
- (3) the commissioner or the commissioner's designee reasonably believes that disclosure of the city or zip code of the offender's residency creates a risk to the victim, offender, or public safety.

(e) Paragraph (d) applies only where the offender is serving a prison term for a qualified domestic violence-related offense committed against the victim seeking notification.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 3. Minnesota Statutes 2012, section 260B.198, subdivision 7, is amended to read:

Subd. 7. **Continuance.** (a) When it is in the best interests of the child to do so and not inimical to public safety and when the child has admitted the allegations contained in the petition before the judge or referee, or when a hearing has been held as provided for in section 260B.163 and the

allegations contained in the petition have been duly proven but, in either case, before a finding of delinquency has been entered, the court may continue the case for a period not to exceed ~~90~~ 180 days on any one order. ~~Such a continuance may be extended for one additional successive period not to exceed 90 days and only after the court has reviewed the case and entered its order for an additional continuance without a finding of delinquency.~~ The continuance may be extended for one additional successive period not to exceed 180 days, but only with the consent of the prosecutor and only after the court has reviewed the case and entered its order for the additional continuance without a finding of delinquency. During ~~this~~ a continuance the court may enter an order in accordance with the provisions of subdivision 1, ~~clause (1) or (2) except clause (4)~~, or enter an order to hold the child in detention for a period not to exceed 15 days on any one order for the purpose of completing any consideration, or any investigation or examination ordered in accordance with the provisions of section 260B.157.

(b) A prosecutor may appeal a continuance ordered in contravention of this subdivision. This subdivision does not extend the court's jurisdiction under section 260B.193 and does not apply to an extended jurisdiction juvenile proceeding.

EFFECTIVE DATE. This section is effective August 1, 2014, and applies to offenses committed on or after that date.

Sec. 4. Minnesota Statutes 2012, section 299F.012, subdivision 2, is amended to read:

Subd. 2. **Fire Service Advisory Committee.** (a) The Fire Service Advisory Committee shall provide recommendations to the commissioner of public safety on fire service-related issues and shall consist of representatives of each of the following organizations: two appointed by the president of the Minnesota State Fire Chiefs Association, two appointed by the president of the Minnesota State Fire Department Association, two appointed by the president of the Minnesota Professional Fire Fighters, two appointed by the president of the League of Minnesota Cities, one appointed by the president of the Minnesota Association of Townships, one appointed by the president of the Insurance Federation of Minnesota, one appointed jointly by the presidents of the Minnesota Chapter of the International Association of Arson Investigators and the Fire Marshals Association of Minnesota, and the commissioner of public safety or the commissioner's designee. The commissioner of public safety must ensure that at least three of the members of the advisory committee work and reside in counties outside of the seven-county metropolitan area. The committee shall provide funding recommendations to the commissioner of public safety from the fire safety fund for the following purposes:

- (1) for the Minnesota Board of Firefighter Training and Education;
- (2) for programs and staffing for the State Fire Marshal Division; and
- (3) for fire-related regional response team programs and any other fire service programs that have the potential for statewide impact.

(b) The committee under paragraph (a) does not expire.

Sec. 5. Minnesota Statutes 2012, section 611A.06, is amended by adding a subdivision to read:

Subd. 6. **Offender location.** (a) Upon the victim's written or electronic request and if the victim and offender have been household or family members as defined in section 518B.01, subdivision 2, paragraph (b), the commissioner of corrections or the commissioner's designee shall disclose

to the victim of an offender convicted of a qualified domestic violence-related offense as defined in section 609.02, subdivision 16, notification of the city and five-digit zip code of the offender's residency upon release from a Department of Corrections facility, unless:

- (1) the offender is not under correctional supervision at the time of the victim's request;
- (2) the commissioner or the commissioner's designee does not have the city or zip code; or
- (3) the commissioner or the commissioner's designee reasonably believes that disclosure of the city or zip code of the offender's residency creates a risk to the victim, offender, or public safety.

(b) All identifying information regarding the victim including, but not limited to, the notification provided by the commissioner or the commissioner's designee is classified as private data on individuals as defined in section 13.02, subdivision 12, and is accessible only to the victim.

(c) This subdivision applies only where the offender is serving a prison term for a qualified domestic violence-related offense committed against the victim seeking notification.

EFFECTIVE DATE. This section is effective January 15, 2015.

Sec. 6. Minnesota Statutes 2012, section 645.241, is amended to read:

645.241 PUNISHMENT FOR PROHIBITED ACTS.

(a) Except as provided in paragraph (b), when the performance of any act is prohibited by a statute, and no penalty for the violation of the same shall be imposed in any statute, the doing of such act shall be a misdemeanor.

(b) When the performance of any act is prohibited by a statute enacted or amended after September 1, 2014, and no penalty for the violation of the same shall be imposed in any statute, the doing of such act shall be a petty misdemeanor.

Sec. 7. Laws 2014, chapter 240, section 26, is amended to read:

Sec. 26. **REPEALER.**

Laws 2012, chapter 235, section 11, is repealed.

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

ARTICLE 7

DISASTER ASSISTANCE FOR PUBLIC ENTITIES; FEDERAL AID GRANTED

Section 1. Minnesota Statutes 2012, section 12.03, is amended by adding a subdivision to read:

Subd. 5d. **Local government.** "Local government" has the meaning given in Code of Federal Regulations, title 44, section 206.2 (2012).

Sec. 2. Minnesota Statutes 2012, section 12.03, is amended by adding a subdivision to read:

Subd. 6b. **Nonfederal share.** "Nonfederal share" has the meaning given in section 12A.02, subdivision 7.

Sec. 3. Minnesota Statutes 2012, section 12.221, subdivision 4, is amended to read:

Subd. 4. **Subgrant agreements; state share.** (a) The state director, serving as the governor's authorized representative, may enter into subgrant agreements with eligible applicants to provide federal and state financial assistance made available as a result of a disaster declaration.

(b) When state funds are used to provide the FEMA Public Assistance Program cost-share requirement for a local government, the state director must award a local government 100 percent of the nonfederal share of the local government's FEMA Public Assistance Program costs.

Sec. 4. Minnesota Statutes 2012, section 12.221, is amended by adding a subdivision to read:

Subd. 6. **Disaster assistance contingency account; appropriation.** (a) A disaster assistance contingency account is created in the special revenue fund in the state treasury. Money in the disaster assistance contingency account is appropriated to the commissioner of public safety to provide:

(1) cost-share for federal assistance under section 12A.15, subdivision 1; and

(2) state public disaster assistance to eligible applicants under chapter 12B.

(b) For appropriations under paragraph (a), clause (1), the amount appropriated is 100 percent of any nonfederal share for state agencies and local governments. Money appropriated under paragraph (a), clause (1), may be used to pay all or a portion of the nonfederal share for publicly owned capital improvement projects.

(c) For appropriations under paragraph (a), clause (2), the amount appropriated is the amount required to pay eligible claims under chapter 12B, as certified by the commissioner of public safety.

(d) By January 15 of each year, the commissioner of management and budget shall submit a report to the chairs and ranking minority members of the house of representatives Ways and Means Committee and the senate Finance Committee detailing state disaster assistance appropriations and expenditures under this subdivision during the previous calendar year.

(e) The governor's budget proposal submitted to the legislature under section 16A.11 must include recommended appropriations to the disaster assistance contingency account. The governor's appropriation recommendations must be informed by the commissioner of public safety's estimate of the amount of money that will be necessary to:

(1) provide 100 percent of the nonfederal share for state agencies and local governments that will receive federal financial assistance from FEMA during the next biennium; and

(2) fully pay all eligible claims under chapter 12B.

(f) Notwithstanding section 16A.28:

(1) funds appropriated or transferred to the disaster assistance contingency account do not lapse but remain in the account until appropriated; and

(2) funds appropriated from the disaster assistance contingency account do not lapse and are available until expended.

Sec. 5. Minnesota Statutes 2012, section 12A.02, subdivision 2, is amended to read:

Subd. 2. **Appropriation.** "Appropriation" means an appropriation provided in law specifically to implement this chapter, including but not limited to a statutory appropriation to provide the required cost-share for federal disaster assistance under section 12.221.

Sec. 6. Minnesota Statutes 2012, section 12A.02, is amended by adding a subdivision to read:

Subd. 6. **Local government.** "Local government" has the meaning given in section 12.03, subdivision 5d.

Sec. 7. Minnesota Statutes 2012, section 12A.02, is amended by adding a subdivision to read:

Subd. 7. **Nonfederal share.** "Nonfederal share" means that portion of total FEMA Public Assistance Program costs that is no more than 25 percent and is not eligible for FEMA reimbursement.

Sec. 8. Minnesota Statutes 2012, section 12A.03, subdivision 3, is amended to read:

Subd. 3. **Nonduplication of federal assistance.** State assistance may not duplicate or supplement eligible FEMA Public Assistance Program assistance. For eligible Public Assistance Program costs, any state ~~matching~~ cost-share money made available for that assistance must be disbursed by the Department of Public Safety to a state agency, local ~~political subdivision, Indian tribe government,~~ or other applicant. State assistance distributed by a state agency, other than the Department of Public Safety, to a ~~political subdivision~~ local government or other applicant for disaster costs that are eligible for FEMA Public Assistance Program assistance constitutes an advance of funds. Such advances must be repaid to the applicable state agency when the applicant has received the FEMA Public Assistance Program assistance, and whatever state ~~matching~~ cost-share money may be made available for that assistance, from the Department of Public Safety.

Sec. 9. Minnesota Statutes 2012, section 12A.15, subdivision 1, is amended to read:

Subdivision 1. **State match cost-share for federal assistance.** State appropriations may be used for ~~payment of the state match for federal disaster assistance to pay 100 percent of the nonfederal share for state agencies. If authorized in law, state appropriations may be used to pay all or a portion of the local share of the match for federal funds for political subdivisions and local governments under section 12.221. An appropriation from the bond proceeds fund may be used to fund federal match obligations as cost-share for federal disaster assistance for publicly owned capital improvement projects resulting from the receipt of federal disaster assistance.~~

Sec. 10. Minnesota Statutes 2012, section 16A.28, is amended by adding a subdivision to read:

Subd. 9. **Disaster assistance.** (a) The commissioner of management and budget must transfer the unexpended and unencumbered balance of a general fund disaster assistance appropriation that expires as provided under this section or as otherwise provided by law to the disaster assistance contingency account in section 12.221, subdivision 6.

(b) Expired disaster assistance transferred to the disaster assistance contingency account is appropriated as provided under section 12.221, subdivision 6, regardless of the specific disaster event or purpose for which the expired disaster assistance was originally appropriated.

(c) The commissioner must report each transfer to the chairs of the house of representatives Ways and Means Committee and the senate Finance Committee.

(d) For the purposes of this subdivision, "disaster assistance appropriation" means an appropriation from the general fund to provide cost-share required for federal disaster assistance or to provide other state disaster assistance under chapter 12A or 12B.

Sec. 11. **EFFECTIVE DATE.**

This article is effective the day following final enactment.

ARTICLE 8

DISASTER ASSISTANCE FOR PUBLIC ENTITIES; ABSENT FEDERAL AID

Section 1. [12B.10] PUBLIC DISASTER ASSISTANCE; ABSENT FEDERAL AID.

This chapter establishes a state public assistance program to provide cost-share assistance to local governments that sustain significant damage on a per capita basis but are not eligible for federal disaster assistance or corresponding state assistance under chapter 12A.

Sec. 2. [12B.15] DEFINITIONS.

Subdivision 1. **Application.** The definitions in this section apply to this chapter.

Subd. 2. **Applicant.** "Applicant" means a local government that applies for state disaster assistance under this chapter.

Subd. 3. **Commissioner.** "Commissioner" means the commissioner of public safety.

Subd. 4. **Director.** "Director" means the director of the Division of Homeland Security and Emergency Management in the Department of Public Safety.

Subd. 5. **Disaster.** "Disaster" means any catastrophe, including but not limited to a tornado, storm, high water, wind-driven water, tidal wave, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or drought or, regardless of cause, any fire, flood, or explosion.

Subd. 6. **FEMA.** "FEMA" means the Federal Emergency Management Agency.

Subd. 7. **Incident period.** "Incident period" means the time interval of a disaster as delineated by specific start and end dates.

Subd. 8. **Local government.** "Local government" has the meaning given in section 12.03, subdivision 5d.

Sec. 3. [12B.25] ELIGIBILITY CRITERIA; CONSIDERATIONS.

Subdivision 1. **Payment required; eligibility criteria.** The director, serving as the governor's authorized representative, may enter into grant agreements with eligible applicants to provide state financial assistance made available as a result of a disaster that satisfies all of the following criteria:

(1) the state or applicable local government declares a disaster or emergency during the incident period;

(2) damages suffered and eligible costs incurred are the direct result of the disaster;

(3) federal disaster assistance is not available to the applicant because the governor did not request a presidential declaration of major disaster, the president denied the governor's request, or the applicant is not eligible for federal disaster assistance because the state or county did not meet the per capita impact indicator under FEMA's Public Assistance Program;

(4) the applicant incurred eligible damages that, on a per capita basis, equal or exceed 50 percent of the countywide per capita impact indicator under FEMA's Public Assistance Program;

(5) the applicant assumes responsibility for 25 percent of the applicant's total eligible costs; and

(6) the applicant satisfies all requirements in this chapter.

Subd. 2. **Considerations; other resources available.** When evaluating applicant eligibility under subdivision 1, the director must consider:

- (1) the availability of other resources from federal, state, local, private, or other sources; and
- (2) the availability or existence of insurance.

Sec. 4. [12B.30] ELIGIBLE COSTS.

Subdivision 1. **Eligible costs.** Costs eligible for payment under this chapter are those costs that would be eligible for federal financial assistance under FEMA's Public Assistance Program.

Subd. 2. **Ineligible costs.** Ineligible costs are all costs not included in subdivision 1, including but not limited to:

- (1) ordinary operating expenses, including salaries and expenses of employees and public officials that are not directly related to the disaster response;
- (2) costs for which payment has been or will be received from any other funding source;
- (3) disaster-related costs that should, in the determination of the director, be covered and compensated by insurance; and
- (4) projects and claims totaling less than the minimum FEMA project threshold.

Sec. 5. [12B.35] APPLICANT'S SHARE.

An applicant's share of eligible costs incurred must not be less than 25 percent. The substantiated value of donated materials, equipment, services, and labor may be used as all or part of the applicant's share of eligible costs, subject to the following:

- (1) all items and sources of donation must be indicated on the application and any supporting documentation submitted to the commissioner;
- (2) the rate for calculating the value of donated, nonprofessional labor is the prevailing federal minimum wage;
- (3) the value of donated equipment may not exceed the highway equipment rates approved by the commissioner of transportation; and
- (4) the value of donated materials and professional services must conform to market rates and be established by invoice.

Sec. 6. [12B.40] APPLICATION PROCESS.

(a) The director must develop application materials and may update the materials as needed. Application materials must include instructions and requirements for assistance under this chapter.

(b) An applicant has 30 days from the end of the incident period or the president's official denial of the governor's request for a declaration of a major disaster to provide the director with written notice of intent to apply. The director may deny an application due to a late notice of intent to apply.

(c) Within 60 days after the end of the incident period or the president's official denial of the governor's request for a declaration of a major disaster, the applicant must submit a complete application to the director. A complete application includes the following:

(1) the cause, location of damage, and incident period;

(2) documentation of a local, tribal, county, or state disaster or emergency declaration in response to the disaster;

(3) a description of damages, an initial damage assessment, and the amount of eligible costs incurred by the applicant;

(4) a statement or evidence that the applicant has the ability to pay for at least 25 percent of total eligible costs incurred from the disaster; and

(5) a statement or evidence that the local government has incurred damages equal to or exceeding 50 percent of the federal countywide threshold in effect during the incident period.

(d) The director must review the application and supporting documentation for completeness and may return the application with a request for more detailed information. The director may consult with local public officials to ensure the application reflects the extent and magnitude of the damage and to reconcile any differences. The application is not complete until the director receives all requested information.

(e) If the director returns an application with a request for more detailed information or for correction of deficiencies, the applicant must submit all required information within 30 days of the applicant's receipt of the director's request. The applicant's failure to provide the requested information in a timely manner without a reasonable explanation may be cause for denial of the application.

(f) The director has no more than 60 days from the receipt of a complete application to approve or deny the application, or the application is deemed approved. If the director denies an application, the director must send a denial letter. If the director approves an application or the application is automatically deemed approved after 60 days, the director must notify the applicant of the steps necessary to obtain reimbursement of eligible costs, including submission of invoices or other documentation substantiating the costs submitted for reimbursement.

Sec. 7. [12B.45] CLAIMS PROCESS.

Subdivision 1. **Claims; appeal.** (a) An applicant must submit to the director completed claims for payment of actual and eligible costs on forms provided by the director. All eligible costs claimed for payment must be documented and consistent with the eligibility provisions of this chapter.

(b) If the director denies an applicant's claim for payment, the applicant has 30 days from receipt of the director's determination to appeal in writing to the commissioner. The appeal must include the applicant's rationale for reversing the director's determination. The commissioner has 30 days from receipt of the appeal to uphold or modify the director's determination and formally respond to the applicant. If, within 30 days of receiving the commissioner's decision, the applicant notifies the commissioner that the applicant intends to contest the commissioner's decision, the Office of Administrative Hearings shall conduct a hearing under the contested case provisions of chapter 14.

Subd. 2. **Final inspection.** Upon completion of all work by an applicant, the director may inspect all work claimed by the applicant. The applicant must provide the director with access to records pertaining to all claimed work and must permit the director to review all records relating to the work.

Subd. 3. **Closeout.** The director must close out an applicant's disaster assistance application after all of the following occur:

- (1) eligible work is complete;
- (2) the applicant receives the final amount due or pays any amount owed under section 12B.50; and
- (3) any extant or scheduled audits are complete.

Subd. 4. **Audit.** (a) An applicant must account for all funds received under this chapter in conformance with generally accepted accounting principles and practices. The applicant must maintain detailed records of expenditures to show that grants received under this chapter were used for the purpose for which the payment was made. The applicant must maintain records for five years and make the records available for inspection and audit by the director or the state auditor. The applicant must keep all financial records for five years after the final payment, including but not limited to all invoices and canceled checks or bank statements that support all eligible costs claimed by the applicant.

(b) The director or state auditor may audit all applicant records pertaining to an application or payment under this chapter.

Subd. 5. **Reporting payments.** The director must post on the division Web site a list of the recipients and amounts of the payments made under this chapter.

Sec. 8. **[12B.50] FUNDING FROM OTHER SOURCES; REPAYMENT REQUIRED.**

If an applicant subsequently recovers eligible costs from another source after receiving payment under this chapter, the applicant must pay the commissioner an amount equal to the corresponding state funds received within 30 days. The commissioner must deposit any repayment in the disaster response contingency account in section 12.221, subdivision 6.

Sec. 9. **EFFECTIVE DATE.**

This article is effective the day following final enactment.

ARTICLE 9

TRANSPORTATION APPROPRIATIONS

Section 1. Laws 2010, chapter 189, section 15, subdivision 12, is amended to read:

Subd. 12. Rochester Maintenance Facility	26,430,000
	<u>24,937,000</u>

This appropriation is from the bond proceeds account in the trunk highway fund.

To prepare a site for and design, construct, furnish, and equip a new maintenance facility in Rochester.

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

Sec. 2. Laws 2010, chapter 189, section 26, subdivision 4, is amended to read:

Subd. 4. **Trunk highway fund bond proceeds account.** To provide the money appropriated in this act from the bond proceeds account in the trunk highway fund, the commissioner of management and budget shall sell and issue bonds of the state in an amount up to ~~\$32,945,000~~ \$31,452,000 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 from the sale of the bonds, must be credited to the bond proceeds account in the trunk highway fund.

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

Sec. 3. Laws 2012, chapter 287, article 2, section 1, is amended to read:

Section 1. **ROCHESTER MAINTENANCE FACILITY.**

~~\$16,100,000~~ \$17,593,000 is appropriated to the commissioner of transportation to design, construct, furnish, and equip the maintenance facility in Rochester and corresponding remodeling of the existing district headquarters building. This appropriation is from the bond proceeds account in the trunk highway fund.

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

Sec. 4. Laws 2012, chapter 287, article 2, section 3, is amended to read:

Sec. 3. **TRUNK HIGHWAY FUND BOND PROCEEDS ACCOUNT.**

To provide the money appropriated in this article from the bond proceeds account in the trunk highway fund, the commissioner of management and budget shall sell and issue bonds of the state in an amount up to ~~\$16,120,000~~ \$17,613,000 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 from the sale of the bonds, must be credited to the bond proceeds account in the trunk highway fund.

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

Sec. 5. Laws 2012, First Special Session chapter 1, article 1, section 28, is amended to read:

Sec. 28. **TRANSFERS, REDUCTIONS, CANCELLATIONS, AND BOND SALE AUTHORIZATIONS REDUCED.**

(a) The remaining balance of the appropriation in Laws 2010, Second Special Session chapter 1, article 1, section 7, for the economic development and housing challenge program, estimated to be \$450,000, is transferred to the general fund.

(b) The appropriation in Laws 2010, Second Special Session chapter 1, article 1, section 5, for Minnesota investment fund grants pursuant to Minnesota Statutes, section 12A.07, is reduced by \$1,358,000.

(c) The appropriation in Laws 2010, Second Special Session chapter 1, article 1, section 12, subdivision 2, for disaster enrollment impact aid pursuant to Minnesota Statutes, section 12A.06, is reduced by \$30,000.

(d) The appropriation in Laws 2010, Second Special Session chapter 1, article 1, section 12, subdivision 3, for disaster relief facilities grants pursuant to Minnesota Statutes, section 12A.06, is reduced by \$392,000.

(e) The appropriation in Laws 2010, Second Special Session chapter 1, article 1, section 12, subdivision 4, for disaster relief operating grants pursuant to Minnesota Statutes, section 12A.06, is reduced by \$2,000.

(f) The appropriation in Laws 2010, Second Special Session chapter 1, article 1, section 12, subdivision 5, for pupil transportation aid pursuant to Minnesota Statutes, section 12A.06, is reduced by \$5,000.

(g) The appropriation in Laws 2010, Second Special Session chapter 1, article 2, section 5, subdivision 3, for pupil transportation aid pursuant to Minnesota Statutes, section 12A.06, is reduced by \$271,000.

(h) The appropriation in Laws 2010, Second Special Session chapter 1, article 1, section 13, for public health activities pursuant to Minnesota Statutes, section 12A.08, is reduced by \$103,000.

(i) ~~\$1,428,000~~ \$534,000 of the appropriation in Laws 2007, First Special Session chapter 2, article 1, section 4, subdivision 3, for reconstruction and repair of trunk highways and trunk highway bridges is canceled. The bond sale authorization in Laws 2007, First Special Session chapter 2, article 1, section 15, subdivision 2, is reduced by ~~\$1,428,000~~ \$534,000.

(j) \$5,680,000 of the appropriation in Laws 2007, First Special Session chapter 2, article 1, section 4, subdivision 4, as amended by Laws 2008, chapter 289, section 2, for grants to local governments for capital costs related to rehabilitation and replacement of local roads and bridges damaged or destroyed by flooding pursuant to Minnesota Statutes, section 174.50, is canceled. The bond sale authorization in Laws 2007, First Special Session chapter 2, article 1, section 15, subdivision 3, is reduced by \$5,680,000.

(k) \$2,133,000 of the appropriation in Laws 2010, Second Special Session chapter 1, article 1, section 4, subdivision 3, for local road and bridge rehabilitation and replacement pursuant to Minnesota Statutes, section 12A.16, subdivision 3, is canceled. The bond sale authorization in Laws 2010, Second Special Session chapter 1, article 1, section 17, subdivision 2, is reduced by \$2,133,000.

(l) The appropriation in Laws 2010, Second Special Session chapter 1, article 1, section 4, subdivision 2, for state road infrastructure operations and maintenance pursuant to Minnesota Statutes, section 12A.16, subdivision 1, is reduced by \$819,000.

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

Sec. 6. Laws 2013, chapter 117, article 1, section 3, subdivision 2, is amended to read:

Subd. 2. **Multimodal Systems**(a) **Aeronautics**

	13,648,000	13,648,000
(1) Airport Development and Assistance	<u>14,648,000</u>	<u>16,648,000</u>

This appropriation is from the state airports fund and must be spent according to Minnesota Statutes, section 360.305, subdivision 4.

The base appropriation for fiscal years 2016 and 2017 is \$14,298,000 for each year.

Notwithstanding Minnesota Statutes, section 16A.28, subdivision 6, this appropriation is available for five years after appropriation. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

For the current biennium, the commissioner of transportation may establish different local contribution rates for airport projects than those established in Minnesota Statutes, section 360.305, subdivision 4.

(2) Aviation Support and Services	6,386,000	6,386,000
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Appropriations by Fund

Airports	5,286,000	5,286,000
Trunk Highway	1,100,000	1,100,000

\$65,000 in each year is from the state airports fund for the Civil Air Patrol.

(b) Transit	17,226,000	17,245,000 <u>23,777,000</u>
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Appropriations by Fund

		16,470,000
General	16,451,000	<u>23,002,000</u>
Trunk Highway	775,000	775,000

\$100,000 in each year is from the general fund for the administrative expenses of the

Minnesota Council on Transportation Access under Minnesota Statutes, section 174.285.

\$78,000 in each year is from the general fund for grants to greater Minnesota transit providers as reimbursement for the costs of providing fixed route public transit rides free of charge under Minnesota Statutes, section 174.24, subdivision 7, for veterans certified as disabled.

\$32,000 in the second year is from the general fund for allocation to public transit systems under Minnesota Statutes, section 174.24, in amounts that reflect the respective foregone fare revenues from transit service under article 11, section 39.

The base appropriation from the general fund for fiscal years 2016 and 2017 is \$17,245,000 in each year.

(c) Passenger Rail	500,000	500,000
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This appropriation is from the general fund for passenger rail system planning, alternatives analysis, environmental analysis, design, and preliminary engineering under Minnesota Statutes, sections 174.632 to 174.636.

(d) Freight	5,653,000	<u>5,153,000</u> <u>7,153,000</u>
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Appropriations by Fund

		<u>256,000</u>	
General	756,000	<u>2,256,000</u>	
Trunk Highway	4,897,000	4,897,000	

\$500,000 in the first year is from the general fund to pay for the department's share of costs associated with the cleanup of contaminated state rail bank property. This appropriation is available until expended.

\$2,000,000 in the second year is from the general fund for development and implementation of safety improvements at highway-rail grade crossings along rail

corridors in which oil or other hazardous materials are transported. The commissioner shall identify highway-rail grade crossing locations and improvements in consultation with railroads and relevant road authorities. This is a onetime appropriation and is available until expended.

(e) Safe Routes to School	250,000	250,000 <u>500,000</u>
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This appropriation is from the general fund for non-infrastructure activities in the safe routes to school program under Minnesota Statutes, section 174.40, subdivision 7a.

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

Sec. 7. Laws 2013, chapter 117, article 1, section 3, subdivision 3, is amended to read:

Subd. 3. State Roads

(a) Operations and Maintenance	262,395,000	262,395,000
	<u>297,395,000</u>	<u>280,395,000</u>

\$5,000,000 in each year is for accelerated replacement of snow plowing equipment.

\$10,000,000 in the first year is for expenses related to pavement repairs necessitated by the effects of the 2013-2014 winter season.

The base appropriation for operations and maintenance for fiscal years 2016 and 2017 is \$267,395,000 in each year.

(b) Program Planning and Delivery	206,795,000	206,720,000 <u>209,840,000</u>
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Appropriations by Fund

	2014	2015
H.U.T.D.	75,000	0
Trunk Highway	206,720,000	<u>206,720,000</u> <u>209,840,000</u>

The base appropriation for program planning and delivery for fiscal years 2016 and 2017 is \$206,720,000 in each year.

\$250,000 in each year is for the department's administrative costs for creation and operation of the Joint Program Office for Economic Development and Alternative Finance, including costs of hiring a consultant and preparing required reports.

\$130,000 in each year is available for administrative costs of the targeted group business program.

\$266,000 in each year is available for grants to metropolitan planning organizations outside the seven-county metropolitan area.

\$75,000 in each year is available for a transportation research contingent account to finance research projects that are reimbursable from the federal government or from other sources. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

\$900,000 in each year is available for grants for transportation studies outside the metropolitan area to identify critical concerns, problems, and issues. These grants are available: (1) to regional development commissions; (2) in regions where no regional development commission is functioning, to joint powers boards established under agreement of two or more political subdivisions in the region to exercise the planning functions of a regional development commission; and (3) in regions where no regional development commission or joint powers board is functioning, to the department's district office for that region.

\$75,000 in the first year is from the highway user tax distribution fund to the commissioner for a grant to the Humphrey School of Public Affairs at the University of Minnesota for WorkPlace Telework program congestion relief efforts consisting of maintenance of Web site tools and content. This is a onetime appropriation and is available in the second year.

\$120,000 in the second year is from the trunk highway fund for the purpose of education and outreach related to highway work zone safety initiatives. This is a onetime appropriation.

(c) State Road Construction Activity

(1) Economic Recovery Funds - Federal Highway Aid

1,000,000 1,000,000

This appropriation is to complete projects using funds made available to the commissioner of transportation under title XII of the American Recovery and Reinvestment Act of 2009, Public Law 111-5, and implemented under Minnesota Statutes, section 161.36, subdivision 7. The base appropriation is \$1,000,000 in fiscal year 2016 and \$0 in fiscal year 2017.

(2) State Road Construction

909,400,000 815,600,000
929,900,000 862,105,000

It is estimated that these appropriations will be funded as follows:

Appropriations by Fund		
Federal Highway Aid	489,200,000	482,200,000
	420,200,000	333,400,000
Highway User Taxes	<u>440,700,000</u>	<u>379,905,000</u>

The commissioner of transportation shall notify the chairs and ranking minority members of the legislative committees with jurisdiction over transportation finance of any significant events that should cause these estimates to change.

This appropriation is for the actual construction, reconstruction, and improvement of trunk highways, including design-build contracts and consultant usage to support these activities. This includes the cost of actual payment to landowners for lands acquired for highway rights-of-way, payment to lessees, interest subsidies, and relocation expenses.

The base appropriation for state road construction for fiscal years 2016 and 2017 is ~~\$645,000,000~~ \$645,505,000 in each year.

\$10,000,000 in each year is for the transportation economic development program under Minnesota Statutes, section 174.12. This appropriation is available until expended.

The commissioner may expend up to one-half of one percent of the federal appropriations under this clause as grants to opportunity industrialization centers and other nonprofit job training centers for job training programs related to highway construction.

The commissioner may transfer up to \$15,000,000 each year to the transportation revolving loan fund.

The commissioner may receive money covering other shares of the cost of partnership projects. These receipts are appropriated to the commissioner for these projects.

Notwithstanding subdivision 6 and the restrictions on the use of trunk highway funds in Minnesota Statutes, section 165.15, the commissioner may transfer up to \$6,000,000 from the trunk highway fund under this appropriation to the Stillwater lift bridge endowment account under Minnesota Statutes, section 165.15.

\$6,500,000 in the first year and \$25,000,000 in the second year are for the corridors of commerce program under Minnesota Statutes, section 161.088, and may include right-of-way acquisition for projects included in the program. The amount appropriated in the first year is for projects located outside of a metropolitan county, as defined in Minnesota Statutes, section 473.121, subdivision 4. The commissioner may identify projects based on the most recent selection process or may perform a new selection. These are onetime appropriations and are available until expended.

\$14,000,000 in the first year and \$21,000,000 in the second year are for the specific improvements to "Old Highway 14" described in the settlement agreement and release executed January 7, 2014, between the state and Steele and Waseca Counties. These are onetime appropriations and are available until expended.

\$505,000 in the second year is for costs of implementing highway work zone safety initiatives. The base appropriation for this purpose is \$505,000 in each of fiscal years 2016 and 2017.

(d) Highway Debt Service	158,417,000	189,821,000
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\$148,917,000 in the first year and \$180,321,000 in the second year are for transfer to the state bond fund. If an appropriation is insufficient to make all transfers required in the year for which it is made, the commissioner of management and budget shall notify the senate Committee on Finance and the house of representatives Committee on Ways and Means of the amount of the deficiency and shall then transfer that amount under the statutory open appropriation. Any excess appropriation cancels to the trunk highway fund.

(e) Electronic Communications	5,171,000	5,171,000
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Appropriations by Fund

General	3,000	3,000
Trunk Highway	5,168,000	5,168,000

The general fund appropriation is to equip and operate the Roosevelt signal tower for Lake of the Woods weather broadcasting.

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

Sec. 8. Laws 2013, chapter 117, article 1, section 3, subdivision 6, is amended to read:

Subd. 6. Transfers

(a) With the approval of the commissioner of management and budget, the commissioner

of transportation may transfer unencumbered balances among the appropriations from the trunk highway fund and the state airports fund made in this section. No transfer may be made from the appropriations for state road construction or for debt service. Transfers under this paragraph may not be made between funds. Transfers under this paragraph must be reported immediately to the chairs and ranking minority members of the legislative committees with jurisdiction over transportation finance.

(b) The commissioner shall transfer from the flexible highway account in the county state-aid highway fund: (1) \$5,700,000 in the first year and \$21,000,000 in the second year to the trunk highway fund; (2) \$13,000,000 in the first year to the municipal turnback account in the municipal state-aid street fund; (3) \$10,000,000 in the second year to the municipal turnback account in the municipal state-aid street fund; and (4) the remainder in each year to the county turnback account in the county state-aid highway fund. The funds transferred are for highway turnback purposes as provided under Minnesota Statutes, section 161.081, subdivision 3.

Sec. 9. Laws 2013, chapter 117, article 1, section 4, is amended to read:

				76,970,000
Sec. 4. METROPOLITAN COUNCIL	\$	107,889,000	\$	<u>79,804,000</u>

This appropriation is from the general fund for transit system operations under Minnesota Statutes, sections 473.371 to 473.449.

The base appropriation for fiscal years 2016 and 2017 is ~~\$76,686,000~~ \$76,626,000 in each year.

\$37,000,000 in the first year is for the Southwest Corridor light rail transit line from the Hiawatha light rail transit line in downtown Minneapolis to Eden Prairie, to be used for environmental studies, preliminary engineering, acquisition of real property, or interests in real property, and design. This is

a onetime appropriation and is available until expended.

\$500,000 in the second year is for transit shelter improvements under Minnesota Statutes, section 473.41. This is a onetime appropriation.

\$144,000 in the second year is for foregone fare revenues from transit service under article 11, section 39. The Metropolitan Council shall allocate a portion of the funds under this appropriation to transit providers receiving financial assistance under Minnesota Statutes, section 473.388, based on respective foregone fare revenues. This is a onetime appropriation.

\$250,000 in the second year is for allocation to replacement service providers operating under Minnesota Statutes, section 473.388. This is a onetime appropriation.

\$1,000,000 in the second year is for arterial bus rapid transit development, which may include, but is not limited to, design, engineering, construction, capital costs, technology, equipment, and rolling stock. This is a onetime appropriation and is available until expended.

\$1,000,000 in the second year is for design and construction of a bus rapid transit station on interstate 35W and Lake Street. This is a onetime appropriation and is available until expended.

Sec. 10. Laws 2013, chapter 117, article 1, section 5, subdivision 2, is amended to read:

Subd. 2. Administration and Related Services

(a) Office of Communications		504,000	504,000
	Appropriations by Fund		
General	111,000	111,000	
Trunk Highway	393,000	393,000	
			8,439,000
(b) Public Safety Support		8,439,000	<u>8,499,000</u>

Appropriations by Fund

		3,467,000
General	3,467,000	<u>3,527,000</u>
H.U.T.D.	1,366,000	1,366,000
Trunk Highway	3,606,000	3,606,000

\$380,000 in each year is from the general fund for payment of public safety officer survivor benefits under Minnesota Statutes, section 299A.44. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

\$1,367,000 in each year is from the general fund to be deposited in the public safety officer's benefit account. This money is available for reimbursements under Minnesota Statutes, section 299A.465.

\$600,000 in each year is from the general fund and \$100,000 in each year is from the trunk highway fund for soft body armor reimbursements under Minnesota Statutes, section 299A.38.

\$792,000 in each year is from the general fund for transfer by the commissioner of management and budget to the trunk highway fund on December 31, 2013, and December 31, 2014, respectively, in order to reimburse the trunk highway fund for expenses not related to the fund. These represent amounts appropriated out of the trunk highway fund for general fund purposes in the administration and related services program.

\$610,000 in each year is from the highway user tax distribution fund for transfer by the commissioner of management and budget to the trunk highway fund on December 31, 2013, and December 31, 2014, respectively, in order to reimburse the trunk highway fund for expenses not related to the fund. These represent amounts appropriated out of the trunk highway fund for highway user tax distribution fund purposes in the administration and related services program.

\$716,000 in each year is from the highway user tax distribution fund for transfer by the commissioner of management and budget to the general fund on December 31, 2013, and December 31, 2014, respectively, in order to reimburse the general fund for expenses not related to the fund. These represent amounts appropriated out of the general fund for operation of the criminal justice data network related to driver and motor vehicle licensing.

Before January 15, 2015, the commissioner of public safety shall review the amounts and purposes of the transfers under this paragraph and shall recommend necessary changes to the legislative committees with jurisdiction over transportation finance.

\$60,000 in the second year is from the general fund for light rail safety oversight under Minnesota Statutes, section 299A.017. The base appropriation from the general fund for this purpose in fiscal years 2016 and 2017 is \$60,000 each year.

(c) Technology and Support Service	3,685,000	3,685,000
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Appropriations by Fund

General	1,322,000	1,322,000
H.U.T.D.	19,000	19,000
Trunk Highway	2,344,000	2,344,000

Sec. 11. Laws 2013, chapter 117, article 1, section 5, subdivision 3, is amended to read:

Subd. 3. State Patrol

(a) Patrolling Highways	72,522,000	72,522,000 <u>78,471,000</u>
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Appropriations by Fund

General	37,000	37,000
H.U.T.D.	92,000	92,000
Trunk Highway	72,393,000	72,393,000 <u>78,342,000</u>

\$5,949,000 in the second year is from the trunk highway fund to recruit, hire, train at

the State Patrol Academy, equip, and provide salary for 48 troopers.

The base appropriation from the trunk highway fund is \$77,893,000 in each of fiscal years 2016 and 2017.

(b) Commercial Vehicle Enforcement	7,796,000	7,796,000
(c) Capitol Security	4,355,000	4,355,000 <u>6,355,000</u>

This appropriation is from the general fund.

\$1,250,000 in each year 2014 and \$3,250,000 in 2015 and each subsequent year is to implement the recommendations of the advisory committee on Capitol Area Security under Minnesota Statutes, section 299E.04, including the creation of an emergency manager position under Minnesota Statutes, section 299E.01, subdivision 2, and an increase in the number of State Patrol troopers and other security officers assigned to the Capitol complex.

The commissioner may not: (1) spend any money from the trunk highway fund for capitol security; or (2) permanently transfer any state trooper from the patrolling highways activity to capitol security.

The commissioner may not transfer any money appropriated to the commissioner under this section: (1) to capitol security; or (2) from capitol security.

(d) Vehicle Crimes Unit	693,000	693,000
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This appropriation is from the highway user tax distribution fund.

This appropriation is to investigate: (1) registration tax and motor vehicle sales tax liabilities from individuals and businesses that currently do not pay all taxes owed; and (2) illegal or improper activity related to sale, transfer, titling, and registration of motor vehicles.

Sec. 12. Laws 2013, chapter 117, article 1, section 5, subdivision 4, is amended to read:

Subd. 4. **Driver and Vehicle Services**

(a) Vehicle Services	27,909,000	28,430,000 <u>28,453,000</u>
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Appropriations by Fund

		19,771,000
Special Revenue	19,673,000	<u>20,217,000</u>
H.U.T.D.	8,236,000	8,236,000

The special revenue fund appropriation is from the vehicle services operating account.

\$650,000 in each year is from the special revenue fund for seven additional positions to enhance customer service related to vehicle title issuance.

\$521,000 in the second year is from the special revenue fund for the vehicle services portion of a new telephone system and is for transfer to the Office of Enterprise Technology for construction and development of the system. This is a onetime appropriation and is available until expended.

\$23,000 in the second year is from the special revenue fund for expenses related to the task force on motor vehicle insurance coverage verification. This is a onetime appropriation.

The base appropriation from the special revenue fund is ~~\$27,909,000~~ \$19,673,000 for fiscal year 2016 and ~~\$27,909,000~~ \$19,673,000 for fiscal year 2017.

(b) Driver Services	28,749,000	29,162,000 <u>30,001,000</u>
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Appropriations by Fund

		29,161,000
Special Revenue	28,748,000	<u>30,000,000</u>
Trunk Highway	1,000	1,000

The special revenue fund appropriation is from the driver services operating account.

\$71,000 in the second year is from the special revenue fund for one additional position related to facial recognition.

\$279,000 in the second year is from the special revenue fund for the driver services portion of a new telephone system and is for transfer to the Office of Enterprise Technology for construction and development of the system. This is a onetime appropriation and is available until expended.

\$37,000 in the first year and \$33,000 in the second year are from the special revenue fund for one half-time position to assist with the Novice Driver Improvement Task Force under Minnesota Statutes, section 171.0701, subdivision 1a. The base appropriation for this position is \$6,000 in fiscal year 2016 and \$0 in fiscal year 2017.

\$67,000 in the second year is from the special revenue fund for one new position to administer changes to the ignition interlock program. The base appropriation for this position in fiscal years 2016 and 2017 is \$62,000 in each year.

\$23,000 in the second year is from the special revenue fund for expenses related to the task force on motor vehicle insurance coverage verification. This is a onetime appropriation.

\$816,000 in the second year is from the special revenue fund for 12 new positions to implement improved driving skill examination scheduling. The base appropriation for these positions is \$759,000 in fiscal year 2016 and \$774,000 in fiscal year 2017.

The base appropriation from the special revenue fund is ~~\$28,851,000~~ \$29,609,000 for fiscal year 2016 and ~~\$28,845,000~~ \$29,618,000 for fiscal year 2017.

Sec. 13. TRANSFER; RAILROAD AND PIPELINE SAFETY.

On or before July 31, 2014, the commissioner of management and budget shall transfer \$1,574,000 from the general fund to the railroad and pipeline safety account in the special revenue fund under Minnesota Statutes, section 299A.55. This is a onetime transfer.

ARTICLE 10**RAILROAD AND PIPELINE SAFETY**

Section 1. Minnesota Statutes 2012, section 115E.01, is amended by adding a subdivision to read:

Subd. 6a. **Incident commander.** "Incident commander" means the official at the site of a discharge who has the responsibility for operations at the site, as established following National Incident Management System guidelines.

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

Sec. 2. Minnesota Statutes 2012, section 115E.01, is amended by adding a subdivision to read:

Subd. 7a. **Listed sensitive area.** "Listed sensitive area" means an area or location listed as an area of special economic or environmental importance in an Area Contingency Plan or a Sub-Area Contingency Plan prepared under the federal Clean Water Act, United States Code, title 33, section 1321(j)(4).

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

Sec. 3. Minnesota Statutes 2012, section 115E.01, is amended by adding a subdivision to read:

Subd. 11d. **Unit train.** "Unit train" means a train with more than 25 tanker railcars carrying oil or hazardous substance cargo.

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

Sec. 4. **[115E.042] PREPAREDNESS AND RESPONSE FOR CERTAIN RAILROADS.**

Subdivision 1. **Application.** In addition to the requirements of section 115E.04, a person who owns or operates railroad car rolling stock transporting a unit train must comply with this section.

Subd. 2. **Training.** (a) Each railroad must offer training to each fire department having jurisdiction along the route of unit trains. Initial training under this subdivision must be offered to each fire department by June 30, 2016, and refresher training must be offered to each fire department at least once every three years thereafter.

(b) The training must address the general hazards of oil and hazardous substances, techniques to assess hazards to the environment and to the safety of responders and the public, factors an incident commander must consider in determining whether to attempt to suppress a fire or to evacuate the public and emergency responders from an area, and other strategies for initial response by local emergency responders. The training must include suggested protocol or practices for local responders to safely accomplish these tasks.

Subd. 3. **Coordination.** Beginning June 30, 2015, each railroad must communicate at least annually with each county or city emergency manager, safety representatives of railroad employees governed by the Railway Labor Act, and a senior fire department officer of each fire department having jurisdiction along the route of a unit train, to ensure coordination of emergency response activities between the railroad and local responders.

Subd. 4. **Response capabilities; time limits.** (a) Following confirmation of a discharge, a railroad must deliver and deploy sufficient equipment and trained personnel to contain and recover discharged oil or hazardous substances and to protect the environment and public safety.

(b) Within one hour of confirmation of a discharge, a railroad must provide a qualified company employee to advise the incident commander. The employee may be made available by telephone, and must be authorized to deploy all necessary response resources of the railroad.

(c) Within three hours of confirmation of a discharge, a railroad must be capable of delivering monitoring equipment and a trained operator to assist in protection of responder and public safety. A plan to ensure delivery of monitoring equipment and an operator to a discharge site must be provided each year to the commissioner of public safety.

(d) Within three hours of confirmation of a discharge, a railroad must provide qualified personnel at a discharge site to assess the discharge and to advise the incident commander.

(e) A railroad must be capable of deploying containment boom from land across sewer outfalls, creeks, ditches, and other places where oil or hazardous substances may drain, in order to contain leaked material before it reaches those resources. The arrangement to provide containment boom and staff may be made by:

- (1) training and caching equipment with local jurisdictions;
- (2) training and caching equipment with a fire mutual-aid group;
- (3) means of an industry cooperative or mutual-aid group;
- (4) deployment of a contractor;
- (5) deployment of a response organization under state contract; or
- (6) other dependable means acceptable to the Pollution Control Agency.

(f) Each arrangement under paragraph (e) must be confirmed each year. Each arrangement must be tested by drill at least once every five years.

(g) Within eight hours of confirmation of a discharge, a railroad must be capable of delivering and deploying containment boom, boats, oil recovery equipment, trained staff, and all other materials needed to provide:

(1) on-site containment and recovery of a volume of oil equal to ten percent of the calculated worst case discharge at any location along the route; and

(2) protection of listed sensitive areas and potable water intakes within one mile of a discharge site and within eight hours of water travel time downstream in any river or stream that the right-of-way intersects.

(h) Within 60 hours of confirmation of a discharge, a railroad must be capable of delivering and deploying additional containment boom, boats, oil recovery equipment, trained staff, and all other materials needed to provide containment and recovery of a worst case discharge and to protect listed sensitive areas and potable water intakes at any location along the route.

Subd. 5. **Railroad drills.** Each railroad must conduct at least one oil containment, recovery, and sensitive area protection drill every three years, at a location and time chosen by the Pollution

Control Agency, and attended by safety representatives of railroad employees governed by the Railway Labor Act.

Subd. 6. **Prevention and response plans.** (a) By June 30, 2015, a railroad shall submit the prevention and response plan required under section 115E.04, as necessary to comply with the requirements of this section, to the commissioner of the Pollution Control Agency on a form designated by the commissioner.

(b) By June 30 of every third year following a plan submission under this subdivision, a railroad must update and resubmit the prevention and response plan to the commissioner.

EFFECTIVE DATE. Subdivisions 1 to 3 and 6 are effective the day following final enactment. Subdivisions 4 and 5 are effective July 1, 2015.

Sec. 5. Minnesota Statutes 2012, section 115E.08, is amended by adding a subdivision to read:

Subd. 3a. **Railroad preparedness; pollution control.** The Pollution Control Agency shall carry out environmental protection activities related to railroad discharge preparedness. Duties under this subdivision include, but are not limited to:

(1) assisting local emergency managers and fire officials in understanding the hazards of oil and hazardous substances, as well as general strategies for containment and environmental protection;

(2) assisting railroads to identify natural resources and sensitive areas, and to devise strategies to contain and recover oil and hazardous substances from land and waters along routes;

(3) facilitating cooperation between railroads for mutual aid arrangements that provide training, staff, and equipment as required by this chapter;

(4) participating in drills and training sessions;

(5) reviewing each railroad's prevention and response plan for compliance with the requirements of this chapter, and assessing each railroad's readiness to protect the environment;

(6) conducting inspections and drills as necessary to determine the railroad's compliance with the requirements of this chapter and ability to protect the environment;

(7) conducting follow-up corrective action directives, orders, and enforcement as necessary based on a finding of inadequate environmental protection preparedness; and

(8) soliciting involvement and advice concerning preparedness activities and requirements from safety representatives of railroad employees governed by the Railway Labor Act.

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

Sec. 6. Minnesota Statutes 2012, section 115E.08, is amended by adding a subdivision to read:

Subd. 3b. **Railroad and pipeline preparedness; public safety.** The commissioner of public safety shall carry out public safety protection activities related to railroad and pipeline spill and discharge preparedness. Duties under this subdivision include, but are not limited to:

(1) assisting local emergency managers and fire officials to understand the hazards of oil and hazardous substances, as well as general strategies for hazard identification, initial isolation, and other actions necessary to ensure public safety;

(2) assisting railroads and pipeline companies to develop suggested protocols and practices for local first responder use in protecting the public's safety;

(3) facilitating cooperation between railroads, pipeline companies, county and city emergency managers, and other public safety organizations;

(4) participating in major exercises and training sessions;

(5) assisting local units of government to incorporate railroad and pipeline hazard and response information into local emergency operations plans;

(6) monitoring the public safety-related training and planning requirements of section 115E.03; and

(7) referring noncompliance with section 115E.03 to the Pollution Control Agency.

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

Sec. 7. Minnesota Statutes 2012, section 219.015, subdivision 1, is amended to read:

Subdivision 1. **Position Positions established; duties.** (a) The commissioner of transportation shall establish a position of three state rail safety inspector positions in the Office of Freight and Commercial Vehicle Operations of the Minnesota Department of Transportation. On or after July 1, 2015, the commissioner may establish a fourth state rail safety inspector position following consultation with railroad companies. The commissioner shall apply to and enter into agreements with the Federal Railroad Administration (FRA) of the United States Department of Transportation to participate in the federal State Rail Safety Partnership Participation Program for training and certification of an inspector under authority of United States Code, title 49, sections 20103, 20105, 20106, and 20113, and Code of Federal Regulations, title 49, part 212.

The (b) A state rail safety inspector shall inspect mainline track, secondary track, and yard and industry track; inspect railroad right-of-way, including adjacent or intersecting drainage, culverts, bridges, overhead structures, and traffic and other public crossings; inspect yards and physical plants; review and enforce safety requirements; review maintenance and repair records; and review railroad security measures.

(c) A state rail safety inspector may perform, but is not limited to, the duties described in the federal State Rail Safety Participation Program. An inspector may train, be certified, and participate in any of the federal State Rail Safety Participation Program disciplines, including: track, signal and train control, motive power and equipment, operating practices compliance, hazardous materials, and highway-rail grade crossings.

(d) To the extent delegated by the Federal Railroad Administration and authorized by the commissioner, the an inspector may issue citations for violations of this chapter, or to ensure railroad employee and public safety and welfare.

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

Sec. 8. Minnesota Statutes 2012, section 219.015, subdivision 2, is amended to read:

Subd. 2. **Railroad company assessment; account; appropriation.** (a) As provided in this subdivision, the commissioner shall annually assess railroad companies that are (1) defined as common carriers under section 218.011; (2) classified by federal law or regulation as Class I

Railroads, or Class I Rail Carriers, Class II Railroads, or Class II Carriers; and (3) operating in this state.

(b) The assessment must be by a division of state rail safety inspector program costs in equal proportion between carriers based on route miles operated in Minnesota, assessed in equal amounts for 365 days of the calendar year. The commissioner shall assess all start-up or re-establishment costs, and all related costs of initiating the state rail safety inspector program beginning July 1, 2008. The, and ongoing state rail inspector duties must begin and be assessed on January 1, 2009.

(c) The assessments must be deposited in a special account in the special revenue fund, to be known as the state rail safety inspection account. Money in the account is appropriated to the commissioner and may be expended to cover the costs incurred for the establishment and ongoing responsibilities of the state rail safety inspector program.

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

Sec. 9. [299A.55] RAILROAD AND PIPELINE SAFETY; OIL AND OTHER HAZARDOUS MATERIALS.

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

(b) "Applicable rail carrier" means a railroad company that is subject to an assessment under section 219.015, subdivision 2.

(c) "Hazardous substance" has the meaning given in section 115B.02, subdivision 8.

(d) "Oil" has the meaning given in section 115E.01, subdivision 8.

(e) "Pipeline company" means any individual, partnership, association, or public or private corporation who owns and operates pipeline facilities and is required to show specific preparedness under section 115E.03, subdivision 2.

Subd. 2. Railroad and pipeline safety account. (a) A railroad and pipeline safety account is created in the special revenue fund. The account consists of funds collected under subdivision 4 and funds donated, allotted, transferred, or otherwise provided to the account.

(b) \$104,000 is annually appropriated from the railroad and pipeline safety account to the commissioner of the Pollution Control Agency for environmental protection activities related to railroad discharge preparedness under chapter 115E.

(c) Following the appropriation in paragraph (b), the remaining money in the account is annually appropriated to the commissioner of public safety for the purposes specified in subdivision 3.

Subd. 3. Allocation of funds. (a) Subject to funding appropriated for this subdivision, the commissioner shall provide funds for training and response preparedness related to (1) derailments, discharge incidents, or spills involving trains carrying oil or other hazardous substances, and (2) pipeline discharge incidents or spills involving oil or other hazardous substances.

(b) The commissioner shall allocate available funds as follows:

(1) \$100,000 annually for emergency response teams; and

(2) the remaining amount to the Board of Firefighter Training and Education under section 299N.02 and the Division of Homeland Security and Emergency Management.

(c) Prior to making allocations under paragraph (b), the commissioner shall consult with the Fire Service Advisory Committee under section 299F.012, subdivision 2.

(d) The commissioner and the entities identified in paragraph (b), clause (2), shall prioritize uses of funds based on:

(1) firefighter training needs;

(2) community risk from discharge incidents or spills;

(3) geographic balance; and

(4) recommendations of the Fire Service Advisory Committee.

(e) The following are permissible uses of funds provided under this subdivision:

(1) training costs, which may include, but are not limited to, training curriculum, trainers, trainee overtime salary, other personnel overtime salary, and tuition;

(2) costs of gear and equipment related to hazardous materials readiness, response, and management, which may include, but are not limited to, original purchase, maintenance, and replacement;

(3) supplies related to the uses under clauses (1) and (2); and

(4) emergency preparedness planning and coordination.

(f) Notwithstanding paragraph (b), clause (2), from funds in the railroad and pipeline safety account provided for the purposes under this subdivision, the commissioner may retain a balance in the account for budgeting in subsequent fiscal years.

Subd. 4. **Assessments.** (a) The commissioner of public safety shall annually assess \$2,500,000 to railroad and pipeline companies based on the formula specified in paragraph (b). The commissioner shall deposit funds collected under this subdivision in the railroad and pipeline safety account under subdivision 2.

(b) The assessment for each railroad is 50 percent of the total annual assessment amount, divided in equal proportion between applicable rail carriers based on route miles operated in Minnesota. The assessment for each pipeline company is 50 percent of the total annual assessment amount, divided in equal proportion between companies based on the yearly aggregate gallons of oil and hazardous substance transported by pipeline in Minnesota.

(c) The assessments under this subdivision expire July 1, 2017.

Sec. 10. **IMPROVEMENTS STUDY ON GRADE CROSSINGS AND RAIL SAFETY FOR OIL AND OTHER HAZARDOUS MATERIALS TRANSPORTATION.**

(a) The commissioner of transportation shall conduct a study on highway-rail grade crossing improvement for oil and other hazardous materials transported by rail, and on rail safety. At a minimum, the study must:

(1) provide information that assists in risk management associated with transportation of oil and other hazardous materials by rail;

(2) develop criteria to prioritize needs and improvements at highway-rail grade crossings;

(3) consider alternatives for safety improvements, including but not limited to active warning devices such as gates and signals, closings, and grade separation;

(4) provide findings and recommendations that serve to direct accelerated investments in highway-rail grade crossing safety improvements; and

(5) analyze state inspection activities and staffing for track and hazardous materials under Minnesota Statutes, section 219.015.

(b) The commissioner shall submit an interim update on the study by August 31, 2014, and a final report by October 31, 2014, to the chairs and ranking minority members of the legislative committees with jurisdiction over transportation policy and finance.

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

Sec. 11. REPORTS ON INCIDENT PREPAREDNESS FOR OIL TRANSPORTATION.

Subdivision 1. Report on response preparedness. By January 15, 2015, the commissioner of public safety shall submit a report on emergency response preparedness in the public and private sectors for incidents involving transportation of oil to the chairs and ranking minority members of the legislative committees with jurisdiction over transportation and public safety policy and finance. At a minimum, the report must:

(1) summarize the preparedness and emergency response framework in the state;

(2) provide an assessment of costs and needs of fire departments and other emergency first responders for training and equipment to respond to discharge or spill incidents involving transportation of oil;

(3) develop a comprehensive public and private response capacity inventory that, to the extent feasible, includes statewide identification of major emergency response equipment, equipment staging locations, mutual aid agreements, and capacities across industries involved in transportation and storage of oil;

(4) provide information and analysis that forms the basis for allocation of funds under Minnesota Statutes, section 299A.55;

(5) develop benchmarks or assessment criteria for the evaluation under subdivision 2;

(6) assist in long-range oil transportation incident preparedness planning; and

(7) make recommendations for any legislative changes.

Subd. 2. Evaluation of response preparedness and funding. By January 15, 2017, the commissioner of public safety shall submit an evaluation of safety preparedness and funding related to incidents involving transportation of oil to the chairs and ranking minority members of the legislative committees with jurisdiction over transportation and public safety policy and finance. At a minimum, the evaluation must:

(1) provide an update to the report under subdivision 1 that identifies notable changes and provides updated information as appropriate;

(2) evaluate the effectiveness of training and response preparedness activities under Minnesota Statutes, section 299A.55, using the criteria established under subdivision 1, clause (5);

(3) identify current sources of funds, funding levels, and any unfunded needs for preparedness activities;

(4) analyze equity in the distribution of funding sources for preparedness activities, which must include but is not limited to (i) examination of the public-private partnership financing model, and (ii) review of balance across industries involved in storage and distribution of oil; and

(5) make recommendations for any programmatic or legislative changes.

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

ARTICLE 11

TRANSPORTATION FINANCE PROVISIONS

Section 1. Minnesota Statutes 2012, section 161.14, is amended by adding a subdivision to read:

Subd. 78. **Trooper Glen Skalman Memorial Highway.** That segment of signed U.S. Highway 61 from the intersection with signed U.S. Highway 8 in Forest Lake to the intersection with 260th Street in Wyoming is designated as "Trooper Glen Skalman Memorial Highway." Subject to section 161.139, the commissioner shall adopt a suitable design to mark this highway and erect appropriate signs in the vicinity of the location where Trooper Skalman died.

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

Sec. 2. Minnesota Statutes 2012, section 165.15, subdivision 2, is amended to read:

Subd. 2. **Use of funds.** (a) Income derived from the investment of principal in the account may be used by the commissioner of transportation for operations and routine maintenance of the Stillwater lift bridge, including bridge safety inspections and reactive repairs. No money from this account may be used for any purposes except those described in this section, and no money from this account may be transferred to any other account in the state treasury without specific legislative authorization. Any money transferred from the trunk highway fund may only be used for trunk highway purposes. For the purposes of this section:

(1) "Income" is the amount of interest on debt securities and dividends on equity securities. Any gains or losses from the sale of securities must be added to the principal of the account.

(2) "Routine maintenance" means activities that are predictable and repetitive, but not activities that would constitute major repairs or rehabilitation.

(b) Investment management fees incurred by the State Board of Investment are eligible expenses for reimbursement from the account.

(c) The commissioner of transportation has authority to approve or deny expenditures of funds in the account.

Sec. 3. [168.1299] MINNESOTA GOLF PLATES.

Subdivision 1. **Issuance.** Notwithstanding section 168.1293, the commissioner shall issue special Minnesota golf plates or a single motorcycle plate to an applicant who:

(1) is a registered owner of a passenger automobile, one-ton pickup truck, motorcycle, or recreational vehicle;

(2) pays a fee of \$10 and any other fees required by this chapter;

(3) contributes a minimum of \$30 annually after January 1, 2017, to the Minnesota Section PGA Foundation account; and

(4) complies with this chapter and rules governing registration of motor vehicles and licensing of drivers.

Subd. 2. **Design.** After consultation with the Minnesota Section PGA and the Minnesota Golf Association, the commissioner shall design the special plate.

Subd. 3. **Plates transfer.** On payment of a fee of \$5, plates issued under this section may be transferred to another passenger automobile, one-ton pickup truck, motorcycle, or other recreational vehicle registered to the individual to whom the special plates were issued.

Subd. 4. **Fees.** Fees collected under subdivision 1, clause (2), and subdivision 3 are credited to the vehicle services operating account in the special revenue fund.

Subd. 5. **Contributions.** Contributions collected under subdivision 1, clause (3), are credited first to the commissioner of public safety for the cost of administering the Minnesota Section PGA Foundation account, which is established in the special revenue fund. After the commissioner's administration costs are paid each year, remaining contributions are credited to the Minnesota Section PGA Foundation account. Money in the account is appropriated to the commissioner of public safety for distribution to the Minnesota Section PGA Foundation, to be used to enhance and promote the game of golf throughout Minnesota.

EFFECTIVE DATE. Subdivisions 1 to 4 are effective January 1, 2015, for special Minnesota golf plates issued on or after that date. Subdivision 5 is effective January 1, 2017.

Sec. 4. Minnesota Statutes 2012, section 169.011, is amended by adding a subdivision to read:

Subd. 95. **Work zone.** "Work zone" means a segment of street or highway for which:

(1) a road authority or its agent is constructing, reconstructing, or maintaining the physical structure of the roadway, which may include, but is not limited to, shoulders, features adjacent to the roadway, and utilities and highway appurtenances, whether underground or overhead; and

(2) any of the following applies:

(i) official traffic-control devices that indicate the segment of street or highway under construction, reconstruction, or maintenance, are erected;

(ii) one or more lanes of traffic are closed;

(iii) a flagger under section 169.06, subdivision 4a, is present;

(iv) a construction zone speed limit under section 169.14, subdivision 4, is established; or

(v) a workers present speed limit under section 169.14, subdivision 5d, is in effect.

EFFECTIVE DATE. This section is effective August 1, 2014.

Sec. 5. Minnesota Statutes 2012, section 169.06, subdivision 4, is amended to read:

Subd. 4. **Obedience to traffic-control signal or flagger authorized persons; presumptions.**

(a) The driver of any vehicle shall obey the instructions of any official traffic-control device applicable thereto placed in accordance with the provisions of this chapter, unless otherwise directed by a police officer or by a flagger authorized under this subdivision, subject to the exceptions granted the driver of an authorized emergency vehicle in this chapter.

(b) No provision of this chapter for which official traffic-control devices are required shall be enforced against an alleged violator if at the time and place of the alleged violation an official device is not in proper position and sufficiently legible to be seen by an ordinarily observant person. Whenever a particular section does not state that official traffic-control devices are required, such section shall be effective even though no devices are erected or in place.

(c) Whenever official traffic-control devices are placed in position approximately conforming to the requirements of this chapter, such devices shall be presumed to have been so placed by the official act or direction of lawful authority, unless the contrary shall be established by competent evidence.

(d) Any official traffic-control device placed pursuant to the provisions of this chapter and purporting to conform to the lawful requirements pertaining to such devices shall be presumed to comply with the requirements of this chapter, unless the contrary shall be established by competent evidence.

~~(e) A flagger in a designated work zone may stop vehicles and hold vehicles in place until it is safe for the vehicles to proceed. A person operating a motor vehicle that has been stopped by a flagger in a designated work zone may proceed after stopping only on instruction by the flagger.~~

(f) An overdimensional load escort driver with a certificate issued under section 299D.085, while acting as a flagger escorting a legal overdimensional load, may stop vehicles and hold vehicles in place until it is safe for the vehicles to proceed. A person operating a motor vehicle that has been stopped by an escort driver acting as a flagger may proceed only on instruction by the flagger or a police officer.

~~(g)~~ (f) A person may stop and hold vehicles in place until it is safe for the vehicles to proceed, if the person: (1) holds a motorcycle road guard certificate issued under section 171.60; (2) meets the safety and equipment standards for operating under the certificate; (3) is acting as a flagger escorting a motorcycle group ride; (4) has notified each statutory or home rule charter city through which the motorcycle group is proceeding; and (5) has obtained consent from the chief of police, or the chief's designee, of any city of the first class through which the group is proceeding. A flagger operating as provided under this paragraph may direct operators of motorcycles within a motorcycle group ride or other vehicle traffic, notwithstanding any contrary indication of a traffic-control device, including stop signs or traffic-control signals. A person operating a vehicle that has been stopped by a flagger under this paragraph may proceed only on instruction by the flagger or a police officer.

EFFECTIVE DATE. This section is effective August 1, 2014.

Sec. 6. Minnesota Statutes 2012, section 169.06, is amended by adding a subdivision to read:

Subd. 4a. **Obedience to work zone flagger; violation, penalty.** (a) A flagger in a work zone may stop vehicles and hold vehicles in place until it is safe for the vehicles to proceed. A person operating a motor vehicle that has been stopped by a flagger in a work zone may proceed after stopping only on instruction by the flagger or a police officer.

(b) A person convicted of operating a motor vehicle in violation of a speed limit in a work zone, or any other provision of this section while in a work zone, shall be required to pay a fine of \$300. This fine is in addition to the surcharge under section 357.021, subdivision 6.

(c) If a motor vehicle is operated in violation of paragraph (a), the owner of the vehicle, or for a leased motor vehicle the lessee of the vehicle, is guilty of a petty misdemeanor and is subject to a fine as provided in paragraph (b). The owner or lessee may not be fined under this paragraph if (1) another person is convicted for that violation, or (2) the motor vehicle was stolen at the time of the violation. This paragraph does not apply to a lessor of a motor vehicle if the lessor keeps a record of the name and address of the lessee.

(d) Paragraph (c) does not prohibit or limit the prosecution of a motor vehicle operator for violating paragraph (a).

(e) A violation under paragraph (c) does not constitute grounds for revocation or suspension of a driver's license.

EFFECTIVE DATE. This section is effective August 1, 2014, and applies to violations committed on or after that date.

Sec. 7. Minnesota Statutes 2012, section 169.14, subdivision 5d, is amended to read:

Subd. 5d. **Speed zoning limit in work zone; surcharge when workers present.** (a) Notwithstanding subdivision 2 and subject to subdivision 3, the speed limit on a road having an established speed limit of 50 miles per hour or greater is adjusted to 45 miles per hour in a work zone when (1) at least one lane or portion of a lane of traffic is closed in either direction, and (2) workers are present. A speed in excess of the adjusted speed limit is unlawful.

(b) Paragraph (a) does not apply to a segment of road in which:

(1) positive barriers are placed between workers and the traveled portion of the highway;

(2) the work zone is in place for less than 24 hours;

(3) a different speed limit for the work zone is determined by the road authority following an engineering and traffic investigation and based on accepted engineering practice; or

(4) a different speed limit for the work zone is established by the road authority under paragraph (c).

(c) The commissioner, on trunk highways and temporary trunk highways, and local authorities, on streets and highways under their jurisdiction, may authorize the use of reduced maximum speed limits in highway work zones. ~~The commissioner or local authority is not required to conduct when workers are present, without an engineering and traffic investigation before authorizing a reduced speed limit in a highway work zone required.~~ The work zone speed limit must not reduce the speed limit on the affected street or highway by more than:

~~(b) The minimum highway work zone speed limit is 20 miles per hour. The work zone speed limit must not reduce the established speed limit on the affected street or highway by more than 15 miles per hour, except that the highway work zone speed limit must not exceed 40 miles per hour. The commissioner or local authority shall post the limits of the work zone. Highway work zone speed limits are effective on erection of appropriate regulatory speed limit signs. The signs must be removed or covered when they are not required. A speed greater than the posted highway work zone speed limit is unlawful.~~

~~(c) Notwithstanding paragraph (b), on divided highways the commissioner or local authority may establish a highway work zone speed limit that does not exceed 55 miles per hour.~~

~~(d) Notwithstanding paragraph (b), on two-lane highways having one lane for each direction of travel with a posted speed limit of 60 miles per hour or greater, the commissioner or local authority may establish a highway work zone speed limit that does not exceed 40 miles per hour.~~

~~(e) For purposes of this subdivision, "highway work zone" means a segment of highway or street where a road authority or its agent is constructing, reconstructing, or maintaining the physical structure of the roadway, its shoulders, or features adjacent to the roadway, including underground and overhead utilities and highway appurtenances, when workers are present.~~

~~(f) Notwithstanding section 609.0331 or 609.101 or other law to the contrary, a person who violates a speed limit established under this subdivision, or who violates any other provision of this section while in a highway work zone, is assessed an additional surcharge equal to the amount of the fine imposed for the speed violation, but not less than \$25.~~

~~(1) 20 miles per hour on a street or highway having an established speed limit of 55 miles per hour or greater; and~~

~~(2) 15 miles per hour on a street or highway having an established speed limit of 50 miles per hour or less.~~

~~(d) A work zone speed limit under paragraph (c) is effective on erection of appropriate regulatory speed limit signs. The signs must be removed or covered when they are not required. A speed in excess of the posted work zone speed limit is unlawful.~~

~~(e) For any speed limit under this subdivision, a road authority shall erect signs identifying the speed limit and indicating the beginning and end of the speed limit zone.~~

~~**EFFECTIVE DATE.** This section is effective August 1, 2014, and applies to violations committed on or after that date.~~

~~Sec. 8. Minnesota Statutes 2012, section 169.14, is amended by adding a subdivision to read:~~

~~Subd. 6a. **Work zone speed limit violations.** A person convicted of operating a motor vehicle in violation of a speed limit in a work zone, or any other provision of this section while in a work zone, shall be required to pay a fine of \$300. This fine is in addition to the surcharge under section 357.021, subdivision 6.~~

~~**EFFECTIVE DATE.** This section is effective August 1, 2014, and applies to violations committed on or after that date.~~

~~Sec. 9. Minnesota Statutes 2012, section 169.305, subdivision 1, is amended to read:~~

Subdivision 1. **Entrance and exit; crossover; use regulations; signs; rules.** (a) No person shall drive a vehicle onto or from any controlled-access highway except at such entrances and exits as are established by public authority.

(b) When special crossovers between the main roadways of a controlled-access highway are provided for emergency vehicles or maintenance equipment and such crossovers are signed to prohibit "U" turns, it shall be unlawful for any vehicle, except an emergency vehicle, maintenance equipment, ~~or~~ construction equipment including contractor's and state-owned equipment when operating within a marked construction zone, or a vehicle operated by a commercial vehicle inspector of the Department of Public Safety, to use such crossover. Vehicles owned and operated by elderly and needy persons under contract with the commissioner of transportation pursuant to section 160.282 for maintenance services on highway rest stop and tourist centers outside the seven-county metropolitan area as defined in section 473.121, may also use these crossovers while those persons are proceeding to or from work in the rest area or tourist center if authorized by the commissioner, and the vehicle carries on its roof a distinctive flag designed and issued by the commissioner. For the purposes of this clause "emergency vehicle" includes a tow truck or towing vehicle if it is on the way to the location of an accident or a disabled vehicle.

(c) The commissioner of transportation may by order, and any public authority may by ordinance, with respect to any controlled-access highway under their jurisdictions prohibit or regulate the use of any such highway by pedestrians, bicycles, or other nonmotorized traffic, or by motorized bicycles, or by any class or kind of traffic which is found to be incompatible with the normal and safe flow of traffic.

(d) The commissioner of transportation or the public authority adopting any such prohibitory rules shall erect and maintain official signs on the controlled-access highway on which such rules are applicable and when so erected no person shall disobey the restrictions stated on such signs.

Sec. 10. Minnesota Statutes 2012, section 169.826, is amended by adding a subdivision to read:

Subd. 7. **Expiration date.** Upon request of the permit applicant, the expiration date for a permit issued under this section must be the same as the expiration date of the permitted vehicle's registration.

EFFECTIVE DATE. This section is effective November 30, 2016, and applies to permits issued on and after that date.

Sec. 11. Minnesota Statutes 2012, section 169.8261, is amended by adding a subdivision to read:

Subd. 3. **Expiration date.** Upon request of the permit applicant, the expiration date for a permit issued under this section must be the same as the expiration date of the permitted vehicle's registration.

EFFECTIVE DATE. This section is effective November 30, 2016, and applies to permits issued on and after that date.

Sec. 12. Minnesota Statutes 2012, section 169.86, subdivision 5, is amended to read:

Subd. 5. **Fees; proceeds deposited; appropriation.** The commissioner, with respect to highways under the commissioner's jurisdiction, may charge a fee for each permit issued. The fee for an annual permit that expires by law on the date of the vehicle registration expiration must be based on the proportion of the year that remains until the expiration date. Unless otherwise

specified, all fees for permits issued by the commissioner of transportation must be deposited in the state treasury and credited to the trunk highway fund. Except for those annual permits for which the permit fees are specified elsewhere in this chapter, the fees are:

(a) \$15 for each single trip permit.

(b) \$36 for each job permit. A job permit may be issued for like loads carried on a specific route for a period not to exceed two months. "Like loads" means loads of the same product, weight, and dimension.

(c) \$60 for an annual permit to be issued for a period not to exceed 12 consecutive months. Annual permits may be issued for:

(1) motor vehicles used to alleviate a temporary crisis adversely affecting the safety or well-being of the public;

(2) motor vehicles that travel on interstate highways and carry loads authorized under subdivision 1a;

(3) motor vehicles operating with gross weights authorized under section 169.826, subdivision 1a;

(4) special pulpwood vehicles described in section 169.863;

(5) motor vehicles bearing snowplow blades not exceeding ten feet in width;

(6) noncommercial transportation of a boat by the owner or user of the boat;

(7) motor vehicles carrying bales of agricultural products authorized under section 169.862; and

(8) special milk-hauling vehicles authorized under section 169.867.

(d) \$120 for an oversize annual permit to be issued for a period not to exceed 12 consecutive months. Annual permits may be issued for:

(1) mobile cranes;

(2) construction equipment, machinery, and supplies;

(3) manufactured homes and manufactured storage buildings;

(4) implements of husbandry;

(5) double-deck buses;

(6) commercial boat hauling and transporting waterfront structures, including, but not limited to, portable boat docks and boat lifts;

(7) three-vehicle combinations consisting of two empty, newly manufactured trailers for cargo, horses, or livestock, not to exceed 28-1/2 feet per trailer; provided, however, the permit allows the vehicles to be moved from a trailer manufacturer to a trailer dealer only while operating on twin-trailer routes designated under section 169.81, subdivision 3, paragraph (c); and

(8) vehicles operating on that portion of marked Trunk Highway 36 described in section 169.81, subdivision 3, paragraph (e).

(e) For vehicles that have axle weights exceeding the weight limitations of sections 169.823 to 169.829, an additional cost added to the fees listed above. However, this paragraph applies to any vehicle described in section 168.013, subdivision 3, paragraph (b), but only when the vehicle exceeds its gross weight allowance set forth in that paragraph, and then the additional cost is for all weight, including the allowance weight, in excess of the permitted maximum axle weight. The additional cost is equal to the product of the distance traveled times the sum of the overweight axle group cost factors shown in the following chart:

Weight (pounds) exceeding weight limitations on axles	Overweight Axle Group Cost Factors		
	Cost Per Mile For Each Group Of:		
	Two consecutive axles spaced within 8 feet or less	Three consecutive axles spaced within 9 feet or less	Four consecutive axles spaced within 14 feet or less
0-2,000	.12	.05	.04
2,001-4,000	.14	.06	.05
4,001-6,000	.18	.07	.06
6,001-8,000	.21	.09	.07
8,001-10,000	.26	.10	.08
10,001-12,000	.30	.12	.09
12,001-14,000	Not permitted	.14	.11
14,001-16,000	Not permitted	.17	.12
16,001-18,000	Not permitted	.19	.15
18,001-20,000	Not permitted	Not permitted	.16
20,001-22,000	Not permitted	Not permitted	.20

The amounts added are rounded to the nearest cent for each axle or axle group. The additional cost does not apply to paragraph (c), clauses (1) and (3).

For a vehicle found to exceed the appropriate maximum permitted weight, a cost-per-mile fee of 22 cents per ton, or fraction of a ton, over the permitted maximum weight is imposed in addition to the normal permit fee. Miles must be calculated based on the distance already traveled in the state plus the distance from the point of detection to a transportation loading site or unloading site within the state or to the point of exit from the state.

(f) As an alternative to paragraph (e), an annual permit may be issued for overweight, or oversize and overweight, mobile cranes; construction equipment, machinery, and supplies; implements of husbandry; and commercial boat hauling. The fees for the permit are as follows:

Gross Weight (pounds) of Vehicle	Annual Permit Fee
90,000 or less	\$200
90,001 - 100,000	\$300

100,001 - 110,000	\$400
110,001 - 120,000	\$500
120,001 - 130,000	\$600
130,001 - 140,000	\$700
140,001 - 145,000	\$800
145,001 - 155,000	\$900

If the gross weight of the vehicle is more than 155,000 pounds the permit fee is determined under paragraph (e).

(g) For vehicles which exceed the width limitations set forth in section 169.80 by more than 72 inches, an additional cost equal to \$120 added to the amount in paragraph (a) when the permit is issued while seasonal load restrictions pursuant to section 169.87 are in effect.

(h) \$85 for an annual permit to be issued for a period not to exceed 12 months, for refuse-compactor vehicles that carry a gross weight of not more than: 22,000 pounds on a single rear axle; 38,000 pounds on a tandem rear axle; or, subject to section 169.828, subdivision 2, 46,000 pounds on a tridem rear axle. A permit issued for up to 46,000 pounds on a tridem rear axle must limit the gross vehicle weight to not more than 62,000 pounds.

(i) \$300 for a motor vehicle described in section 169.8261. The fee under this paragraph must be deposited as follows:

(1) the first \$50,000 in each fiscal year must be deposited in the trunk highway fund for costs related to administering the permit program and inspecting and posting bridges; and

(2) all remaining money in each fiscal year must be deposited in the bridge inspection and signing account as provided under subdivision 5b.

(j) Beginning August 1, 2006, \$200 for an annual permit for a vehicle operating under authority of section 169.824, subdivision 2, paragraph (a), clause (2).

EFFECTIVE DATE. This section is effective November 30, 2016, and applies to permits issued on and after that date.

Sec. 13. Minnesota Statutes 2012, section 169.863, is amended by adding a subdivision to read:

Subd. 3. **Expiration date.** Upon request of the permit applicant, the expiration date for a permit issued under this section must be the same as the expiration date of the permitted vehicle's registration.

EFFECTIVE DATE. This section is effective November 30, 2016, and applies to permits issued on and after that date.

Sec. 14. Minnesota Statutes 2012, section 169.865, subdivision 1, is amended to read:

Subdivision 1. **Six-axle vehicles.** (a) A road authority may issue an annual permit authorizing a vehicle or combination of vehicles with a total of six or more axles to haul raw or unprocessed agricultural products and be operated with a gross vehicle weight of up to:

(1) 90,000 pounds; and

(2) 99,000 pounds during the period set by the commissioner under section 169.826, subdivision 1.

(b) Notwithstanding subdivision 3, paragraph (a), clause (4), a vehicle or combination of vehicles operated under this subdivision and transporting only sealed intermodal containers may be operated on an interstate highway if allowed by the United States Department of Transportation.

(c) The fee for a permit issued under this subdivision is \$300, or a proportional amount as provided in section 169.86, subdivision 5.

EFFECTIVE DATE. This section is effective November 30, 2016, and applies to permits issued on and after that date.

Sec. 15. Minnesota Statutes 2012, section 169.865, subdivision 2, is amended to read:

Subd. 2. **Seven-axle vehicles.** (a) A road authority may issue an annual permit authorizing a vehicle or combination of vehicles with a total of seven or more axles to haul raw or unprocessed agricultural products and be operated with a gross vehicle weight of up to:

(1) 97,000 pounds; and

(2) 99,000 pounds during the period set by the commissioner under section 169.826, subdivision 1.

(b) Drivers of vehicles operating under this subdivision must comply with driver qualification requirements adopted under section 221.0314, subdivisions 2 to 5, and Code of Federal Regulations, title 49, parts 40 and 382.

(c) The fee for a permit issued under this subdivision is \$500, or a proportional amount as provided in section 169.86, subdivision 5.

EFFECTIVE DATE. This section is effective November 30, 2016, and applies to permits issued on and after that date.

Sec. 16. Minnesota Statutes 2012, section 169.865, is amended by adding a subdivision to read:

Subd. 5. **Expiration date.** Upon request of the permit applicant, the expiration date for a permit issued under this section must be the same as the expiration date of the permitted vehicle's registration.

EFFECTIVE DATE. This section is effective November 30, 2016, and applies to permits issued on and after that date.

Sec. 17. Minnesota Statutes 2012, section 169.866, subdivision 3, is amended to read:

Subd. 3. **Permit fee; appropriation.** Vehicle permits issued under subdivision 1 must be annual permits. The fee is \$850 for each vehicle, or a proportional amount as provided in section 169.86, subdivision 5, and must be deposited in the trunk highway fund. An amount sufficient to administer the permit program is appropriated from the trunk highway fund to the commissioner for the costs of administering the permit program.

EFFECTIVE DATE. This section is effective November 30, 2016, and applies to permits issued on and after that date.

Sec. 18. Minnesota Statutes 2012, section 169.866, is amended by adding a subdivision to read:

Subd. 4. **Expiration date.** Upon request of the permit applicant, the expiration date for a permit issued under this section must be the same as the expiration date of the permitted vehicle's registration.

EFFECTIVE DATE. This section is effective November 30, 2016, and applies to permits issued on and after that date.

Sec. 19. Minnesota Statutes 2012, section 171.02, subdivision 3, is amended to read:

Subd. 3. **Motorized bicycle.** (a) A motorized bicycle may not be operated on any public roadway by any person who does not possess a valid driver's license, unless the person has obtained a motorized bicycle operator's permit or motorized bicycle instruction permit from the commissioner of public safety. The operator's permit may be issued to any person who has attained the age of 15 years and who has passed the examination prescribed by the commissioner. The instruction permit may be issued to any person who has attained the age of 15 years and who has successfully completed an approved safety course and passed the written portion of the examination prescribed by the commissioner.

(b) This course must consist of, but is not limited to, a basic understanding of:

- (1) motorized bicycles and their limitations;
- (2) motorized bicycle laws and rules;
- (3) safe operating practices and basic operating techniques;
- (4) helmets and protective clothing;
- (5) motorized bicycle traffic strategies; and
- (6) effects of alcohol and drugs on motorized bicycle operators.

(c) The commissioner may adopt rules prescribing the content of the safety course, examination, and the information to be contained on the permits. A person operating a motorized bicycle under a motorized bicycle permit is subject to the restrictions imposed by section 169.974, subdivision 2, on operation of a motorcycle under a two-wheel instruction permit.

(d) The fees for motorized bicycle operator's permits are as follows:

(1) Examination and operator's permit, valid for one year	\$ 6.75
(2) Duplicate	\$ 3.75
(3) <u>(1) Renewal Motorized bicycle operator's permit before age 21 and valid until age 21</u>	\$ 9.75
(4) <u>(2) Renewal permit age 21 or older and valid for four years</u>	\$ 15.75
(5) <u>(3) Duplicate of any renewal permit</u>	\$ 5.25
(6) <u>(4) Written examination and instruction permit, valid for 30 days</u>	\$ 6.75

Sec. 20. Minnesota Statutes 2012, section 171.06, subdivision 2, is amended to read:

Subd. 2. **Fees.** (a) The fees for a license and Minnesota identification card are as follows:

Classified Driver's License	D-\$17.25	C-\$21.25	B-\$28.25	A-\$36.25
Classified Under-21 D.L.	D-\$17.25	C-\$21.25	B-\$28.25	A-\$16.25
Enhanced Driver's License	D-\$32.25	C-\$36.25	B-\$43.25	A-\$51.25
Instruction Permit				\$5.25
Enhanced Instruction Permit				\$20.25
<u>Commercial Learner's Permit</u>				<u>\$2.50</u>
Provisional License				\$8.25
Enhanced Provisional License				\$23.25
Duplicate License or duplicate identification card				\$6.75
Enhanced Duplicate License or enhanced duplicate identification card				\$21.75
Minnesota identification card or Under-21 Minnesota identification card, other than duplicate, except as otherwise provided in section 171.07, subdivisions 3 and 3a				\$11.25
Enhanced Minnesota identification card				\$26.25

In addition to each fee required in this paragraph, the commissioner shall collect a surcharge of: (1) \$1.75 until June 30, 2012; and (2) \$1.00 from July 1, 2012, to June 30, 2016. Surcharges collected under this paragraph must be credited to the driver and vehicle services technology account in the special revenue fund under section 299A.705.

(b) Notwithstanding paragraph (a), an individual who holds a provisional license and has a driving record free of (1) convictions for a violation of section 169A.20, 169A.33, 169A.35, or sections 169A.50 to 169A.53, (2) convictions for crash-related moving violations, and (3) convictions for moving violations that are not crash related, shall have a \$3.50 credit toward the fee for any classified under-21 driver's license. "Moving violation" has the meaning given it in section 171.04, subdivision 1.

(c) In addition to the driver's license fee required under paragraph (a), the commissioner shall collect an additional \$4 processing fee from each new applicant or individual renewing a license with a school bus endorsement to cover the costs for processing an applicant's initial and biennial physical examination certificate. The department shall not charge these applicants any other fee to receive or renew the endorsement.

(d) In addition to the fee required under paragraph (a), a driver's license agent may charge and retain a filing fee as provided under section 171.061, subdivision 4.

(e) In addition to the fee required under paragraph (a), the commissioner shall charge a filing fee at the same amount as a driver's license agent under section 171.061, subdivision 4. Revenue collected under this paragraph must be deposited in the driver services operating account.

(f) An application for a Minnesota identification card, instruction permit, provisional license, or driver's license, including an application for renewal, must contain a provision that allows the applicant to add to the fee under paragraph (a), a \$2 donation for the purposes of public information and education on anatomical gifts under section 171.075.

Sec. 21. Minnesota Statutes 2012, section 171.13, subdivision 1, is amended to read:

Subdivision 1. **Examination subjects and locations; provisions for color blindness, disabled veterans.** (a) Except as otherwise provided in this section, the commissioner shall examine each applicant for a driver's license by such agency as the commissioner directs. This examination must include:

(1) a test of the applicant's eyesight;

(2) a test of the applicant's ability to read and understand highway signs regulating, warning, and directing traffic;

(3) a test of the applicant's knowledge of (i) traffic laws; (ii) the effects of alcohol and drugs on a driver's ability to operate a motor vehicle safely and legally, and of the legal penalties and financial consequences resulting from violations of laws prohibiting the operation of a motor vehicle while under the influence of alcohol or drugs; (iii) railroad grade crossing safety; (iv) slow-moving vehicle safety; (v) laws relating to pupil transportation safety, including the significance of school bus lights, signals, stop arm, and passing a school bus; (vi) traffic laws related to bicycles; and (vii) the circumstances and dangers of carbon monoxide poisoning;

(4) an actual demonstration of ability to exercise ordinary and reasonable control in the operation of a motor vehicle; and

(5) other physical and mental examinations as the commissioner finds necessary to determine the applicant's fitness to operate a motor vehicle safely upon the highways.

(b) Notwithstanding paragraph (a), no driver's license may be denied an applicant on the exclusive grounds that the applicant's eyesight is deficient in color perception. War veterans operating motor vehicles especially equipped for disabled persons, if otherwise entitled to a license, must be granted such license.

(c) The commissioner shall make provision for giving the examinations under this subdivision either in the county where the applicant resides or at a place adjacent thereto reasonably convenient to the applicant.

(d) The commissioner shall ensure that an applicant is able to obtain an appointment for an examination to demonstrate ability under paragraph (a), clause (4), within 14 days of the applicant's request if, under the applicable statutes and rules of the commissioner, the applicant is eligible to take the examination.

EFFECTIVE DATE. This section is effective May 1, 2015.

Sec. 22. [171.161] COMMERCIAL DRIVER'S LICENSE; FEDERAL CONFORMITY.

Subdivision 1. **Conformity with federal law.** The commissioner of public safety shall ensure the programs and policies related to commercial drivers' licensure and the operation of commercial motor vehicles in Minnesota conform with the requirements of Code of Federal Regulations, title 49, part 383.

Subd. 2. **Conflicts.** To the extent a requirement of sections 171.162 to 171.169, or any other state or local law, conflicts with a provision of Code of Federal Regulations, title 49, part 383, the federal provision prevails.

Sec. 23. Minnesota Statutes 2012, section 174.02, is amended by adding a subdivision to read:

Subd. 10. **Products and services; billing.** The commissioner of transportation may bill operations units of the department for costs of centrally managed products or services that benefit multiple operations units. These costs may include equipment acquisition and rental, labor, materials, and other costs determined by the commissioner. Receipts must be credited to the special products and services account, which is established in the trunk highway fund, and are appropriated to the commissioner to pay the costs for which the billings are made.

Sec. 24. Minnesota Statutes 2013 Supplement, section 174.12, subdivision 2, is amended to read:

Subd. 2. **Transportation economic development accounts.** (a) A transportation economic development account is established in the special revenue fund under the budgetary jurisdiction of the legislative committees having jurisdiction over transportation finance. Money in the account may be expended only as appropriated by law. The account may not contain money transferred or otherwise provided from the trunk highway fund.

(b) A transportation economic development account is established in the trunk highway fund. The account consists of funds donated, allotted, transferred, or otherwise provided to the account. Money in the account may be used only for trunk highway purposes. All funds in the account available prior to August 1, 2013, are available until expended.

Sec. 25. Minnesota Statutes 2013 Supplement, section 174.42, subdivision 2, is amended to read:

Subd. 2. **Funding requirement.** In each federal fiscal year, the commissioner shall obtain a total amount in federal authorizations for reimbursement on transportation alternatives projects that is equal to or greater than the annual average of federal authorizations on transportation alternatives projects calculated over the preceding four federal fiscal years 2010 to 2012.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to authorizations for federal fiscal year 2015 and subsequent federal fiscal years.

Sec. 26. Minnesota Statutes 2012, section 174.56, subdivision 1, is amended to read:

Subdivision 1. **Report required.** (a) The commissioner of transportation shall submit a report by December 15 of each year on (1) the status of major highway projects completed during the previous two years or under construction or planned during the year of the report and for the ensuing 15 years, and (2) trunk highway fund expenditures, and (3) beginning with the report due in 2016, efficiencies achieved during the previous two fiscal years.

(b) For purposes of this section, a "major highway project" is a highway project that has a total cost for all segments that the commissioner estimates at the time of the report to be at

least (1) \$15,000,000 in the metropolitan highway construction district, or (2) \$5,000,000 in any nonmetropolitan highway construction district.

Sec. 27. [219.375] RAILROAD YARD LIGHTING.

Subdivision 1. Lighting status reports submitted by railroad common carriers. By January 15 of each year, each Class I and Class II railroad common carrier that operates one or more railroad yards in this state, where, between sunset and sunrise, cars or locomotives are frequently switched, repaired, or inspected, or where trains are assembled and disassembled, shall submit to the commissioner of transportation a plan that:

(1) identifies all railroad yards operated by the railroad where the described work is frequently accomplished between sunset and sunrise;

(2) describes the nature and placement of lighting equipment currently in use in the yard and the maintenance status and practices regarding this equipment;

(3) states whether the lighting meets or exceeds guidelines for illumination established by the American Railway Engineering and Maintenance-of-Way Association;

(4) describes whether existing lighting is installed and operated in a manner consistent with energy conservation, glare reduction, minimization of light pollution, and preservation of the natural night environment; and

(5) identifies plans and timelines to bring into compliance railroad yards that do not utilize and maintain lighting equipment that meets or exceeds the standards and guidelines under clauses (3) and (4), or states any reason why the standards and guidelines should not apply.

Subd. 2. Maintenance of lighting equipment. A railroad common carrier that is required to file a report under subdivision 1 shall maintain all railroad yard lighting equipment in good working order and shall repair or replace any malfunctioning equipment within 48 hours after the malfunction has been reported to the carrier. Repairs must be made in compliance with, or to exceed the standards in, the Minnesota Electrical Code and chapter 326B.

Subd. 3. Lighting status reports submitted by worker representative. By January 15 of each year, the union representative of the workers at each railroad yard required to submit a report under subdivision 1 shall submit to the commissioner of transportation a report that:

(1) describes the nature and placement of lighting equipment currently in use in the yard and maintenance status and practices regarding the equipment;

(2) describes the level of maintenance of lighting equipment and the carrier's promptness in responding to reports of lighting malfunction;

(3) states whether the available lighting is adequate to provide safe working conditions for crews working at night; and

(4) describes changes in the lighting equipment and its adequacy that have occurred since the last previous worker representative report.

Subd. 4. Commissioner response. The commissioner shall review the reports submitted under subdivisions 1 and 3. The commissioner shall investigate any discrepancies between lighting status reports submitted under subdivisions 1 and 3, and shall report findings to the affected yard's owner

and worker representative. The commissioner shall annually advise the chairs and ranking minority members of the house of representatives and senate committees and divisions with jurisdiction over transportation budget and policy as to the content of the reports submitted, discrepancies investigated, the progress achieved by the railroad common carriers towards achieving the standards and guidelines under clauses (3) and (4), and any recommendations for legislation to achieve compliance with the standards and guidelines within a reasonable period of time.

Subd. 5. **Required lighting.** By December 31, 2015, a railroad common carrier shall establish lighting that meets the standards and guidelines under subdivision 1, clauses (3) and (4), at each railroad yard where:

(1) between sunset and sunrise:

(i) locomotives, or railcars carrying placarded hazardous materials, are frequently switched, repaired, or inspected; or

(ii) trains with more than 25 tanker railcars carrying placarded hazardous materials are assembled and disassembled; and

(2) the yard is located within two miles of a petroleum refinery having a crude oil production capacity of 150,000 or more barrels per day.

Sec. 28. Minnesota Statutes 2012, section 222.50, subdivision 7, is amended to read:

Subd. 7. **Expenditures.** (a) The commissioner may expend money from the rail service improvement account for the following purposes:

(1) to make transfers as provided under section 222.57 or to pay interest adjustments on loans guaranteed under the state rail user and rail carrier loan guarantee program;

(2) to pay a portion of the costs of capital improvement projects designed to improve rail service of a rail user or a rail carrier;

(3) to pay a portion of the costs of rehabilitation projects designed to improve rail service of a rail user or a rail carrier;

(4) to acquire, maintain, manage, and dispose of railroad right-of-way pursuant to the state rail bank program;

(5) to provide for aerial photography survey of proposed and abandoned railroad tracks for the purpose of recording and reestablishing by analytical triangulation the existing alignment of the in-place track;

(6) to pay a portion of the costs of acquiring a rail line by a regional railroad authority established pursuant to chapter 398A;

(7) to pay the state matching portion of federal grants for rail-highway grade crossing improvement projects; ~~and~~

(8) for expenditures made before July 1, 2017, to pay the state matching portion of grants under the federal Transportation Investment Generating Economic Recovery (TIGER) program of the United States Department of Transportation; and

(9) to fund rail planning studies.

(b) All money derived by the commissioner from the disposition of railroad right-of-way or of any other property acquired pursuant to sections 222.46 to 222.62 shall be deposited in the rail service improvement account.

Sec. 29. Minnesota Statutes 2013 Supplement, section 297A.815, subdivision 3, is amended to read:

Subd. 3. **Motor vehicle lease sales tax revenue.** (a) For purposes of this subdivision, "net revenue" means an amount equal to:

(1) the revenues, including interest and penalties, collected under this section, during the fiscal year; less

(2) ~~in fiscal year 2011, \$30,100,000; in fiscal year 2012, \$31,100,000; and in fiscal year 2013 and following fiscal years, \$32,000,000~~ in each fiscal year.

(b) On or before June 30 of each fiscal year, the commissioner of revenue shall estimate the amount of the revenues ~~and subtraction under paragraph (a)~~ net revenue for the current fiscal year.

(c) On or after July 1 of the subsequent fiscal year, the commissioner of management and budget shall transfer the net revenue as estimated in paragraph (b) from the general fund, as follows:

(1) \$9,000,000 annually until January 1, ~~2016~~ 2015, and 50 percent annually thereafter to the county state-aid highway fund. Notwithstanding any other law to the contrary, the commissioner of transportation shall allocate the funds transferred under this clause to the counties in the metropolitan area, as defined in section 473.121, subdivision 4, excluding the counties of Hennepin and Ramsey, so that each county shall receive of such amount the percentage that its population, as defined in section 477A.011, subdivision 3, estimated or established by July 15 of the year prior to the current calendar year, bears to the total population of the counties receiving funds under this clause; and

(2) the remainder to the greater Minnesota transit account.

Sec. 30. [299A.017] STATE SAFETY OVERSIGHT.

Subdivision 1. **Office created.** The commissioner of public safety shall establish an Office of State Safety Oversight in the Department of Public Safety for safety oversight of rail fixed guideway public transportation systems within the state. The commissioner shall designate a director of the office.

Subd. 2. **Authority.** The director shall implement and has regulatory authority to enforce the requirements for the state set forth in United States Code, title 49, sections 5329 and 5330, federal regulations adopted pursuant to those sections, and successor or supplemental requirements.

Sec. 31. [473.4056] LIGHT RAIL TRANSIT VEHICLE DESIGN.

Subdivision 1. **Adoption of standards.** (a) By January 1, 2015, the Metropolitan Council shall adopt and may thereafter amend standards for the design of light rail vehicles that are reasonably necessary to provide access for, and to protect the health and safety of, persons who use the service. All light rail transit vehicles procured on and after January 1, 2015, must conform to the standards then in effect.

(b) The Transportation Accessibility Advisory Committee must review the standards and all subsequent amendments before the Metropolitan Council adopts them.

(c) The Metropolitan Council shall post adopted standards, including amendments, on its Web site.

Subd. 2. **Minimum standards.** Standards adopted under this section must include, but are not limited to:

- (1) two dedicated spaces for wheelchair users in each car;
- (2) seating for a companion adjacent to at least two wheelchair-dedicated spaces; and
- (3) further specifications that meet or exceed the standards established in the Americans with Disabilities Act.

Sec. 32. [473.41] TRANSIT SHELTERS AND STOPS.

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

(b) "Transit authority" means:

(1) a statutory or home rule charter city, with respect to rights-of-way at bus stop and train stop locations, transit shelters, and transit passenger seating facilities owned by the city or established pursuant to a vendor contract with the city;

(2) the Metropolitan Council, with respect to transit shelters and transit passenger seating facilities owned by the council or established pursuant to a vendor contract with the council; or

(3) a replacement service provider under section 473.388, with respect to rights-of-way at bus stop and train stop locations, transit shelters, and transit passenger seating facilities owned by the provider or established pursuant to a vendor contract with the provider.

(c) "Transit shelter" means a wholly or partially enclosed structure provided for public use as a waiting area in conjunction with light rail transit, bus rapid transit, or regular route transit.

Subd. 2. **Design.** (a) A transit authority shall establish design specifications for establishment and replacement of its transit shelters, which must include:

(1) engineering standards, as appropriate;

(2) maximization of protection from the wind, snow, and other elements;

(3) to the extent feasible, inclusion of warming capability at each shelter in which there is a proportionally high number of transit service passenger boardings; and

(4) full accessibility for the elderly and persons with disabilities.

(b) The council shall consult with the Transportation Accessibility Advisory Committee.

Subd. 3. **Maintenance.** A transit authority shall ensure transit shelters are maintained in good working order and are accessible to all users of the transit system. This requirement includes but is not limited to:

(1) keeping transit shelters reasonably clean and free from graffiti; and

(2) removing snow and ice in a manner that provides accessibility for the elderly and persons with disabilities to be able to enter and exit transit shelters, and board and exit trains at each stop.

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

Sec. 33. **TRANSPORTATION EFFICIENCIES.**

The commissioner of transportation shall include in the report under Minnesota Statutes, section 174.56, due by December 15, 2015, information on efficiencies implemented in fiscal year 2015 in planning and project management and delivery, along with an explanation of the efficiencies employed to achieve the savings and the methodology used in the calculations. The level of savings achieved must equal, in comparison with the total state road construction budget for that year, a minimum of five percent in fiscal year 2015. The report must identify the projects that have been advanced or completed due to the implementation of efficiency measures.

Sec. 34. **WATERCRAFT DECONTAMINATION SITES; REST AREAS.**

Where feasible with existing resources, the commissioners of natural resources and transportation shall cooperate in an effort to use rest areas as sites for watercraft decontamination and other activities to prevent the spread of aquatic invasive species.

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

Sec. 35. **HIGHWAY 14 TURNBACK.**

(a) Notwithstanding Minnesota Statutes, sections 161.081, subdivision 3, and 161.16, or any other law to the contrary, the commissioner of transportation may:

(1) by temporary order, take over the road described as "Old Highway 14" in the settlement agreement and release executed January 7, 2014, between the state and Waseca and Steele Counties; and

(2) upon completion of the work described in the settlement agreement, release "Old Highway 14" back to Steele and Waseca Counties.

(b) Upon completion of the work described in the settlement agreement between the state and Waseca and Steele Counties, the counties shall accept responsibility for the road described in the agreement as "Old Highway 14."

Sec. 36. **EVALUATION OF CERTAIN TRUNK HIGHWAY SPEED LIMITS.**

Subdivision 1. **Engineering and traffic investigations.** The commissioner of transportation shall perform engineering and traffic investigations on trunk highway segments that are two-lane, two-way roadways with a posted speed limit of 55 miles per hour. On determining upon the basis of the investigation that the 55 miles per hour speed limit can be reasonably and safely increased under the conditions found to exist on any of the trunk highway segments examined, the commissioner may designate an increased limit applicable to those segments and erect appropriate signs designating the speed limit. The new speed limit shall be effective when the signs are erected. Of all the roadways to be studied under this section, approximately one-fifth must be subject to investigation each year until the statewide study is complete in 2019.

Subd. 2. **Report.** By January 15 annually, the commissioner shall provide to the chairs and ranking minority members of the senate and house of representatives committees with jurisdiction over transportation policy and finance a list of trunk highways or segments of trunk highways that were subject to an engineering and safety investigation in the previous calendar year, specifying in each case the applicable speed limits before and after the investigation.

EFFECTIVE DATE. This section is effective the day following final enactment and expires on the earlier of January 15, 2019, or the date the final report is submitted to the legislative committees under this section.

Sec. 37. TASK FORCE ON MOTOR VEHICLE INSURANCE COVERAGE VERIFICATION.

Subdivision 1. Establishment. The task force on motor vehicle insurance coverage verification is established to review and evaluate approaches to insurance coverage verification and recommend legislation to create and fund a program in this state.

Subd. 2. Membership; meetings; staff. (a) The task force shall be composed of 13 members, who must be appointed by July 1, 2014, and who serve at the pleasure of their appointing authorities:

(1) the commissioner of public safety or a designee;

(2) the commissioner of commerce or a designee;

(3) two members of the house of representatives, one appointed by the speaker of the house and one appointed by the minority leader;

(4) two members of the senate, one appointed by the Subcommittee on Committees of the Committee on Rules and Administration and one appointed by the minority leader;

(5) a representative of Minnesota Deputy Registrars Association;

(6) a representative of AAA Minnesota;

(7) a representative of AARP Minnesota;

(8) a representative of the Insurance Federation of Minnesota;

(9) a representative of the Minnesota Bankers Association;

(10) a representative of the Minnesota Bar Association; and

(11) a representative of the Minnesota Police and Peace Officers Association.

(b) Compensation and expense reimbursement must be as provided under Minnesota Statutes, section 15.059, subdivision 3, to members of the task force.

(c) The commissioner of public safety shall convene the task force by August 1, 2014, and shall appoint a chair from the membership of the task force. Staffing and technical assistance must be provided by the Department of Public Safety.

Subd. 3. Duties. The task force shall review and evaluate programs established in other states as well as programs proposed by third parties, identify one or more programs recommended for implementation in this state, and, as to the recommended programs, adopt findings concerning:

(1) comparative costs of programs;

(2) implementation considerations, and in particular, identifying the appropriate supervising agency and assessing compatibility with existing and planned computer systems;

(3) effectiveness in verifying existence of motor vehicle insurance coverage;

- (4) identification of categories of authorized users;
- (5) simplicity of access and use for authorized users;
- (6) data privacy considerations;
- (7) data retention policies; and
- (8) statutory changes necessary for implementation.

Subd. 4. **Report.** By February 1, 2015, the task force must submit to the chairs and ranking minority members of the house of representatives and senate committees and divisions with primary jurisdiction over commerce and transportation its written recommendations, including any draft legislation necessary to implement the recommendations.

Subd. 5. **Sunset.** The task force shall sunset the day after submitting the report under subdivision 4, or February 2, 2015, whichever is earlier.

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

Sec. 38. **COMMUNITY DESTINATION SIGN PILOT PROGRAM.**

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

(b) "City" means the city of Two Harbors.

(c) "General retail services" means a business that sells goods or services (1) at retail and directly to an end-use consumer, and (2) that are of interest to tourists or the traveling public.

Subd. 2. **Pilot program established.** (a) In consultation with the city of Two Harbors, the commissioner of transportation shall establish a community destination sign pilot program for wayfinding within the city to destinations or attractions of interest to the traveling public.

(b) For purposes of Minnesota Statutes, chapter 173, signs under the pilot program are official signs.

Subd. 3. **Signage, design.** (a) The pilot program must include as eligible attractions and destinations:

(1) minor traffic generators; and

(2) general retail services, specified by business name, that are identified in a community wayfinding program established by the city.

(b) The commissioner of transportation, in coordination with the city, may establish sign design specifications for signs under the pilot program. Design specifications must allow for placement of:

(1) a city name and city logo or symbol; and

(2) up to five attractions or destinations on a community destination sign assembly.

Subd. 4. **Program costs.** The city shall pay costs of design, construction, erection, and maintenance of the signs and sign assemblies under the pilot program. The commissioner shall not impose fees for the pilot program.

Subd. 5. **Pilot program evaluation.** In coordination with the city, the commissioner of transportation shall evaluate effectiveness of the pilot program under this section, which must include analysis of traffic safety impacts, utility to motorists and tourists, costs and expenditures, extent of community support, and pilot program termination or continuation. By January 15, 2021, the commissioner shall submit a report on the evaluation to the chairs and ranking minority members of the legislative committees with jurisdiction over transportation policy and finance.

Subd. 6. **Expiration.** The pilot program under this section expires January 1, 2022.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Two Harbors and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 39. **TRANSIT SERVICE ON ELECTION DAY.**

Subdivision 1. **Operating assistance recipients.** An eligible recipient of operating assistance under Minnesota Statutes, section 174.24, who contracts or has contracted to provide fixed route public transit shall provide fixed route public transit service free of charge on a day a state general election is held.

Subd. 2. **Metropolitan Council.** (a) The Metropolitan Council shall provide regular route transit, as defined under Minnesota Statutes, section 473.385, subdivision 1, paragraph (b), free of charge on a day a state general election is held.

(b) The requirements under this subdivision apply to operators of regular route transit (1) receiving financial assistance under Minnesota Statutes, section 473.388, or (2) operating under Minnesota Statutes, section 473.405, subdivision 12.

EFFECTIVE DATE. This section is effective July 1, 2014, and expires November 5, 2014.

ARTICLE 12

AGRICULTURE, ENVIRONMENT, AND NATURAL RESOURCES APPROPRIATIONS

Section 1. **SUMMARY OF APPROPRIATIONS.**

The amounts shown in this section summarize direct appropriations, by fund, made in this article.

	<u>2014</u>		<u>2015</u>		<u>Total</u>	
General	\$	-0-	\$	10,756,000	\$	10,756,000
Remediation		-0-		650,000		650,000
Natural Resources		-0-		900,000		900,000
Game and Fish		-0-		2,412,000		2,412,000
Environment and Natural Resources Trust		-0-		490,000		490,000
Parks and Trails		530,000		-0-		530,000
Environmental		-0-		4,000,000		4,000,000
Total	\$	530,000	\$	19,208,000	\$	19,738,000

Sec. 2. APPROPRIATIONS.

The sums shown in the columns marked "Appropriations" are added to the appropriations in Laws 2013, chapter 114, or appropriated to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal year indicated for each purpose. The figures "2014" and "2015" used in this article means that the addition to the appropriations listed under them are available for the fiscal year ending June 30, 2014, or June 30, 2015, respectively. Appropriations for fiscal year 2014 are effective the day following final enactment.

APPROPRIATIONS
Available for the Year
Ending June 30

2014 **2015**

Sec. 3. <u>AGRICULTURE.</u>	<u>\$</u>	<u>-0-</u>	<u>\$</u>	<u>2,750,000</u>
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\$2,000,000 in 2015 is for a grant to Second Harvest Heartland on behalf of the six Feeding America food banks that serve Minnesota to compensate agricultural producers and processors for costs incurred to harvest and package for transfer surplus fruits, vegetables, or other agricultural commodities that would otherwise go unharvested or be discarded. Surplus commodities must be distributed statewide to food shelves and other charitable organizations that are eligible to receive food from the food banks. Surplus food acquired under this appropriation must be from Minnesota producers and processors. Second Harvest Heartland must report when required by, and in the form prescribed by, the commissioner. For fiscal year 2015, Second Harvest Heartland may use up to 11 percent of any grant received for administrative expenses. For fiscal years 2016 and 2017, Second Harvest Heartland may use up to five percent of any grant received for administrative expenses. This is a onetime appropriation and is available until June 30, 2017.

The commissioner shall examine how other states are implementing the industrial hemp research authority provided in Public Law

113-79 and gauge the interest of Minnesota higher education institutions. No later than January 15, 2015, the commissioner must report the information and items for legislative consideration to the legislative committees with jurisdiction over agriculture policy and finance.

\$350,000 in 2015 is for an increase in retail food handler inspections.

\$200,000 in 2015 is added to the appropriation in Laws 2013, chapter 114, article 1, section 3, subdivision 4, for distribution to the state's county fairs. This is a onetime appropriation.

\$200,000 in 2015 is for a grant as determined by the commissioner to a public higher education institution to research porcine epidemic diarrhea virus. This is a onetime appropriation and is available until June 30, 2017.

Sec. 4. **BOARD OF ANIMAL HEALTH** **\$** **310,000**

\$310,000 in 2015 is to administer the dog and cat breeder licensing and inspection program. The base in fiscal year 2016 is \$426,000 and the base in fiscal year 2017 is \$435,000.

Sec. 5. **POLLUTION CONTROL AGENCY** **\$** **-0-** **\$** **4,650,000**

Appropriations by Fund

<u>Remediation</u>	<u>-0-</u>	<u>650,000</u>
<u>Environmental</u>	<u>-0-</u>	<u>4,000,000</u>

\$650,000 in 2015 from the remediation fund for additional staff and administrative expenses to manage and oversee investigation and mitigation efforts at superfund sites. This is a onetime appropriation.

The agency shall compile information on the presence of plastic microbeads in the state's waters and their potential impacts on aquatic ecosystems and human health, in consultation with the University of Minnesota. No later than December 15, 2014, the commissioner must present the information to the legislative committees with jurisdiction over environment and

natural resources policy and finance and make recommendations.

\$4,000,000 in 2015 is from the environmental fund for the purposes of Minnesota Statutes, section 115A.557, subdivision 2. \$3,000,000 per year from the environmental fund is added to the base.

Sec. 6. **NATURAL RESOURCES**

Subdivision 1. <u>Total Appropriation</u>		<u>\$</u>	<u>530,000</u>	<u>\$</u>	<u>5,862,000</u>
	<u>Appropriations by Fund</u>				
<u>General</u>	<u>-0-</u>		<u>3,000,000</u>		
<u>Game and Fish</u>	<u>-0-</u>		<u>2,412,000</u>		
<u>Natural Resources</u>	<u>-0-</u>		<u>450,000</u>		
<u>Parks and Trails</u>	<u>530,000</u>		<u>-0-</u>		

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

Subd. 2. <u>Lands and Minerals</u>		<u>-0-</u>	<u>1,000,000</u>
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\$1,000,000 in 2015 is for meeting the state's fiduciary duty to Minnesota children with regard to school trust land. By January 15, 2015, the commissioner, in consultation with the commissioner of education, shall submit a report to the chairs and ranking minority members of the senate and house of representatives committees with jurisdiction over natural resources and education policy and finance on the intended use of these funds. The legislature must approve expenditures of these funds by law. This is a onetime appropriation and is available until June 30, 2017.

Subd. 3. <u>Ecological and Water Resources</u>		<u>-0-</u>	<u>50,000</u>
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\$50,000 in 2015 is for a study of the effects of the Lake Emily dam in Crow Wing County on water clarity and water levels in Lake Emily, Lake Mary, and the Little Pine River. This is a onetime appropriation.

Subd. 4. Parks and Trails**Management**530,0002,400,000Appropriations by Fund

<u>General</u>	<u>-0-</u>	<u>1,950,000</u>
<u>Natural Resources</u>	<u>-0-</u>	<u>450,000</u>
<u>Parks and Trails</u>	<u>530,000</u>	<u>-0-</u>

\$1,600,000 in 2015 is for the improvement, maintenance, and conditions of facilities and infrastructure in state parks for safety and general use. This is a onetime appropriation.

\$450,000 in 2015 is from the natural resources fund for state trail, park, and recreation area operations. This appropriation is from the revenue deposited in the natural resources fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (2). This is a onetime appropriation.

\$200,000 in 2014 is from the parks and trails fund for the Greater Minnesota Regional Parks and Trails Commission to develop a statewide system plan for regional parks and trails outside the seven-county metropolitan area. This is a onetime appropriation and is subject to the availability of appropriations in Laws 2013, chapter 137, article 3, section 2, subdivision 2.

\$330,000 in 2014 is from the parks and trails fund for a grant to St. Louis and Lake Counties Regional Railroad Authority for planning, engineering, right-of-way acquisition, or construction of portions of the Mesabi Trail in the corridor from Giants Ridge to Tower. This is a onetime appropriation and is subject to the availability of appropriations in Laws 2013, chapter 137, article 3, section 2, subdivision 2.

\$350,000 in 2015 is for the development of the segment of the Willard Munger Trail system that originates in Chisago County and extends into Hinckley in Pine County, to be named the James L. Oberstar Trail. This is a

onetime appropriation and is available until spent.

Subd. 5. Fish and Wildlife Management

-0-

2,412,000

\$3,000 in 2015 is from the heritage enhancement account in the game and fish fund for a report on aquatic plant management permitting policies for the management of narrow-leaved and hybrid cattail in a range of basin types across the state. The report shall be submitted to the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over environment and natural resources by December 15, 2014, and include recommendations for any necessary changes in statutes, rules, or permitting procedures. This is a onetime appropriation.

\$9,000 in 2015 is from the game and fish fund for the commissioner, in consultation with interested parties, agencies, and other states, to develop a detailed restoration plan to recover the historical native population of bobwhite quail in Minnesota for its ecological and recreational benefits to the citizens of the state. The commissioner shall conduct public meetings in developing the plan. No later than January 15, 2015, the commissioner must report on the plan's progress to the legislative committees with jurisdiction over environment and natural resources policy and finance. This is a onetime appropriation.

\$2,000,000 in 2015 is from the game and fish fund for shooting sports facility grants under Minnesota Statutes, section 87A.10. This is a onetime appropriation and is available until June 30, 2017.

\$400,000 in 2015 is from the heritage enhancement account in the game and fish fund for grants to local chapters of Let's Go Fishing of Minnesota to provide community outreach to senior citizens, youth, and veterans and for the costs associated with establishing and recruiting new chapters.

The grants must be matched with cash or in-kind contributions from nonstate sources. Of this amount, \$25,000 is for Asian Outdoor Heritage for youth fishing recruitment efforts and outreach in the metropolitan area. The commissioner shall establish a grant application process that includes a standard for ownership of equipment purchased under the grant program and contract requirements that cover the disposition of purchased equipment if the grantee no longer exists. Any equipment purchased with state grant money must be specified on the grant application and approved by the commissioner. The commissioner may spend up to three percent of the appropriation to administer the grant. This is a onetime appropriation and is available until June 30, 2016.

Subd. 6. Parks and trails fund cancellation

The appropriation for \$530,000 from the parks and trails fund for trail improvements on the Duluth Cross City West Trail and the Superior Hiking Trail in St. Louis County in Laws 2013, chapter 137, article 3, section 3, paragraph (c), clause (12), is canceled.

Sec. 7. <u>METROPOLITAN COUNCIL</u>	<u>\$</u>	<u>-0-</u>	<u>\$</u>	<u>525,000</u>
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\$450,000 in 2015 is from the natural resources fund for metropolitan area regional parks and trails maintenance and operations. This appropriation is from the revenue deposited in the natural resources fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (3). This is a onetime appropriation.

\$75,000 in 2015 is for a grant to the city of Shoreview for a feasibility study regarding the lowering of the water level of Turtle Lake and the possible effects of an augmentation of the lake. This is a onetime appropriation.

Sec. 8. <u>UNIVERSITY OF MINNESOTA</u>	<u>\$</u>	<u>-0-</u>	<u>\$</u>	<u>4,890,000</u>
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Appropriations by Fund

<u>General</u>	<u>4,400,000</u>
<u>Environment and Natural Resources Trust</u>	<u>490,000</u>

\$3,400,000 in 2015 is from the general fund for the Invasive Terrestrial Plants and Pests Center requested under this act, including a director, graduate students, and necessary supplies. This is a onetime appropriation and is available until June 30, 2022.

\$490,000 in 2015 is from the environment and natural resources trust fund for the Invasive Terrestrial Plants and Pests Center requested under this act, including a director, graduate students, and necessary supplies. This is a onetime appropriation and is available until June 30, 2022.

\$970,000 from the environment and natural resources trust fund appropriated in Laws 2011, First Special Session chapter 2, article 3, section 2, subdivision 9, paragraph (d), Reinvest in Minnesota Wetlands Reserve Acquisition and Restoration Program Partnership, is transferred to the Board of Regents of the University of Minnesota for the Invasive Terrestrial Plants and Pests Center requested under this act, including a director, graduate students, and necessary supplies and is available until June 30, 2022.

\$1,000,000 in 2015 is for the Forever Green Agricultural Initiative and to protect the state's natural resources while increasing efficiency, profitability, and productivity of Minnesota farmers by incorporating perennial and winter annual crops into existing agricultural practices. By January 15, 2015, as a condition of this appropriation, the Board of Regents of the University of Minnesota shall submit a report to the chairs and ranking minority members of the house of representatives and senate policy and finance committees with jurisdiction over environment and natural resources and agriculture on the activities and outcomes of the Forever Green Agricultural Initiative.

inspection to prevent the spread of invasive species; management of invasive plants in public waters; and management of terrestrial invasive species on state-administered lands.

\$5,000,000 the first year and \$5,000,000 the second year are from the water management account in the natural resources fund for only the purposes specified in Minnesota Statutes, section 103G.27, subdivision 2.

~~\$103,000~~ the first year and ~~\$103,000~~ \$124,000 the second year are for a grant to the Mississippi Headwaters Board for up to 50 percent of the cost of implementing the comprehensive plan for the upper Mississippi within areas under the board's jurisdiction. The base for this grant in fiscal year 2016 and later is \$103,000. By January 15, 2015, the board shall submit a report detailing the results achieved with the fiscal year 2014 appropriation and the anticipated results that will be achieved with the fiscal year 2015 appropriation to the commissioner and the chairs and ranking minority members of the senate and house of representatives committees and divisions with jurisdiction over environment and natural resources policy and finance.

\$10,000 the first year and \$10,000 the second year are for payment to the Leech Lake Band of Chippewa Indians to implement the band's portion of the comprehensive plan for the upper Mississippi.

\$264,000 the first year and \$264,000 the second year are for grants for up to 50 percent of the cost of implementation of the Red River mediation agreement. The commissioner shall submit a report to the chairs of the legislative committees having primary jurisdiction over environment and natural resources policy and finance on the accomplishments achieved with the grants by January 15, 2015.

\$1,643,000 the first year and \$1,643,000 the second year are from the heritage

enhancement account in the game and fish fund for only the purposes specified in Minnesota Statutes, section 297A.94, paragraph (e), clause (1).

\$1,223,000 the first year and \$1,223,000 the second year are from the nongame wildlife management account in the natural resources fund for the purpose of nongame wildlife management. Notwithstanding Minnesota Statutes, section 290.431, \$100,000 the first year and \$100,000 the second year may be used for nongame wildlife information, education, and promotion.

\$1,600,000 the first year and \$6,000,000 the second year are from the general fund for the following activities:

- (1) increased financial reimbursement and technical support to soil and water conservation districts or other local units of government for groundwater level monitoring;
- (2) additional surface water monitoring and analysis, including installation of monitoring gauges;
- (3) additional groundwater analysis to assist with water appropriation permitting decisions;
- (4) additional permit application review incorporating surface water and groundwater technical analysis;
- (5) enhancement of precipitation data and analysis to improve the use of irrigation;
- (6) enhanced information technology, including electronic permitting and integrated data systems; and
- (7) increased compliance and monitoring.

Of this amount, \$600,000 the first year is for silica sand rulemaking and is available until spent.

The commissioner, in cooperation with the commissioner of agriculture, shall enforce

compliance with aquatic plant management requirements regulating the control of aquatic plants with pesticides and removal of aquatic plants by mechanical means under Minnesota Statutes, section 103G.615.

ARTICLE 13

AGRICULTURE, ENVIRONMENT, AND NATURAL RESOURCES FISCAL IMPLEMENTATION PROVISIONS

Section 1. Minnesota Statutes 2012, section 13.643, subdivision 6, is amended to read:

Subd. 6. **Animal premises data.** (a) The following data collected and maintained by the Board of Animal Health related to registration and identification of premises and animals under chapter 35, are classified as private or nonpublic:

- (1) the names and addresses;
- (2) the location of the premises where animals are kept; and
- (3) the identification number of the premises or the animal.

(b) Except as provided in section 347.58, subdivision 5, data collected and maintained by the Board of Animal Health under sections 347.57 to 347.64 are classified as private or nonpublic.

~~(b)~~(c) The Board of Animal Health may disclose data collected under paragraph (a) or (b) to any person, agency, or to the public if the board determines that the access will aid in the law enforcement process or the protection of public or animal health or safety.

Sec. 2. Minnesota Statutes 2012, section 16A.125, subdivision 5, is amended to read:

Subd. 5. **Forest trust lands.** (a) The term "state forest trust fund lands" as used in this subdivision, means public land in trust under the Constitution set apart as "forest lands under the authority of the commissioner" of natural resources as defined by section 89.001, subdivision 13.

(b) The commissioner of management and budget shall credit the revenue from the forest trust fund lands to the forest suspense account. The account must specify the trust funds interested in the lands and the respective receipts of the lands.

(c) After a fiscal year, the commissioner of management and budget shall certify the costs incurred for forestry during that year under appropriations for the improvement, administration, and management of state forest trust fund lands and construction and improvement of forest roads to enhance the forest value of the lands. The certificate must specify the trust funds interested in the lands. After presentation to the Legislative Permanent School Fund Commission, the commissioner of natural resources shall supply the commissioner of management and budget with the information needed for the certificate. The certificate shall include an analysis that compares costs certified under this section with costs incurred on other public and private lands with similar land assets.

(d) After a fiscal year, the commissioner shall distribute the receipts credited to the suspense account during that fiscal year as follows:

(1) the amount of the certified costs incurred by the state for forest management, forest improvement, and road improvement during the fiscal year shall be transferred to the forest management investment account established under section 89.039;

(2) the amount of costs incurred by the Legislative Permanent School Fund Commission under section 127A.30, and by the school trust lands director under section 127A.353, shall be transferred to the general fund;

(3) the balance of the certified costs incurred by the state during the fiscal year shall be transferred to the general fund; and

~~(3)~~ (4) the balance of the receipts shall then be returned prorated to the trust funds in proportion to their respective interests in the lands which produced the receipts.

Sec. 3. Minnesota Statutes 2012, section 18B.01, is amended by adding a subdivision to read:

Subd. 1c. **Apiary.** "Apiary" means a place where a collection of one or more hives or colonies of bees or the nuclei of bees are kept.

Sec. 4. Minnesota Statutes 2012, section 18B.01, is amended by adding a subdivision to read:

Subd. 2a. **Bee.** "Bee" means any stage of the common honeybee, *Apis mellifera* (L).

Sec. 5. Minnesota Statutes 2012, section 18B.01, is amended by adding a subdivision to read:

Subd. 2b. **Bee owner.** "Bee owner" means a person who owns an apiary.

Sec. 6. Minnesota Statutes 2012, section 18B.01, is amended by adding a subdivision to read:

Subd. 4c. **Colony.** "Colony" means the aggregate of worker bees, drones, the queen, and developing young bees living together as a family unit in a hive or other dwelling.

Sec. 7. Minnesota Statutes 2012, section 18B.01, is amended by adding a subdivision to read:

Subd. 11a. **Hive.** "Hive" means a frame hive, box hive, box, barrel, log gum, skep, or any other receptacle or container, natural or artificial, or any part of one, which is used as domicile for bees.

Sec. 8. Minnesota Statutes 2012, section 18B.01, is amended by adding a subdivision to read:

Subd. 20a. **Pollinator.** "Pollinator" means an insect that pollinates flowers.

Sec. 9. Minnesota Statutes 2012, section 18B.03, is amended by adding a subdivision to read:

Subd. 4. **Pollinator enforcement.** The commissioner may take enforcement action under chapter 18D for a violation of this chapter, or any rule adopted under this chapter, that results in harm to pollinators, including but not limited to applying a pesticide in a manner inconsistent with the pesticide product's label or labeling and resulting in pollinator death or willfully applying pesticide in a manner inconsistent with the pesticide product's label or labeling. The commissioner must deposit any penalty collected under this subdivision in the pesticide regulatory account in section 18B.05.

Sec. 10. Minnesota Statutes 2012, section 18B.04, is amended to read:

18B.04 PESTICIDE IMPACT ON ENVIRONMENT.

(a) The commissioner shall:

(1) determine the impact of pesticides on the environment, including the impacts on surface water and groundwater in this state;

(2) develop best management practices involving pesticide distribution, storage, handling, use, and disposal; and

(3) cooperate with and assist other state agencies and local governments to protect public health, pollinators, and the environment from harmful exposure to pesticides.

(b) The commissioner may assemble a group of experts under section 16C.10, subdivision 2, to consult in the investigation of pollinator deaths or illnesses. The group of experts may include representatives from local, state, and federal agencies; academia, including the University of Minnesota; the state pollinator bank; or other professionals as deemed necessary by the commissioner. The amount necessary for the purposes of this paragraph, not to exceed \$100,000 per fiscal year, is appropriated from the pesticide regulatory account in section 18B.05.

Sec. 11. [18B.055] COMPENSATION FOR BEES KILLED BY PESTICIDE; APPROPRIATION.

Subdivision 1. **Compensation required.** (a) The commissioner of agriculture must compensate a person for an acute pesticide poisoning resulting in the death of bees or loss of bee colonies owned by the person, provided:

(1) the person who applied the pesticide cannot be determined;

(2) the person who applied the pesticide did so in a manner consistent with the pesticide product's label or labeling; or

(3) the person who applied the pesticide did so in a manner inconsistent with the pesticide product's label or labeling.

(b) Except as provided in this section, the bee owner is entitled to the fair market value of the dead bees and bee colonies losses as determined by the commissioner upon recommendation by academic experts and bee keepers. In any fiscal year, a bee owner must not be compensated for a claim that is less than \$100 or compensated more than \$20,000 for all eligible claims.

Subd. 2. **Applicator responsible.** In the event a person applies a pesticide in a manner inconsistent with the pesticide product's label or labeling requirements as approved by the commissioner and is determined to have caused the acute pesticide poisoning of bees, resulting in death or loss of a bee colony kept for commercial purposes, then the person so identified must bear the responsibility of restitution for the value of the bees to the owner. In these cases the commissioner must not provide compensation as provided in this section.

Subd. 3. **Claim form.** The bee owner must file a claim on forms provided by the commissioner and available on the Department of Agriculture's Web site.

Subd. 4. **Determination.** The commissioner must determine whether the death of the bees or loss of bee colonies was caused by an acute pesticide poisoning, whether the pesticide applicator can be determined, and whether the pesticide applicator applied the pesticide product in a manner consistent with the pesticide product's label or labeling.

Subd. 5. **Payments; denial of compensation.** (a) If the commissioner determines the bee death or loss of bee colony was caused by an acute pesticide poisoning and either the pesticide applicator

cannot be determined or the pesticide applicator applied the pesticide product in a manner consistent with the pesticide product's label or labeling, the commissioner may award compensation from the pesticide regulatory account. If the pesticide applicator can be determined and the applicator applied the pesticide product in a manner inconsistent with the product's label or labeling, the commissioner may collect a penalty from the pesticide applicator sufficient to compensate the bee owner for the fair market value of the dead bees and bee colonies losses, and must award the money to the bee owner.

(b) If the commissioner denies compensation claimed by a bee owner under this section, the commissioner must issue a written decision based upon the available evidence. The decision must include specification of the facts upon which the decision is based and the conclusions on the material issues of the claim. The commissioner must mail a copy of the decision to the bee owner.

(c) A decision to deny compensation claimed under this section is not subject to the contested case review procedures of chapter 14, but may be reviewed upon a trial de novo in a court in the county where the loss occurred. The decision of the court may be appealed as in other civil cases. Review in court may be obtained by filing a petition for review with the administrator of the court within 60 days following receipt of a decision under this section. Upon the filing of a petition, the administrator must mail a copy to the commissioner and set a time for hearing within 90 days of the filing.

Subd. 6. **Deduction from payment.** The commissioner must reduce payments made under this section by any compensation received by the bee owner for dead bees and bee colonies losses as proceeds from an insurance policy or from another source.

Subd. 7. **Appropriation.** The amount necessary to pay claims under this section, not to exceed \$150,000 per fiscal year, is appropriated from the pesticide regulatory account in section 18B.05.

EFFECTIVE DATE. This section is effective July 1, 2014, and applies to bee kills and bee colony losses attributable to acute pesticide poisoning that occur on or after that date.

Sec. 12. Minnesota Statutes 2012, section 84.788, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** Registration is not required for off-highway motorcycles:

(1) owned and used by the United States, an Indian tribal government, the state, another state, or a political subdivision;

(2) registered in another state or country that have not been within this state for more than 30 consecutive days; ~~or~~

(3) registered under chapter 168, when operated on forest roads to gain access to a state forest campground;

(4) used exclusively in organized track racing events;

(5) operated on state or grant-in-aid trails by a nonresident possessing a nonresident off-highway motorcycle state trail pass; or

(6) operated by a person participating in an event for which the commissioner has issued a special use permit.

Sec. 13. **[84.7945] NONRESIDENT OFF-HIGHWAY MOTORCYCLE STATE TRAIL PASS.**

Subdivision 1. **Pass required; fee.** (a) A tribal member exempt from registration under section 84.788, subdivision 2, clause (2), or a nonresident, may not operate an off-highway motorcycle on a state or grant-in-aid off-highway motorcycle trail unless the operator carries a valid nonresident off-highway motorcycle state trail pass in immediate possession. The pass must be available for inspection by a peace officer, a conservation officer, or an employee designated under section 84.0835.

(b) The commissioner of natural resources shall issue a pass upon application and payment of a \$20 fee. The pass is valid from January 1 through December 31. Fees collected under this section, except for the issuing fee for licensing agents, shall be deposited in the state treasury and credited to the off-highway motorcycle account in the natural resources fund and, except for the electronic licensing system commission established by the commissioner under section 84.027, subdivision 15, must be used for grants-in-aid to counties and municipalities for off-highway motorcycle organizations to construct and maintain off-highway motorcycle trails and use areas.

(c) A nonresident off-highway motorcycle state trail pass is not required for:

(1) an off-highway motorcycle that is owned and used by the United States, another state, or a political subdivision thereof that is exempt from registration under section 84.788, subdivision 2;

(2) a person operating an off-highway motorcycle only on the portion of a trail that is owned by the person or the person's spouse, child, or parent; or

(3) a nonresident operating an off-highway motorcycle that is registered according to section 84.788.

Subd. 2. **License agents.** The commissioner may appoint agents to issue and sell nonresident off-highway motorcycle state trail passes. The commissioner may revoke the appointment of an agent at any time. The commissioner may adopt additional rules as provided in section 97A.485, subdivision 11. An agent shall observe all rules adopted by the commissioner for accounting and handling of passes pursuant to section 97A.485, subdivision 11. An agent shall promptly deposit and remit all money received from the sale of the passes, exclusive of the issuing fee, to the commissioner.

Subd. 3. **Issuance of passes.** The commissioner and agents shall issue and sell nonresident off-highway motorcycle state trail passes. The commissioner shall also make the passes available through the electronic licensing system established under section 84.027, subdivision 15.

Subd. 4. **Agent's fee.** In addition to the fee for a pass, an issuing fee of \$1 per pass shall be charged. The issuing fee may be retained by the seller of the pass. Issuing fees for passes issued by the commissioner shall be deposited in the off-highway motorcycle account in the natural resources fund and retained for the operation of the electronic licensing system.

Subd. 5. **Duplicate passes.** The commissioner and agents shall issue a duplicate pass to persons whose pass is lost or destroyed using the process established under section 97A.405, subdivision 3, and rules adopted thereunder. The fee for a duplicate nonresident off-highway motorcycle state trail pass is \$2, with an issuing fee of 50 cents.

Sec. 14. Minnesota Statutes 2012, section 85.053, subdivision 2, is amended to read:

Subd. 2. **Requirement.** Except as provided in section 85.054, a motor vehicle may not enter a state park, state recreation area, or state wayside over 50 acres in area, without a state park permit issued under this section or a state parks and trails plate issued under section 168.1295. Except for vehicles permitted under subdivisions 7, paragraph (a), clause (2), and 8, the state park permit must be affixed to the lower right corner windshield of the motor vehicle and must be completely affixed by its own adhesive to the windshield, or the commissioner may, by written order, provide an alternative means to display and validate state park permits.

Sec. 15. **[85.056] STATE PARKS AND TRAILS DONATION ACCOUNT.**

Subdivision 1. **Establishment.** The state parks and trails donation account is established as a separate account in the natural resources fund. The account shall be administered by the commissioner of natural resources as provided in this section.

Subd. 2. **Funding sources.** The state parks and trails donation account shall consist of contributions made under section 168.1295 and other contributions. The contributions may be made in cash, property, land, or interests in land.

Subd. 3. **Uses.** Money in the account is appropriated to the commissioner of natural resources to operate and maintain the state parks and trails system.

Sec. 16. Minnesota Statutes 2012, section 85.34, subdivision 7, is amended to read:

Subd. 7. **Disposition of proceeds.** (a) All revenue derived from the lease of the Fort Snelling upper bluff, with the exception of payment for costs of the water line as described in subdivision 6, shall be deposited in the natural resources fund and credited to a state park account. Interest earned on the money in the account accrues to the account.

(b) Revenue and expenses from the upper bluff shall be tracked separately within the account. Money in the account derived from the leasing or operation of the property described in subdivision 1 may be is appropriated annually to the commissioner for the payment of expenses attributable to the leasing, development, and operation of the property described in subdivision 1, including, but not limited to, the maintenance, repair, and rehabilitation of historic buildings and landscapes.

Sec. 17. Minnesota Statutes 2012, section 85A.02, subdivision 2, is amended to read:

Subd. 2. **Zoological Garden.** The board shall acquire, construct, equip, operate and maintain the Minnesota Zoological Garden at a site in Dakota County legally described in Laws 1975, chapter 382, section 12. The Zoological Garden shall consist of adequate facilities and structures for the collection, habitation, preservation, care, exhibition, examination or study of wild and domestic animals, including, but not limited to mammals, birds, fish, amphibians, reptiles, crustaceans and mollusks. The board may provide such lands, buildings and equipment as it deems necessary for parking, transportation, entertainment, education or instruction of the public in connection with such Zoological Garden. The Zoological Garden is an official pollinator bank for the state of Minnesota. For purposes of this subdivision, "pollinator bank" means a program to avert the extinction of pollinator species by cultivating insurance breeding populations.

Sec. 18. **[87A.10] TRAP SHOOTING SPORTS FACILITY GRANTS.**

The commissioner of natural resources shall administer a program to provide cost-share grants to local recreational shooting clubs for up to 50 percent of the costs of developing or rehabilitating trap shooting sports facilities for public use. A facility rehabilitated or developed with a grant under this

section must be open to the general public at reasonable times and for a reasonable fee on a walk-in basis. The commissioner shall give preference to projects that will provide the most opportunities for youth.

Sec. 19. Minnesota Statutes 2012, section 103G.251, is amended to read:

103G.251 INVESTIGATION OF ACTIVITIES WITHOUT PERMIT AFFECTING WATERS OF THE STATE.

Subdivision 1. **Investigations.** If the commissioner determines that an investigation is in the public interest, the commissioner may investigate and monitor activities being conducted with or without a permit that may affect waters of the state.

Subd. 2. **Findings and order.** (a) With or without a public hearing, the commissioner may make findings and issue orders related to activities being conducted without a permit that affect waters of the state as otherwise authorized under this chapter.

(b) A copy of the findings and order must be served on the person to whom the order is issued.

(c) If the commissioner issues the findings and order without a hearing, the person to whom the order is issued may file a demand for a hearing with the commissioner. The demand for a hearing must be accompanied by the bond as provided in section 103G.311, subdivision 6, and the hearing must be held in the same manner and with the same requirements as a hearing held under section 103G.311, subdivision 5. The demand for a hearing and bond must be filed by 30 days after the person is served with a copy of the commissioner's order.

(d) The hearing must be conducted as a contested case hearing under chapter 14.

(e) If the person to whom the order is addressed does not demand a hearing or demands a hearing but fails to file the required bond:

(1) the commissioner's order becomes final at the end of 30 days after the person is served with the order; and

(2) the person may not appeal the order.

(f) An order of the commissioner may be recorded or filed by the commissioner in the office of the county recorder or registrar of titles, as appropriate, in the county where the real property is located as a deed restriction on the property that runs with the land and is binding on the owners, successors, and assigns until the conditions of the order are met or the order is rescinded.

Sec. 20. Minnesota Statutes 2012, section 103G.271, subdivision 5, is amended to read:

Subd. 5. **Prohibition on once-through water use permits.** (a) Except as provided in paragraph (c), the commissioner may not, ~~after December 31, 1990,~~ issue a water use permit to increase the volume of appropriation from a groundwater source for a once-through cooling system ~~using in excess of 5,000,000 gallons annually.~~

(b) Except as provided in paragraph (c), once-through system water use permits using in excess of 5,000,000 gallons annually; must be terminated by the commissioner ~~by the end of their design life but not later than December 31, 2010,~~ unless the discharge is into a public water basin within a nature preserve approved by the commissioner and established prior to January 1, 2001.

Existing once-through systems must not be expanded and are required to convert to water efficient alternatives within the design life of existing equipment.

(c) Notwithstanding paragraphs (a) and (b), the commissioner, with the approval of the commissioners of health and the Pollution Control Agency, may issue once-through system water use permits on an annual basis for aquifer storage and recovery systems that return all once-through system water to the source aquifer. Water use permit processing fees in subdivision 6, paragraph (a), apply to all water withdrawals under this paragraph, including any reuse of water returned to the source aquifer.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 21. Minnesota Statutes 2012, section 103G.271, subdivision 6, is amended to read:

Subd. 6. **Water use permit processing fee.** (a) Except as described in paragraphs (b) to (f) (g), a water use permit processing fee must be prescribed by the commissioner in accordance with the schedule of fees in this subdivision for each water use permit in force at any time during the year. Fees collected under this paragraph are credited to the water management account in the natural resources fund. The schedule is as follows, with the stated fee in each clause applied to the total amount appropriated:

- (1) \$140 for amounts not exceeding 50,000,000 gallons per year;
- (2) \$3.50 per 1,000,000 gallons for amounts greater than 50,000,000 gallons but less than 100,000,000 gallons per year;
- (3) \$4 per 1,000,000 gallons for amounts greater than 100,000,000 gallons but less than 150,000,000 gallons per year;
- (4) \$4.50 per 1,000,000 gallons for amounts greater than 150,000,000 gallons but less than 200,000,000 gallons per year;
- (5) \$5 per 1,000,000 gallons for amounts greater than 200,000,000 gallons but less than 250,000,000 gallons per year;
- (6) \$5.50 per 1,000,000 gallons for amounts greater than 250,000,000 gallons but less than 300,000,000 gallons per year;
- (7) \$6 per 1,000,000 gallons for amounts greater than 300,000,000 gallons but less than 350,000,000 gallons per year;
- (8) \$6.50 per 1,000,000 gallons for amounts greater than 350,000,000 gallons but less than 400,000,000 gallons per year;
- (9) \$7 per 1,000,000 gallons for amounts greater than 400,000,000 gallons but less than 450,000,000 gallons per year;
- (10) \$7.50 per 1,000,000 gallons for amounts greater than 450,000,000 gallons but less than 500,000,000 gallons per year; and
- (11) \$8 per 1,000,000 gallons for amounts greater than 500,000,000 gallons per year.

(b) For once-through cooling systems, a water use processing fee must be prescribed by the commissioner in accordance with the following schedule of fees for each water use permit in force at any time during the year:

- (1) for nonprofit corporations and school districts, \$200 per 1,000,000 gallons; and
- (2) for all other users, \$420 per 1,000,000 gallons.

(c) The fee is payable based on the amount of water appropriated during the year and, except as provided in paragraph (f), the minimum fee is \$100.

(d) For water use processing fees other than once-through cooling systems:

- (1) the fee for a city of the first class may not exceed \$250,000 per year;
- (2) the fee for other entities for any permitted use may not exceed:
 - (i) \$60,000 per year for an entity holding three or fewer permits;
 - (ii) \$90,000 per year for an entity holding four or five permits; or
 - (iii) \$300,000 per year for an entity holding more than five permits;
- (3) the fee for agricultural irrigation may not exceed \$750 per year;
- (4) the fee for a municipality that furnishes electric service and cogenerates steam for home heating may not exceed \$10,000 for its permit for water use related to the cogeneration of electricity and steam; and
- (5) no fee is required for a project involving the appropriation of surface water to prevent flood damage or to remove flood waters during a period of flooding, as determined by the commissioner.

(e) Failure to pay the fee is sufficient cause for revoking a permit. A penalty of ~~two~~ ten percent per month calculated from the original due date must be imposed on the unpaid balance of fees remaining 30 days after the sending of a second notice of fees due. A fee may not be imposed on an agency, as defined in section 16B.01, subdivision 2, or federal governmental agency holding a water appropriation permit.

(f) The minimum water use processing fee for a permit issued for irrigation of agricultural land is \$20 for years in which:

- (1) there is no appropriation of water under the permit; or
- (2) the permit is suspended for more than seven consecutive days between May 1 and October 1.

(g) The commissioner shall waive the water use permit fee for installations and projects that use storm water runoff or where public entities are diverting water to treat a water quality issue and returning the water to its source without using the water for any other purpose, unless the commissioner determines that the proposed use adversely affects surface water or groundwater.

(g) (h) A surcharge of \$30 per million gallons in addition to the fee prescribed in paragraph (a) shall be applied to the volume of water used in each of the months of June, July, and August that exceeds the volume of water used in January for municipal water use, irrigation of golf courses, and landscape irrigation. The surcharge for municipalities with more than one permit shall be determined based on the total appropriations from all permits that supply a common distribution system.

Sec. 22. Minnesota Statutes 2012, section 103G.281, is amended by adding a subdivision to read:

Subd. 4. **Penalty for noncompliant reporting.** The commissioner may assess penalties for noncompliant reporting of water use information as provided in this section. The penalty is ten percent of the annual water use permit processing fee.

Sec. 23. [103G.299] ADMINISTRATIVE PENALTIES.

Subdivision 1. **Authority to issue penalty orders.** (a) As provided in paragraph (b), the commissioner may issue an order requiring violations to be corrected and administratively assessing monetary penalties for violations of sections 103G.271 and 103G.275, and any rules adopted under those sections.

(b) An order under this section may be issued to a person for water appropriation activities without a required permit.

(c) The order must be issued as provided in this section and in accordance with the plan prepared under subdivision 12.

Subd. 2. **Amount of penalty; considerations.** (a) The commissioner may issue orders assessing administrative penalties based on potential for harm and deviation from compliance. For a violation that presents: (1) a minor potential for harm and deviation from compliance, the penalty will be no more than \$1,000; (2) a moderate potential for harm and deviation from compliance, the penalty will be no more than \$10,000; and (3) a severe potential for harm and deviation from compliance, the penalty will be no more than \$20,000.

(b) In determining the amount of a penalty the commissioner may consider:

(1) the gravity of the violation, including potential for, or real, damage to the public interest or natural resources of the state;

(2) the history of past violations;

(3) the number of violations;

(4) the economic benefit gained by the person by allowing or committing the violation based on data from local or state bureaus or educational institutions; and

(5) other factors as justice may require, if the commissioner specifically identifies the additional factors in the commissioner's order.

(c) For a violation after an initial violation, including a continuation of the initial violation, the commissioner must, in determining the amount of a penalty, consider the factors in paragraph (b) and the:

(1) similarity of the most recent previous violation and the violation to be penalized;

(2) time elapsed since the last violation;

(3) number of previous violations; and

(4) response of the person to the most recent previous violation identified.

Subd. 3. **Contents of order.** An order assessing an administrative penalty under this section must include:

- (1) a concise statement of the facts alleged to constitute a violation;
- (2) a reference to the section of the statute, rule, order, or term or condition of a permit that has been violated;
- (3) a statement of the amount of the administrative penalty to be imposed and the factors upon which the penalty is based; and
- (4) a statement of the person's right to review of the order.

Subd. 4. **Corrective order.** (a) The commissioner may issue an order assessing a penalty and requiring the violations cited in the order to be corrected within a time period specified by the commissioner.

(b) The person to whom the order was issued must provide information to the commissioner before the 31st day after the order was received demonstrating that the violation has been corrected or that appropriate steps toward correcting the violation have been taken.

(c) The commissioner must determine whether the violation has been corrected and notify the person subject to the order of the commissioner's determination.

Subd. 5. **Penalty.** (a) Unless the person requests review of the order under subdivision 6 or 7 before the penalty is due, the penalty in the order is due and payable:

(1) on the 31st day after the order was received, if the person subject to the order fails to provide information to the commissioner showing that the violation has been corrected or that appropriate steps have been taken toward correcting the violation; or

(2) on the 20th day after the person receives the commissioner's determination under subdivision 4, paragraph (c), if the person subject to the order has provided information to the commissioner that the commissioner determines is not sufficient to show that the violation has been corrected or that appropriate steps have been taken toward correcting the violation.

(b) The penalty is due by 31 days after the order was received, unless review of the order under subdivision 6 or 7 has been sought.

(c) Interest at the rate established in section 549.09 begins to accrue on penalties under this subdivision on the 31st day after the order with the penalty was received.

Subd. 6. **Expedited administrative hearing.** (a) Within 30 days after receiving an order or within 20 days after receiving notice that the commissioner has determined that a violation has not been corrected or appropriate steps have not been taken, the person subject to an order under this section may request an expedited hearing, using the procedures under Minnesota Rules, parts 1400.8510 to 1400.8612, to review the commissioner's determination. The hearing request must specifically state the reasons for seeking review of the order. The person to whom the order is directed and the commissioner are the parties to the expedited hearing. The commissioner must notify the person to whom the order is directed of the time and place of the hearing at least 20 days before the hearing. The expedited hearing must be held within 30 days after a request for hearing has been filed with the commissioner unless the parties agree to a later date.

(b) All written arguments must be submitted within ten days following the close of the hearing. The hearing must be conducted under Minnesota Rules, parts 1400.8510 to 1400.8612, as modified by this subdivision.

(c) The administrative law judge must issue a report making recommendations about the commissioner's action to the commissioner within 30 days following the close of the record. The administrative law judge may not recommend a change in the amount of the proposed penalty unless the administrative law judge determines that, based on the factors in subdivision 2, the amount of the penalty is unreasonable.

(d) If the administrative law judge makes a finding that the hearing was requested solely for purposes of delay or that the hearing request was frivolous, the commissioner may add to the amount of the penalty the costs charged to the department by the Office of Administrative Hearings for the hearing.

(e) If a hearing has been held, the commissioner may not issue a final order until at least five days after receipt of the report of the administrative law judge. The person to whom an order is issued may, within those five days, comment to the commissioner on the recommendations, and the commissioner must consider the comments. The final order may be appealed in the manner provided in sections 14.63 to 14.69.

(f) If a hearing has been held and a final order issued by the commissioner, the penalty must be paid by 30 days after the date the final order is received unless review of the final order is requested under sections 14.63 to 14.69. If review is not requested or the order is reviewed and upheld, the amount due is the penalty, together with interest accruing from 31 days after the original order was received at the rate established in section 549.09.

Subd. 7. **Mediation.** In addition to review under subdivision 6, the commissioner may enter into mediation concerning an order issued under this section if the commissioner and the person to whom the order is issued both agree to mediation.

Subd. 8. **Penalties due and payable.** The commissioner may enforce penalties that are due and payable under this section in any manner provided by law for the collection of debts.

Subd. 9. **Revocation and suspension of permit.** If a person fails to pay a penalty owed under this section, the commissioner has grounds to revoke a permit or to refuse to amend a permit or issue a new permit.

Subd. 10. **Cumulative remedy.** The authority of the commissioner to issue a corrective order assessing penalties is in addition to other remedies available under statutory or common law, except that the state may not seek civil penalties under any other provision of law for the violations covered by the administrative penalty order. The payment of a penalty does not preclude the use of other enforcement provisions, under which penalties are not assessed, in connection with the violation for which the penalty was assessed.

Subd. 11. **Deposit of fees.** Fees collected under this section must be credited to the water management account in the natural resources fund.

Subd. 12. **Plan for use of administrative penalties.** The commissioner must prepare a plan for using the administrative penalty authority in this section. The plan must include explanations for how the commissioner will determine whether violations are minor, moderate, or severe. The

commissioner must provide a 30-day period for public comment on the plan. The plan must be finalized within six months after the effective date of this section.

EFFECTIVE DATE. Subdivisions 1 to 11 of this section are effective January 1, 2015. Subdivision 12 of this section is effective July 1, 2014.

Sec. 24. Minnesota Statutes 2012, section 115A.151, as amended by Laws 2014, chapter 225, section 4, is amended to read:

115A.151 RECYCLING REQUIREMENTS; PUBLIC ENTITIES; COMMERCIAL BUILDINGS; SPORTS FACILITIES.

(a) A public entity, the owner of a sports facility, and an owner of a commercial building shall:

(1) ensure that facilities under its control, from which mixed municipal solid waste is collected, also collect at least three recyclable materials, such as, but not limited to, paper, glass, plastic, and metal; and

(2) transfer all recyclable materials collected to a recycler.

(b) For the purposes of this section:

(1) "public entity" means the state, an office, agency, or institution of the state, the Metropolitan Council, a metropolitan agency, the Metropolitan Mosquito Control Commission, the legislature, the courts, a county, a statutory or home rule charter city, a town, a school district, a special taxing district, or any entity that receives an appropriation from the state for a capital improvement project after August 1, 2002;

(2) "metropolitan agency" and "Metropolitan Council," have the meanings given them in section 473.121;

(3) "Metropolitan Mosquito Control Commission" means the commission created in section 473.702; and

(4) "commercial building" means a building that:

(i) is located in a metropolitan county, as defined in section 473.121;

(ii) contains a business classified in sectors 42 to 81 under the North American Industrial Classification System; and

(iii) contracts for four cubic yards or more per week of solid waste collection; and

(5) "sports facility" means a professional or collegiate sports facility at which competitions take place before a public audience.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 25. Minnesota Statutes 2012, section 115A.55, subdivision 4, is amended to read:

Subd. 4. **Statewide source reduction goal.** (a) It is a goal of the state ~~that there be a minimum ten percent per capita reduction in the amount of mixed and counties to reduce the generation of municipal solid waste generated in the state by December 31, 2000, based on a reasonable estimate of the amount of mixed municipal solid waste that was generated in calendar year 1993.~~

(b) As part of the ~~1997~~ report required under section 115A.411, the commissioner shall submit to the senate and house of representatives committees having jurisdiction over environment and natural resources and environment and natural resources finance a proposed strategy for meeting the goal in paragraph (a). The strategy must include a discussion of the different reduction potentials to be found in various sectors and may include recommended interim goals. The commissioner shall report progress on meeting the goal in paragraph (a), as well as recommendations and revisions to the proposed strategy, as part of the ~~1999~~ report required under section 115A.411.

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

Sec. 26. Minnesota Statutes 2012, section 115A.551, subdivision 1, is amended to read:

Subdivision 1. **Definition.** (a) For the purposes of this section, "recycling" means, in addition to the meaning given in section 115A.03, subdivision 25b, yard waste and source-separated compostable materials composting; and recycling that occurs through mechanical or hand separation of materials that are then delivered ~~for reuse in their original form or~~ for use in manufacturing processes that do not cause the destruction of recyclable materials in a manner that precludes further use.

(b) For the purposes of this section, "total solid waste generation" means the total by weight of:

- (1) materials separated for recycling;
- (2) materials separated for yard waste and source-separated compostable materials composting;
- (3) mixed municipal solid waste ~~plus yard waste~~, motor and vehicle fluids and filters, tires, lead acid batteries, and major appliances; and
- (4) residential waste materials that would be mixed municipal solid waste but for the fact that they are not collected as such.

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

Sec. 27. Minnesota Statutes 2012, section 115A.551, subdivision 2a, is amended to read:

Subd. 2a. **Supplementary County recycling goals.** (a) By December 31, 1996 2030, each county will have as a goal to recycle the following amounts:

- (1) for a county outside of the metropolitan area, 35 percent by weight of total solid waste generation; and
- (2) for a metropolitan county, ~~50~~ 75 percent by weight of total solid waste generation.

(b) Each county will develop and implement or require political subdivisions within the county to develop and implement programs, practices, or methods designed to meet its recycling goal. Nothing in this section or in any other law may be construed to prohibit a county from establishing a higher recycling goal.

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

Sec. 28. Minnesota Statutes 2012, section 115A.557, subdivision 2, is amended to read:

Subd. 2. **Purposes for which money may be spent.** (a) A county receiving money distributed by the commissioner under this section may use the money only for the development and implementation of programs to:

- (1) reduce the amount of solid waste generated;
- (2) recycle the maximum amount of solid waste technically feasible;
- (3) create and support markets for recycled products;
- (4) remove problem materials from the solid waste stream and develop proper disposal options for them;
- (5) inform and educate all sectors of the public about proper solid waste management procedures;
- (6) provide technical assistance to public and private entities to ensure proper solid waste management;
- (7) provide educational, technical, and financial assistance for litter prevention; ~~and~~
- (8) process mixed municipal solid waste generated in the county at a resource recovery facility located in Minnesota; and
- (9) compost source-separated compostable materials, including the provision of receptacles for residential composting.

(b) Beginning in fiscal year 2015 and continuing thereafter, of any money distributed by the commissioner under this section to a metropolitan county, as defined in section 473.121, subdivision 4, that exceeds the amount the county was eligible to receive under this section in fiscal year 2014: (1) at least 50 percent must be expended on activities in paragraph (a), clause (9); and (2) the remainder must be expended on activities in paragraph (a), clauses (1) to (7) and (9) that advance the county toward achieving its recycling goal under section 115A.551.

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

Sec. 29. Minnesota Statutes 2012, section 115A.557, subdivision 3, is amended to read:

Subd. 3. **Eligibility to receive money.** (a) To be eligible to receive money distributed by the commissioner under this section, a county shall within one year of October 4, 1989:

- (1) create a separate account in its general fund to credit the money; and
- (2) set up accounting procedures to ensure that money in the separate account is spent only for the purposes in subdivision 2.

(b) In each following year, each county shall also:

(1) have in place an approved solid waste management plan or master plan including a recycling implementation strategy under section 115A.551, subdivision 7, and a household hazardous waste management plan under section 115A.96, subdivision 6, by the dates specified in those provisions;

(2) submit a report by April 1 of each year to the commissioner, which may be submitted electronically and must be posted on the agency's Web site, detailing for the previous calendar year:

(i) how the money was spent including, but not limited to, specific recycling and composting activities undertaken to increase the county's proportion of solid waste recycled in order to achieve its recycling goal established in section 115A.551; specific information on the number of employees performing SCORE planning, oversight, and administration; the percentage of those employees' total work time allocated to SCORE planning, oversight, and administration; the specific duties and

responsibilities of those employees; and the amount of staff salary for these SCORE duties and responsibilities of the employees; and

(ii) the resulting gains achieved in solid waste management practices; and

(3) provide evidence to the commissioner that local revenue equal to 25 percent of the money sought for distribution under this section will be spent for the purposes in subdivision 2.

(c) The commissioner shall withhold all or part of the funds to be distributed to a county under this section if the county fails to comply with this subdivision and subdivision 2.

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

Sec. 30. Minnesota Statutes 2013 Supplement, section 116V.03, is amended to read:

116V.03 APPROPRIATION.

\$1,000,000 in fiscal year 2014 and each year thereafter is appropriated from the general fund to ~~the commissioner of revenue for transfer to the agricultural project utilization account in the special revenue fund for the Agricultural Utilization Research Institute established under section 116V.01.~~

Sec. 31. **[168.1295] STATE PARKS AND TRAILS PLATES.**

Subdivision 1. General requirements and procedures. (a) The commissioner shall issue state parks and trails plates to an applicant who:

(1) is a registered owner of a passenger automobile, recreational vehicle, one ton pickup truck, or motorcycle;

(2) pays a fee of \$10 to cover the costs of handling and manufacturing the plates;

(3) pays the registration tax required under section 168.013;

(4) pays the fees required under this chapter;

(5) contributes a minimum of \$50 annually to the state parks and trails donation account established in section 85.056; and

(6) complies with this chapter and rules governing registration of motor vehicles and licensing of drivers.

(b) The state parks and trails plate application must indicate that the contribution specified under paragraph (a), clause (5), is a minimum contribution to receive the plate and that the applicant may make an additional contribution to the account.

(c) State parks and trails plates may be personalized according to section 168.12, subdivision 2a.

Subd. 2. Design. After consultation with interested groups, the commissioners of natural resources and public safety shall jointly select a suitable symbol for use by the commissioner of public safety to design the state parks and trails plates.

Subd. 3. No refund. Contributions under this section must not be refunded.

Subd. 4. Plate transfers. Notwithstanding section 168.12, subdivision 1, on payment of a transfer fee of \$5, plates issued under this section may be transferred to another passenger automobile registered to the person to whom the plates were issued.

Subd. 5. **Contribution and fees credited.** Contributions under subdivision 1, paragraph (a), clause (5), must be paid to the commissioner and credited to the state parks and trails donation account established in section 85.056. The other fees collected under this section must be deposited in the vehicle services operating account of the special revenue fund under section 299A.705.

Subd. 6. **Record.** The commissioner shall maintain a record of the number of plates issued under this section.

Subd. 7. **Exemption.** Special plates issued under this section are not subject to section 168.1293, subdivision 2.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to applications submitted on or after January 1, 2016, or the date the new driver and vehicle services information technology system is implemented, whichever comes later.

Sec. 32. **[347.57] DEFINITIONS.**

Subdivision 1. **Terms.** The definitions in this section apply to sections 347.57 to 347.64.

Subd. 2. **Animal.** "Animal" means a dog or a cat.

Subd. 3. **Board.** "Board" means the Board of Animal Health.

Subd. 4. **Cat.** "Cat" means a mammal that is wholly or in part of the species *Felis domesticus*. An adult cat is a cat 28 weeks of age or older. A kitten is a cat under 28 weeks of age.

Subd. 5. **Commercial breeder.** "Commercial breeder" means a person who possesses or has an ownership interest in animals and is engaged in the business of breeding animals for sale or for exchange in return for consideration, and who possesses ten or more adult intact animals and whose animals produce more than five total litters of puppies or kittens per year.

Subd. 6. **Confinement area.** "Confinement area" means a structure used or designed for use to restrict an animal to a limited amount of space, such as a room, pen, cage, kennel, compartment, crate, or hutch.

Subd. 7. **Dog.** "Dog" means a mammal that is wholly or in part of the species *Canis familiaris*. An adult dog is a dog 28 weeks of age or older. A puppy is a dog under 28 weeks of age.

Subd. 8. **Facility.** "Facility" means the place used by a commercial breeder for breeding animals, and includes all buildings, property, confinement areas, and vehicles.

Subd. 9. **Local animal control authority.** "Local animal control authority" means an agency of the state, county, municipality, or other political subdivision of the state that is responsible for animal control operations in its jurisdiction.

Subd. 10. **Person.** "Person" means a natural person, firm, partnership, corporation, or association, however organized.

Subd. 11. **Possess.** "Possess" means to have custody of or have control over.

Subd. 12. **Veterinarian.** "Veterinarian" means a veterinarian in good standing and licensed in the state of Minnesota.

Sec. 33. [347.58] LICENSING AND INSPECTIONS.

Subdivision 1. **Licensing.** (a) The board may grant an operating license to a commercial breeder and must enforce sections 347.58 to 347.64.

(b) Beginning July 1, 2015, a commercial breeder must obtain an annual license for each facility it owns or operates. More than one building on the same premises is considered one facility. The initial prelicense inspection fee and the annual license fee is \$10 per adult intact animal, but each fee must not exceed \$250.

(c) The board must perform an announced initial prelicense inspection within 60 days from the date of receiving a license application. A commercial breeder is not in violation of this section if the commercial breeder has filed a completed license application with the board and the board has not performed the initial prelicense inspection. The board must inspect a commercial breeder's facility before an initial license is issued. The initial prelicense inspection fee must be included with the license application. Upon completion of the inspection, the inspector must provide the commercial breeder an inspection certificate signed by the inspector in a format approved by the board.

(d) The license application must indicate if a commercial breeder operates under more than one name from a single location or has an ownership interest in any other facility. License holders must keep separate records for each business name.

(e) The application must include a statement that includes the following information:

(1) whether any license held by an applicant under this section or under any other federal, state, county, or local law, ordinance, or other regulation relating to breeding cats or dogs was ever suspended, revoked, or denied; and

(2) whether the applicant was ever convicted of animal cruelty.

(f) An application from a partnership, corporation, or limited liability company must include the name and address of all partners, directors, officers, or members and must include a notation of any partners, directors, officers, members, or others authorized to represent the partnership, corporation, or limited liability company.

(g) A nonresident applicant must consent to adjudication of any violation under the laws of the state of Minnesota and in Minnesota courts.

(h) A license issued under this section is not transferable.

(i) A license holder must apply for license renewal annually by submitting a renewal application on a form approved by the board. The license renewal application must be postmarked or submitted electronically in a method approved by the board by July 1 of each year. The board may assess a late renewal penalty of up to 50 percent of the license fee. If a license is not renewed by August 1, the board may require the commercial breeder to reapply for an initial license.

(j) A commercial breeder must submit to the board an annual report by July 1 on a form prepared by the board. The form must include the current number of cats and dogs at the facility on the date of the report, the number of animals during the preceding year that were sold, traded, bartered, leased, brokered, given away, euthanized, or deceased from other causes, and any other information required by the board.

(k) If a commercial breeder is required to be licensed by the United States Department of Agriculture, United States Department of Agriculture inspection reports and records relating to animal care plans and veterinary care must be made available during an inspection, upon request.

(l) A commercial breeder must prominently display the commercial breeder's license at each facility.

(m) A commercial breeder's state license number or a symbol approved by the board must be included in all of the commercial breeder's advertisements or promotions that pertain to animals being sold or traded including, but not limited to, all newspapers, Internet, radio, or flyers.

(n) A commercial breeder must notify the board by certified mail or electronically in a method approved by the board within ten days of any change in address, name, management, or substantial control and ownership of the business or operation.

(o) The board must refuse to issue an initial license when a commercial breeder:

(1) is in violation of section 343.21; 343.24; 343.27; 343.28; 343.31; 343.37; 346.37; 346.38; 346.39; 346.44; or 346.155;

(2) has failed to meet any of the requirements of this section and section 347.59;

(3) is in violation of a local ordinance regarding breeders;

(4) has been convicted, other than a petty misdemeanor conviction, of cruelty to animals under Minnesota law or a substantially similar animal cruelty law of another jurisdiction;

(5) has had a substantially similar license denied, revoked, or suspended by another federal or state authority within the last five years; or

(6) has falsified any material information requested by the board.

(p) A person who has been an officer, agent, direct family member, or employee of a commercial breeder whose license was revoked or suspended and who was responsible for or participated in the violation that was a basis for the revocation or suspension may not be licensed while the revocation or suspension is in effect.

Subd. 2. Inspections. (a) The board must inspect each licensed facility at least annually. The inspection must be with the commercial breeder or an agent of the commercial breeder present. The inspector must submit an inspection report to the board within ten days of each inspection on a form prepared by the board. The inspection report form must list separately each law, rule, regulation, and ordinance the facility is not in compliance with and what correction is required for compliance. The inspection report form must document the animal inventory on the date of the inspection.

(b) If, after the prelicense inspection, the commercial breeder has two consecutive years of inspections with no violations, the board must inspect the commercial breeder at least every two years. If the commercial breeder has any violations during an inspection or if the board has cause, the board must inspect the commercial breeder at least annually.

(c) If a license to operate is suspended, revoked, or denied, the board must be granted access to the facility during normal business hours to verify that it is not operating.

Subd. 3. Record requirements. (a) The commercial breeder must keep records on each animal at the facility that includes:

(1) the name, address, and United States Department of Agriculture license number, if applicable, from whom an animal was received; the date the commercial breeder received the animal; the date of the animal's birth; the breed, sex, color, and identifying marks of the animal; any identifying tag, tattoo, microchip, or collar number; worming treatments, vaccinations, and name of the person who administered the vaccination; medication received by the animal while in the possession of the commercial breeder; and any disease conditions diagnosed by a veterinarian; and

(2) the name and address of the person or entity to whom an animal was transferred.

(b) The commercial breeder must maintain a copy of the records required to be kept under this subdivision for two years.

Subd. 4. **Veterinary protocol.** (a) A commercial breeder must establish and maintain a written protocol for disease control and prevention, euthanasia, and veterinary care of animals at each facility. The initial protocol must be developed under the direction and supervision of the board. A commercial breeder must maintain a written protocol that is updated at least every 12 months and that is signed and dated by the board or by a veterinarian along with the commercial breeder. The written protocol must be available to the board upon request or at the time of inspection.

(b) An animal sold or otherwise distributed by a commercial breeder must be accompanied by a veterinary health certificate completed by a veterinarian. The certificate must be completed within 30 days prior to the sale or distribution and must indicate that the animal is current with vaccinations and has no signs of infectious or contagious diseases. The certificate accompanying an adult dog that was not spayed or neutered must indicate that the dog has no signs of infectious or contagious diseases and was tested for canine brucellosis with a test approved by the board and found to be negative.

Subd. 5. **Posting of information.** The board must maintain and post in a timely manner on its Web site a list of commercial breeders licensed and in good standing under this section.

Sec. 34. [347.59] **STANDARDS OF CARE.**

(a) A commercial breeder must comply with chapters 343 and 346.

(b) A commercial breeder must ensure that animals that are part of the commercial breeder's breeding business operations are cared for as follows:

(1) cats must not be housed in outdoor confinement areas;

(2) animals exercised in groups must be compatible and show no signs of contagious or infectious disease;

(3) females in estrus must not be housed in the same confinement area with unneutered males, except for breeding purposes;

(4) animals must be provided daily enrichment and must be provided positive physical contact with human beings and compatible animals at least twice daily unless a veterinarian determines such activities would adversely affect the health or well-being of the animal;

(5) animals must not be sold, traded, or given away before the age of eight weeks unless a veterinarian determines it would be in the best interests of the health or well-being of the animal;

(6) the commercial breeder must provide identification and tracking for each animal, which is not transferable to another animal; and

(7) the commercial breeder must provide adequate staff to maintain the facility and observe each animal daily to monitor each animal's health and well-being, and to properly care for the animals.

(c) A commercial breeder must not knowingly hire staff or independent contractors who have been convicted of cruelty to animals under the law of any jurisdiction.

(d) A commercial breeder must comply with any additional standards the board considers necessary to protect the public health and welfare of animals covered under sections 347.57 to 347.61. The standards must be established by rule.

(e) A United States Department of Agriculture (USDA) licensed breeder or dealer who is in compliance with the minimum USDA regulations governing the license holder as they relate to animal confinement areas as of the effective date of this section does not have to comply with the minimum confinement area measurements under section 346.39, subdivision 4, for existing confinement areas in each facility the breeder or dealer owns. If a USDA-licensed breeder or dealer builds a new confinement area after the effective date of this section, those minimum standards must meet or exceed the minimum specifications as they relate to confinement area size under section 346.39, subdivision 4.

Sec. 35. [347.60] INVESTIGATIONS.

(a) The board must initiate an investigation upon receiving a formal complaint alleging violations of section 347.58 or 347.59.

(b) When a local animal control authority, a peace officer, or a humane agent appointed under section 343.01 is made aware of an alleged violation under this chapter or chapter 343 or 346, committed by a commercial breeder, the local animal control authority, peace officer, or humane agent appointed under section 343.01 must report the alleged violation in a timely manner to the board.

Sec. 36. [347.61] CIVIL ENFORCEMENT.

Subdivision 1. **Correction orders.** (a) The board may issue a correction order requiring a commercial breeder to correct a violation of state statutes, rules, and regulations governing breeding facilities. The correction order must state the deficiencies that constitute the violation; the specific statute, rule, or regulation violated; and when the violation must be corrected.

(b) A commercial breeder may ask the board to reconsider any portion of the correction order that the commercial breeder believes is in error. The request for reconsideration must be made in writing by certified mail or electronically in a method approved by the board within seven days after receipt of the correction order. The request for reconsideration does not stay the correction order. The board must respond to the request for reconsideration within 15 days after receiving a request. The board's disposition of a request for reconsideration is final. The board may extend the time for complying with a correction order after receiving a request for reconsideration if necessary.

(c) The board must reinspect the facility within 15 days after the time for correcting the violation has passed to determine whether the violation has been corrected. If the violation has been corrected, the board must notify the commercial breeder in writing that the commercial breeder is

in compliance with the correction order. The board may charge a reinspection fee to determine if a previous violation has been corrected.

Subd. 2. **Administrative penalty orders.** After the inspection required under subdivision 1, paragraph (c), the board may issue an order requiring violations to be corrected and administratively assessing monetary penalties for violations. The administrative penalty order must include a citation of the statute, rule, or regulation violated; a description of the violation; and the amount of the penalty for each violation. A single correction order may assess a maximum administrative penalty of \$5,000.

Subd. 3. **Injunctive relief.** In addition to any other remedy provided by law, the board may bring an action for injunctive relief in the district court in Ramsey County or in the county in which a violation of the statutes, rules, or regulations governing the breeding of cats and dogs occurred to enjoin the violation.

Subd. 4. **Cease and desist.** The board must issue an order to cease a practice if its continuation would result in an immediate risk to animal welfare or public health. An order issued under this subdivision is effective for a maximum of 72 hours. The board or its designated agent must seek an injunction or take other administrative action authorized by law to restrain a practice beyond 72 hours. The issuance of a cease-and-desist order does not preclude other enforcement action by the board.

Subd. 5. **Refusal to reissue license; license suspension or revocation.** (a) The board may suspend, revoke, or refuse to renew a license as follows:

- (1) for failure to comply with a correction order;
- (2) for failure to pay an administrative penalty;
- (3) for failure to meet the requirements of section 347.58 or 347.59; or
- (4) for falsifying information requested by the board.

A license suspension, revocation, or nonrenewal may be appealed through the Office of Administrative Hearings. A notice of intent to appeal must be filed in writing with the board within 20 days after receipt of the notice of suspension, revocation, or nonrenewal.

(b) The board must revoke a license if a commercial breeder has been convicted of cruelty to animals under Minnesota law or a substantially similar animal cruelty law of another jurisdiction, or for the denial, revocation, or suspension of a similar license by another federal or state authority. A license revocation under this subdivision may be appealed through the Office of Administrative Hearings. A notice of intent to appeal must be filed in writing with the board within 20 days after receipt of the notice of revocation.

(c) A commercial breeder whose license is revoked may not reapply for licensure for two years after the date of revocation. The license is permanently revoked if the basis for the revocation was a gross misdemeanor or felony conviction for animal cruelty.

(d) A commercial breeder whose license is suspended or revoked two times is permanently barred from licensure.

Subd. 6. **Administrative hearing rights.** (a) Except as provided in paragraph (b), if the board proposes to refuse to renew, suspend, or revoke a license, the board must first notify the commercial

breeder in writing of the proposed action and provide an opportunity to request a hearing under the contested case provisions of chapter 14. If the commercial breeder does not request a hearing within 20 days after receipt of the notice of the proposed action, the board may proceed with the action without a hearing.

(b) The contested case provisions of chapter 14 do not apply when the board denies a license based on an applicant's failure to meet the minimum qualifications for licensure.

(c) A commercial breeder may appeal the amount of an administrative penalty order through the Office of Administrative Hearings pursuant to the procedures set forth in chapter 14. A commercial breeder wishing to file an appeal must notify the board in writing within 20 days after receipt of the administrative penalty order.

Subd. 7. **Other jurisdictions.** The board may accept as prima facie evidence of grounds for an enforcement action under this section any enforcement or disciplinary action from another jurisdiction, if the underlying violation would be grounds for a violation under the provisions of this section.

Subd. 8. **Appeals.** A final order by the board may be appealed to the Minnesota Court of Appeals.

Sec. 37. **[347.615] BIOSECURITY; ENTRY INTO FACILITIES.**

No law enforcement officer, agent of the board, or other official may enter a commercial breeder facility unless the person follows either the biosecurity procedure issued by the board or a reasonable biosecurity procedure maintained and prominently posted by the commercial breeder at each entry to a facility, whichever is more stringent. This section does not apply in emergency or exigent circumstances.

Sec. 38. **[347.62] PENALTIES.**

(a) A violation of section 347.58 or 347.59 that results in cruelty or torture to an animal, as those terms are defined in section 343.20, subdivision 3, is subject to the penalties in section 343.21, subdivisions 9 and 10, relating to pet or companion animals.

(b) It is a misdemeanor to falsify information in a license application, annual report, or record.

(c) It is a misdemeanor for an unlicensed commercial breeder to advertise animals for sale.

(d) It is a misdemeanor for a commercial breeder to operate without a license.

Sec. 39. **[347.63] DOG AND CAT BREEDERS LICENSING ACCOUNT; APPROPRIATION.**

A dog and cat breeders licensing account is created in the special revenue fund. All fees and penalties collected by the board under sections 347.58 to 347.62 must be deposited in the state treasury and credited to the dog and cat breeders licensing account in the special revenue fund. Money in the account, including interest on the account, is annually appropriated to the board to administer those sections.

Sec. 40. **[347.64] APPLICABILITY.**

Sections 347.57 to 347.63 do not apply to:

(1) any species other than dogs and cats as they are defined in section 347.57; and

(2) veterinary clinics or veterinary hospitals.

Sec. 41. Laws 2008, chapter 363, article 5, section 4, subdivision 7, as amended by Laws 2009, chapter 37, article 1, section 61, is amended to read:

Subd. 7. Fish and Wildlife Management	123,000	119,000
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Appropriations by Fund		
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General	-0-	(427,000)
Game and Fish	123,000	546,000

\$329,000 in 2009 is a reduction for fish and wildlife management.

\$46,000 in 2009 is a reduction in the appropriation for the Minnesota Shooting Sports Education Center.

\$52,000 in 2009 is a reduction for licensing.

\$123,000 in 2008 and \$246,000 in 2009 are from the game and fish fund to implement fish virus surveillance, prepare infrastructure to handle possible outbreaks, and implement control procedures for highest risk waters and fish production operations. This is a onetime appropriation.

Notwithstanding Minnesota Statutes, section 297A.94, paragraph (e), \$300,000 in 2009 is from the second year appropriation in Laws 2007, chapter 57, article 1, section 4, subdivision 7, from the heritage enhancement account in the game and fish fund ~~to study, predesign, and design a shooting sports facility in the seven-county metropolitan area~~ for shooting sports facilities. Of this amount, \$100,000 is for a grant to the Itasca County Gun Club for shooting sports facility improvements; and the remaining balance is for trap shooting facility grants under Minnesota Statutes, section 87A.10. This is available onetime only and is available until expended.

\$300,000 in 2009 is appropriated from the game and fish fund for only activities that improve, enhance, or protect fish and wildlife resources. This is a onetime appropriation.

Sec. 42. Laws 2013, chapter 114, article 4, section 47, is amended by adding an effective date to read:

EFFECTIVE DATE. This section is effective June 1, 2013.

EFFECTIVE DATE. This section is effective retroactively from June 1, 2013.

Sec. 43. **APIARY PROGRAM.**

No later than January 15, 2015, the commissioner of agriculture shall report to the house of representatives and senate committees with jurisdiction over agriculture regarding re-establishing an apiary program. The report shall include, at a minimum, recommendations on (1) prevention of diseases and exotic pests; (2) sanitary inspection of apiaries, including notification of diseases, nuisances, and quarantines; (3) an apiary location registry, to facilitate agency response to pollinator deaths or illnesses and for pesticide applicators to be aware of apiaries to avoid impacts, including data practices and privacy protections; and (4) the public benefit of an apiary program and the fiscal costs associated with a program.

Sec. 44. **INVASIVE TERRESTRIAL PLANTS AND PESTS CENTER.**

Subdivision 1. **Establishment.** The Board of Regents of the University of Minnesota is requested to establish an Invasive Terrestrial Plants and Pests Center to prevent and minimize the threats posed by terrestrial invasive plants, other weeds, pathogens, and pests in order to protect the state's prairies, forests, wetlands, and agricultural resources. With the approval of the board, the College of Food, Agricultural and Natural Resource Science, in coordination with the College of Biological Sciences, shall administer the center utilizing the following departments:

- (1) Entomology;
- (2) Plant Pathology;
- (3) Forest Resources;
- (4) Horticultural Science;
- (5) Fisheries Wildlife and Conservation Biology;
- (6) Agronomy and Plant Genetics;
- (7) Plant Biology; and
- (8) Ecology, Evolution, and Behavior.

The college may also utilize the following research and outreach centers in achieving the purposes of this section: Cloquet Forestry Center; North Central Research and Outreach Center; Northwest Research and Outreach Center; Southern Research and Outreach Center; Southwest Research and Outreach Center; West Central Research and Outreach Center; Rosemount Research and Outreach Center; Horticultural Research Center; and Sand Plain Research Center.

Subd. 2. **Purpose.** The purpose of the Invasive Terrestrial Plants and Pests Center is to research and develop effective measures to prevent and minimize the threats posed by terrestrial invasive plants, pathogens, and pests, including agricultural weeds and pests, in order to protect the state's native prairies, forests, wetlands, and agricultural resources, by:

(1) creating a prioritized list of pest and plant species that threaten the state's prairies, forests, wetlands, and agricultural resources and making the list publicly accessible; and

(2) conducting research focused on the species included on the prioritized list developed under this subdivision that includes:

(i) development of new control methods, including biocontrols;

(ii) development of integrated pest management tools that minimize nontarget impacts;

(iii) research projects focused on establishment prevention, early detection, and rapid response;

(iv) an analysis of any consequences related to the management of prioritized species to the state's water, pollinators, and native prairies and other native species; and

(v) reports on the results that are made publicly accessible.

Subd. 3. **Report.** By January 15, 2015, as a condition of the appropriation provided under this act, the Board of Regents of the University of Minnesota shall submit a report to the chairs and ranking minority members of the house of representatives and senate committees and divisions with jurisdiction over the environment and natural resources and agriculture on: (1) the activities and outcomes of the center; and (2) any recommendations for additional funding for education, implementation, or other activities.

Sec. 45. RECOGNITION; COMMERCIAL BREEDER EXCELLENCE.

The Board of Animal Health, in consultation with representatives of the licensed commercial breeder industry, must develop a program to recognize persons who demonstrate commercial breeder excellence and exceed the standards and practices required of commercial breeders under this act.

Sec. 46. REGISTRATION; INITIAL PRELICENSE INSPECTIONS.

Subdivision 1. **Commercial breeder registration.** Beginning July 1, 2014, until June 30, 2015, a commercial breeder must register each facility it owns or operates by paying a registration fee not to exceed \$250 per facility to the Board of Animal Health.

Subd. 2. **Initial prelicense inspections.** Beginning July 1, 2014, the board may begin the initial prelicense inspections under Minnesota Statutes, section 347.58.

Subd. 3. **Deposits of fees.** Fees collected under this section must be deposited in the dog and cat breeders licensing account in the special revenue fund.

Sec. 47. RESEARCH DOGS AND CATS.

(a) A higher education research facility that receives public money or a facility that provides research in collaboration with a higher education facility that confines dogs or cats for science, education, or research purposes and plans on euthanizing a dog or cat for other than science, education, or research purposes must first offer the dog or cat to an animal rescue organization. A facility that is required to offer dogs or cats to an animal rescue organization under this section may enter into an agreement with the animal rescue organization to protect the facility. A facility that provides a dog or cat to a rescue organization under this section is immune from any civil liability that otherwise might result from its actions, provided that the facility is acting in good faith.

(b) For the purposes of this section, "animal rescue organization" means any nonprofit organization incorporated for the purpose of rescuing animals in need and finding permanent, adoptive homes for the animals.

(c) This section expires July 1, 2015.

Sec. 48. **REPEALER.**

Minnesota Statutes 2012, section 115A.551, subdivision 2, is repealed.

ARTICLE 14

CLEAN WATER FUND

Section 1. **CLEAN WATER FUND APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the clean water fund and are available for the fiscal year indicated for allowable activities under the Minnesota Constitution, article XI, section 15. The figure "2015" used in this article means that the appropriations listed under it are available for the fiscal year ending June 30, 2015. The appropriations in this article are onetime.

APPROPRIATIONS
Available for the Year
Ending June 30
2015

Sec. 2. **CLEAN WATER**

Subdivision 1. **Total Appropriation** **\$** **2,450,000**

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

Subd. 2. **Availability of Appropriation**

Money appropriated in this article may not be spent on activities unless they are directly related to and necessary for a specific appropriation. Money appropriated in this article must be spent in accordance with Minnesota Management and Budget's Guidance to Agencies on Legacy Fund Expenditure. Notwithstanding Minnesota Statutes, section 16A.28, and unless otherwise specified in this article, the appropriations are available until June 30,

2016. If a project receives federal funds, the time period of the appropriation is extended to equal the availability of federal funding.

Sec. 3. POLLUTION CONTROL AGENCY

\$ 200,000

\$200,000 in 2015 is for coordination with the state of Wisconsin and the National Park Service on comprehensive phosphorus reduction activities in the Lake St. Croix portion of the St. Croix River. The agency shall work with the St. Croix Basin Water Resources Planning Team and the St. Croix River Association in implementing the water monitoring and phosphorus reduction activities.

Sec. 4. BOARD OF WATER AND SOIL RESOURCES

\$ 1,400,000

\$150,000 in 2015 is to collaborate with the commissioner of health and local units of government in the North and East Metro Groundwater Management Area through development or implementation of local water management plans as provided for in Minnesota Statutes, chapters 103B, 103C, 103D, and 114D, to identify strategies for groundwater protection and potential locations for infiltration projects and practices, including potential wetland restoration, enhancement, or creation that would contribute to groundwater recharge, surface water enhancement, and wellhead protection. Areas in the Mississippi River flyway, or that also provide habitat for waterfowl production, fish spawning, or other fish or wildlife habitat, should be specifically identified. This appropriation is available until June 30, 2017.

\$250,000 in 2015 is to collaborate with the commissioner of health and local units of government in the Bonanza Valley Groundwater Management Area and Straight River Groundwater Management Area through development or implementation of local water management plans as

provided in Minnesota Statutes, chapters 103B, 103C, 103D, and 114D, to identify strategies for groundwater protection and potential locations for infiltration projects and practices, including potential wetland restoration, enhancement, or creation that would contribute to groundwater recharge and wellhead protection. Areas in the Mississippi River flyway, or that also provide habitat for waterfowl production, fish spawning, or other fish or wildlife habitat, should be specifically identified. This appropriation is available until June 30, 2017.

\$100,000 in 2015 is for a workshop for public works professionals or other local officials that promote landscape best management practices that keep water on the land, including rain gardens, within the North and East Metro Groundwater Management Area and for grants to local units of government in the North and East Metro Groundwater Management Area to keep water on the land.

\$900,000 in 2015 is added to the appropriation to the Board of Water and Soil Resources for grants in Laws 2013, chapter 137, article 2, section 7, paragraph (b).

The board may use the appropriation to update the Minnesota Public Drainage Manual and the Minnesota Public Drainage Law Overview for Decision Makers in Laws 2013, chapter 137, article 2, section 7, paragraph (e), for contracts or grants to achieve the purposes of the appropriation.

Sec. 5. **METROPOLITAN COUNCIL**

\$ 550,000

\$400,000 in 2015 from the clean water fund is to develop a plan for the North and East Metro Groundwater Management Area and to predesign preferred long-term solutions to address regional water supply and sustainability issues, including enhancing surface waters, in collaboration with the commissioner of natural resources. The plan, incorporating standard engineering practices, must address construction, operation, and

maintenance of infrastructure needed to implement the preferred solutions and, in consultation with the Public Facilities Authority, include recommendations for funding that would fairly allocate the costs to users and other beneficiaries. As the plan is developed, the council must meet periodically with the local water supply work group to review details of the plan. This appropriation is available until June 30, 2015.

\$100,000 in 2015 from the clean water fund is to investigate, in collaboration with the Board of Water and Soil Resources and the Pollution Control Agency, the feasibility of collecting and treating storm water in the North and East Metro Groundwater Management Area to enhance surface waters and groundwater recharge.

\$50,000 in 2015 from the clean water fund is to partner with the University of Minnesota's Minnesota Technical Assistance Program (MnTAP) to identify opportunities for industrial water users to reduce or reuse their water consumption within the North and East Metro Groundwater Management Area.

Sec. 6. **DEPARTMENT OF HEALTH**

\$ 300,000

\$300,000 in 2015 from the clean water fund is to collaborate with the Board of Water and Soil Resources and local units of government in the North and East Metro Groundwater Management Area, Bonanza Valley Groundwater Management Area, and Straight River Groundwater Management Area and to update wellhead protection areas within groundwater management areas, in cooperation with the Board of Water and Soil Resources, to meet the sustainability standards of Minnesota Statutes, chapter 103G, including Minnesota Statutes, section 103G.287, subdivision 5, and to be available for the requirements of Minnesota Statutes, chapter 103H. The update should identify the most critical areas that need protecting.

Sec. 7. **REPURPOSE OF 2011 APPROPRIATION.**

The remaining balance of the appropriation in Laws 2011, First Special Session chapter 6, article 2, section 6, paragraph (g), to the commissioner of natural resources for shoreland stewardship, TMDL implementation coordination, providing technical assistance, and maintaining and updating data may be used for stream flow and groundwater monitoring, including the installation of additional monitoring gauges, and monitoring necessary to determine the relationship between stream flow and groundwater, and is available until June 30, 2015.

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

Sec. 8. **CANCELLATION OF 2009 APPROPRIATION.**

The unspent balance of the appropriation to the commissioner of the Pollution Control Agency for grants under Minnesota Statutes, section 116.195, in Laws 2009, chapter 172, article 2, section 4, paragraph (c), as amended by Laws 2011, First Special Session chapter 6, article 2, section 23, is canceled.

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

Sec. 9. **STREAM GAUGE DATA.**

The commissioner of natural resources shall provide an easily accessible link to the Department of Natural Resources' and the Pollution Control Agency's cooperative stream gauging data, including lake level information for existing stations, including White Bear Lake and Turtle Lake, on the department's Web site.

ARTICLE 15

GENERAL EDUCATION

Section 1. Minnesota Statutes 2012, section 123A.05, subdivision 2, is amended to read:

Subd. 2. **Reserve revenue.** Each district that is a member of an area learning center or alternative learning program must reserve revenue in an amount equal to the sum of (1) at least 90 and no more than 100 percent of the district average general education revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times ~~0.485~~ .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending an area learning center or alternative learning program under this section, plus (2) the amount of basic skills revenue generated by pupils attending the area learning center or alternative learning program. The amount of reserved revenue under this subdivision may only be spent on program costs associated with the area learning center or alternative learning program.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 2. Minnesota Statutes 2013 Supplement, section 123B.75, subdivision 5, is amended to read:

Subd. 5. **Levy recognition.** For fiscal year ~~2011~~ 2014 and later years, in June of each year, the school district must recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the sum of May, June, and July school district tax settlement revenue received in that calendar year, plus general education aid according to section 126C.13, subdivision 4, received in July and August of that calendar year; or

(2) the sum of:

(i) ~~the greater of 48.6 percent of the referendum levy certified according to section 126C.17 in the prior calendar year, or 31 percent of the referendum levy certified according to section 126C.17 in calendar year 2000; plus~~

~~(ii) the entire amount of the levy certified in the prior calendar year according to section 124D.4531, 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 124D.862, for Special School District No. 1, Minneapolis, Independent School District No. 625, St. Paul, and Independent School District No. 709, Duluth; 126C.41, subdivisions 1, 2, paragraph (a), and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; and 126C.48, subdivision 6; plus~~

~~(iii) 48.6 percent of the amount of the levy certified in the prior calendar year for the school district's general and community service funds, plus or minus auditor's adjustments, that remains after subtracting the referendum levy certified according to section 126C.17 and the amount recognized according to item (ii).~~

Sec. 3. Minnesota Statutes 2012, section 124D.09, subdivision 9, is amended to read:

Subd. 9. **Enrollment priority.** (a) A postsecondary institution shall give priority to its postsecondary students when enrolling 10th, 11th, and 12th grade pupils in its courses. A postsecondary institution may provide information about its programs to a secondary school or to a pupil or parent and it may advertise or otherwise recruit or solicit a secondary pupil to enroll in its programs on educational and programmatic grounds only except, notwithstanding other law to the contrary, and for the 2014-2015 through 2019-2020 school years only, an eligible postsecondary institution may advertise or otherwise recruit or solicit a secondary pupil residing in a school district with 700 students or more in grades 10, 11, and 12, to enroll in its programs on educational, programmatic, or financial grounds. An institution must not enroll secondary pupils, for postsecondary enrollment options purposes, in remedial, developmental, or other courses that are not college level except when a student eligible to participate in the graduation incentives program under section 124D.68 enrolls full time in a middle or early college program specifically designed to allow the student to earn dual high school and college credit. In this case, the student shall receive developmental college credit and not college credit for completing remedial or developmental courses. Once a pupil has been enrolled in a any postsecondary course under this section, the pupil shall not be displaced by another student.

(b) If a postsecondary institution enrolls a secondary school pupil in a course under this section, the postsecondary institution also must enroll in the same course an otherwise enrolled and qualified postsecondary student who qualifies as a veteran under section 197.447, and demonstrates to the postsecondary institution's satisfaction that the institution's established enrollment timelines were not practicable for that student.

EFFECTIVE DATE. This section is effective July 1, 2014.

Sec. 4. Minnesota Statutes 2012, section 124D.09, subdivision 13, is amended to read:

Subd. 13. **Financial arrangements.** For a pupil enrolled in a course under this section, the department must make payments according to this subdivision for courses that were taken for secondary credit.

The department must not make payments to a school district or postsecondary institution for a course taken for postsecondary credit only. The department must not make payments to a postsecondary institution for a course from which a student officially withdraws during the first 14 days of the quarter or semester or who has been absent from the postsecondary institution for the first 15 consecutive school days of the quarter or semester and is not receiving instruction in the home or hospital.

A postsecondary institution shall receive the following:

(1) for an institution granting quarter credit, the reimbursement per credit hour shall be an amount equal to 88 percent of the product of the formula allowance minus ~~\$415~~ \$425, multiplied by ~~1.3~~ 1.2, and divided by 45; or

(2) for an institution granting semester credit, the reimbursement per credit hour shall be an amount equal to 88 percent of the product of the general revenue formula allowance minus ~~\$415~~ \$425, multiplied by ~~1.3~~ 1.2, and divided by 30.

The department must pay to each postsecondary institution 100 percent of the amount in clause (1) or (2) within 30 days of receiving initial enrollment information each quarter or semester. If changes in enrollment occur during a quarter or semester, the change shall be reported by the postsecondary institution at the time the enrollment information for the succeeding quarter or semester is submitted. At any time the department notifies a postsecondary institution that an overpayment has been made, the institution shall promptly remit the amount due.

EFFECTIVE DATE. This section is effective for fiscal year 2015 and later.

Sec. 5. Minnesota Statutes 2013 Supplement, section 124D.11, subdivision 1, is amended to read:

Subdivision 1. **General education revenue.** General education revenue must be paid to a charter school as though it were a district. The general education revenue for each adjusted pupil unit is the state average general education revenue per pupil unit, plus the referendum equalization aid allowance in the pupil's district of residence, minus an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times .0466, calculated without declining enrollment revenue, local optional revenue, basic skills revenue, extended time revenue, pension adjustment revenue, transition revenue, and transportation sparsity revenue, plus declining enrollment revenue, basic skills revenue, extended time revenue, pension adjustment revenue, and transition revenue as though the school were a school district. The general education revenue for each extended time pupil unit equals \$4,794.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 6. Minnesota Statutes 2012, section 124D.59, subdivision 2, is amended to read:

Subd. 2. **English learner.** (a) "English learner" means a pupil in kindergarten through grade 12 who meets the following requirements:

(1) the pupil, as declared by a parent or guardian first learned a language other than English, comes from a home where the language usually spoken is other than English, or usually speaks a language other than English; and

(2) the pupil is determined by a valid assessment measuring the pupil's English language proficiency and by developmentally appropriate measures, which might include observations, teacher judgment, parent recommendations, or developmentally appropriate assessment instruments, to lack the necessary English skills to participate fully in academic classes taught in English.

(b) ~~Notwithstanding paragraph (a),~~ A pupil enrolled in a Minnesota public school in grades any grade 4 through 12 who ~~was enrolled in a Minnesota public school on the dates during in the previous school year when a commissioner provided~~ took a commissioner-provided assessment that measures measuring the pupil's emerging academic English ~~was administered~~, shall not be counted as an English learner in calculating English learner pupil units under section 126C.05, subdivision 17, and shall not generate state English learner aid under section 124D.65, subdivision 5, ~~unless if~~ the pupil scored below the state cutoff score or is otherwise counted as a nonproficient participant on ~~an~~ the assessment measuring the pupil's emerging academic English ~~provided by the commissioner during the previous school year, or, in the judgment of the pupil's classroom teachers, consistent with section 124D.61, clause (1), the pupil is unable to demonstrate academic language proficiency in English, including oral academic language, sufficient to successfully and fully participate in the general core curriculum in the regular classroom.~~

(c) Notwithstanding paragraphs (a) and (b), a pupil in kindergarten through grade 12 shall not be counted as an English learner in calculating English learner pupil units under section 126C.05, subdivision 17, and shall not generate state English learner aid under section 124D.65, subdivision 5, if:

(1) the pupil is not enrolled during the current fiscal year in an educational program for English learners ~~in accordance with~~ under sections 124D.58 to 124D.64; or

(2) the pupil has generated ~~five~~ six or more years of average daily membership in Minnesota public schools since July 1, 1996.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 7. [124D.695] APPROVED RECOVERY PROGRAM FUNDING.

Subdivision 1. **Approved recovery program.** "Approved recovery program" means a course of instruction offered by a recovery school that provides academic services, assistance with recovery, and continuing care to students recovering from substance abuse or dependency. A recovery program may be offered in a transitional academic setting designed to meet graduation requirements. A recovery program must be approved by the commissioner of education. The commissioner may specify the manner and form of the application for the approval of a recovery school or recovery program.

Subd. 2. **Eligibility.** An approved recovery program is eligible for an annual recovery program grant of up to \$125,000 to pay for a portion of the costs of recovery program support staff under this section. "Recovery program support staff" means licensed alcohol and chemical dependency counselors, licensed school counselors, licensed school psychologists, licensed school nurses, and licensed school social workers.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 8. Minnesota Statutes 2013 Supplement, section 126C.05, subdivision 15, is amended to read:

Subd. 15. **Learning year pupil units.** (a) When a pupil is enrolled in a learning year program under section 124D.128, an area learning center or an alternative learning program approved by the commissioner under sections 123A.05 and 123A.06, or a contract alternative program under section 124D.68, subdivision 3, paragraph (d), or subdivision 4, for more than 1,020 hours in a school year for a secondary student, more than 935 hours in a school year for an elementary student, more than 850 hours in a school year for a kindergarten student without a disability in an all-day kindergarten program, or more than 425 hours in a school year for a half-day kindergarten student without a disability, that pupil may be counted as more than one pupil in average daily membership for purposes of section 126C.10, subdivision 2a. The amount in excess of one pupil must be determined by the ratio of the number of hours of instruction provided to that pupil in excess of: (i) the greater of 1,020 hours or the number of hours required for a full-time secondary pupil in the district to 1,020 for a secondary pupil; (ii) the greater of 935 hours or the number of hours required for a full-time elementary pupil in the district to 935 for an elementary pupil in grades 1 through 6; and (iii) the greater of ~~425~~ 850 hours or the number of hours required for a full-time kindergarten student without a disability in the district to ~~425~~ 850 for a kindergarten student without a disability; and (iv) ~~the greater of 425 hours or the number of hours required for a half-time kindergarten student without a disability in the district to 425 for a half-day kindergarten student without a disability.~~ Hours that occur after the close of the instructional year in June shall be attributable to the following fiscal year. A student in kindergarten or grades 1 through 12 must not be counted as more than 1.2 pupils in average daily membership under this subdivision.

(b)(i) To receive general education revenue for a pupil in an area learning center or alternative learning program that has an independent study component, a district must meet the requirements in this paragraph. The district must develop, for the pupil, a continual learning plan consistent with section 124D.128, subdivision 3. Each school district that has an area learning center or alternative learning program must reserve revenue in an amount equal to at least 90 and not more than 100 percent of the district average general education revenue per pupil unit, minus an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units generated by students attending an area learning center or alternative learning program. The amount of reserved revenue available under this subdivision may only be spent for program costs associated with the area learning center or alternative learning program. Basic skills revenue generated according to section 126C.10, subdivision 4, by pupils attending the eligible program must be allocated to the program.

(ii) General education revenue for a pupil in a state-approved alternative program without an independent study component must be prorated for a pupil participating for less than a full year, or its equivalent. The district must develop a continual learning plan for the pupil, consistent with section 124D.128, subdivision 3. Each school district that has an area learning center or alternative learning program must reserve revenue in an amount equal to at least 90 and not more than 100 percent of the district average general education revenue per pupil unit, minus an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units generated by students attending an area learning center or alternative learning program. The amount of reserved revenue available under this subdivision may only be

spent for program costs associated with the area learning center or alternative learning program. Basic skills revenue generated according to section 126C.10, subdivision 4, by pupils attending the eligible program must be allocated to the program.

(iii) General education revenue for a pupil in a state-approved alternative program that has an independent study component must be paid for each hour of teacher contact time and each hour of independent study time completed toward a credit or graduation standards necessary for graduation. Average daily membership for a pupil shall equal the number of hours of teacher contact time and independent study time divided by 1,020.

(iv) For a state-approved alternative program having an independent study component, the commissioner shall require a description of the courses in the program, the kinds of independent study involved, the expected learning outcomes of the courses, and the means of measuring student performance against the expected outcomes.

Sec. 9. Minnesota Statutes 2013 Supplement, section 126C.10, subdivision 2, is amended to read:

Subd. 2. **Basic revenue.** For fiscal year 2014, the basic revenue for each district equals the formula allowance times the adjusted marginal cost pupil units for the school year. For fiscal year 2015 and later, the basic revenue for each district equals the formula allowance times the adjusted pupil units for the school year. The formula allowance for fiscal year 2013 is \$5,224. The formula allowance for fiscal year 2014 is \$5,302. The formula allowance for fiscal year 2015 and later is ~~\$5,806~~ \$5,831.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 10. Minnesota Statutes 2013 Supplement, section 126C.10, subdivision 2a, is amended to read:

Subd. 2a. **Extended time revenue.** (a) A school district's extended time revenue for fiscal year 2014 is equal to the product of \$4,601 and the sum of the adjusted marginal cost pupil units of the district for each pupil in average daily membership in excess of 1.0 and less than 1.2 according to section 126C.05, subdivision 8. A school district's extended time revenue for fiscal year 2015 and later is equal to the product of \$5,017 and the sum of the adjusted pupil units of the district for each pupil in average daily membership in excess of 1.0 and less than 1.2 according to section 126C.05, subdivision 8.

(b) A school district's extended time revenue may be used for extended day programs, extended week programs, summer school, and other programming authorized under the learning year program.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to revenue for fiscal year 2014 and later.

Sec. 11. Minnesota Statutes 2013 Supplement, section 126C.10, subdivision 2c, is amended to read:

Subd. 2c. **Small schools revenue.** (a) A school district, not including a charter school, is eligible for small schools revenue equal to the greater of the calculation under paragraph (b) or (d).

(b) The product of:

- (1) \$544;
- (2) the district's adjusted pupil units for that year; and
- (3) the greater of zero or the ratio of (i) 960 less the district's adjusted pupil units for that year, to (ii) 960.

(c) For the purpose of revenue calculated under paragraph (d), "district" includes a qualifying high school under subdivision 6 that is located in a district with ~~more than one qualifying high school under subdivision 6~~ at least two high schools.

- (d) The product of:
- (1) \$544;
 - (2) the district's adjusted pupil units for that year; and
 - (3) the greater of zero or the ratio of (i) 960 less the district's adjusted pupil units for that year, to (ii) 960.

EFFECTIVE DATE. This section is effective for revenue in fiscal year 2015 and later.

Sec. 12. Minnesota Statutes 2013 Supplement, section 126C.10, subdivision 24, is amended to read:

Subd. 24. **Equity revenue.** (a) A school district qualifies for equity revenue if:

(1) the school district's adjusted pupil unit amount of basic revenue, transition revenue, and referendum revenue is less than the value of the school district at or immediately above the 95th percentile of school districts in its equity region for those revenue categories; and

(2) the school district's administrative offices are not located in a city of the first class on July 1, 1999.

(b) Equity revenue for a qualifying district that receives referendum revenue under section 126C.17, subdivision 4, equals the product of (1) the district's adjusted pupil units for that year; times (2) the sum of (i) \$14, plus (ii) \$80, times the school district's equity index computed under subdivision 27.

(c) Equity revenue for a qualifying district that does not receive referendum revenue under section 126C.17, subdivision 4, equals the product of the district's adjusted pupil units for that year times \$14.

(d) A school district's equity revenue is increased by the greater of zero or an amount equal to the district's resident adjusted pupil units times the difference between ten percent of the statewide average amount of referendum revenue per resident adjusted pupil unit for that year and the district's referendum revenue per resident adjusted pupil unit. A school district's revenue under this paragraph must not exceed \$100,000 for that year.

(e) A school district's equity revenue for a school district located in the metro equity region equals the amount computed in paragraphs (b), (c), and (d) multiplied by 1.25.

(f) A school district's additional equity revenue equals \$50 times its adjusted pupil units.

EFFECTIVE DATE. The changes in paragraph (d) are effective for revenue for fiscal year 2015 and later.

Sec. 13. Minnesota Statutes 2012, section 126C.10, subdivision 25, is amended to read:

Subd. 25. **Regional equity gap.** The regional equity gap equals the difference between the value of the school district at or immediately above the fifth percentile of adjusted general revenue per adjusted ~~marginal-cost~~ pupil unit and the value of the school district at or immediately above the 95th percentile of adjusted general revenue per adjusted ~~marginal-cost~~ pupil unit.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 14. Minnesota Statutes 2012, section 126C.10, subdivision 26, is amended to read:

Subd. 26. **District equity gap.** A district's equity gap equals the greater of zero or the difference between the district's adjusted general revenue and the value of the school district at or immediately above the regional 95th percentile of adjusted general revenue per adjusted ~~marginal-cost~~ pupil unit.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 15. Minnesota Statutes 2013 Supplement, section 126C.10, subdivision 31, is amended to read:

Subd. 31. **Transition revenue.** (a) A district's transition allowance equals the sum of the transition revenue the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.10, subdivisions 31, 31a, and 31c, and the greater of zero or the difference between:

(1) the sum of:

(i) the general education revenue the district would have received for fiscal year 2015 according to Minnesota Statutes 2012, section 126C.10;

(ii) the integration revenue the district received for fiscal year 2013 under Minnesota Statutes 2012, section 124D.86;

(iii) the pension adjustment the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 127A.50;

(iv) the special education aid the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 125A.76; and

(v) the special education excess cost aid the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 125A.79; and

(2) the sum of the district's:

(i) general education revenue for fiscal year 2015 excluding transition revenue under this section;

(ii) achievement and integration revenue for fiscal year 2015 under section 124D.862; ~~and~~

(iii) special education aid for fiscal year 2015 under section 125A.76; and

(iv) alternative teacher compensation revenue for fiscal year 2015 under section 122A.415,

divided by the number of adjusted pupil units for fiscal year 2015.

(b) A district's transition revenue for fiscal year 2015 and later equals the product of the district's transition allowance times the district's adjusted pupil units.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 16. Minnesota Statutes 2013 Supplement, section 126C.17, subdivision 6, is amended to read:

Subd. 6. **Referendum equalization levy.** (a) ~~For fiscal year 2003 and later,~~ A district's referendum equalization levy equals the sum of the first tier referendum equalization levy, the second tier referendum equalization levy, and the third tier referendum equalization levy.

(b) A district's first tier referendum equalization levy equals the district's first tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$880,000.

(c) A district's second tier referendum equalization levy equals the district's second tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$510,000.

(d) A district's third tier referendum equalization levy equals the district's third tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$290,000.

Sec. 17. Minnesota Statutes 2013 Supplement, section 126C.17, subdivision 7b, is amended to read:

Subd. 7b. **Referendum aid guarantee.** (a) Notwithstanding subdivision 7, the sum of a district's referendum equalization aid and location equity aid under section 126C.10, subdivision 2e, for fiscal year 2015 must not be less than the sum of the referendum equalization aid the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, subdivision 7, and the adjustment the district would have received under Minnesota Statutes 2012, section 127A.47, subdivision 7, paragraphs (a), (b), and (c).

(b) Notwithstanding subdivision 7, the sum of referendum equalization aid and location equity aid under section 126C.10, subdivision 2e, for fiscal year 2016 and later, for a district qualifying for additional aid under paragraph (a) for fiscal year 2015, must not be less than the product of (1) the district's referendum equalization aid for fiscal year 2015, times (2) the lesser of one or the ratio of the district's referendum revenue for that school year to the district's referendum revenue for fiscal year 2015, times (3) the lesser of one or the ratio of the district's referendum market value used for fiscal year 2015 referendum equalization calculations to the district's referendum market value used for that year's referendum equalization calculations.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 18. Minnesota Statutes 2013 Supplement, section 126C.17, subdivision 9, is amended to read:

Subd. 9. **Referendum revenue.** (a) The revenue authorized by section 126C.10, subdivision 1, may be increased in the amount approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the board. The referendum must be conducted one or two calendar years before the increased levy authority, if approved, first becomes payable.

Only one election to approve an increase may be held in a calendar year. Unless the referendum is conducted by mail under subdivision 11, paragraph (a), the referendum must be held on the first Tuesday after the first Monday in November. The ballot must state the maximum amount of the increased revenue per adjusted pupil unit. The ballot may state a schedule, determined by the board, of increased revenue per adjusted pupil unit that differs from year to year over the number of years for which the increased revenue is authorized or may state that the amount shall increase annually by the rate of inflation. For this purpose, the rate of inflation shall be the annual inflationary increase calculated under subdivision 2, paragraph (b). The ballot may state that existing referendum levy authority is expiring. In this case, the ballot may also compare the proposed levy authority to the existing expiring levy authority, and express the proposed increase as the amount, if any, over the expiring referendum levy authority. The ballot must designate the specific number of years, not to exceed ten, for which the referendum authorization applies. The ballot, including a ballot on the question to revoke or reduce the increased revenue amount under paragraph (c), must abbreviate the term "per adjusted pupil unit" as "per pupil." The notice required under section 275.60 may be modified to read, in cases of renewing existing levies at the same amount per pupil as in the previous year:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING TO EXTEND AN EXISTING PROPERTY TAX REFERENDUM THAT IS SCHEDULED TO EXPIRE."

The ballot may contain a textual portion with the information required in this subdivision and a question stating substantially the following:

"Shall the increase in the revenue proposed by (petition to) the board of, School District No. .., be approved?"

If approved, an amount equal to the approved revenue per adjusted pupil unit times the adjusted pupil units for the school year beginning in the year after the levy is certified shall be authorized for certification for the number of years approved, if applicable, or until revoked or reduced by the voters of the district at a subsequent referendum.

(b) The board must prepare and deliver by first class mail at least 15 days but no more than 30 days before the day of the referendum to each taxpayer a notice of the referendum and the proposed revenue increase. The board need not mail more than one notice to any taxpayer. For the purpose of giving mailed notice under this subdivision, owners must be those shown to be owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer. Every property owner whose name does not appear on the records of the county auditor or the county treasurer is deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice must project the anticipated amount of tax increase in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district.

The notice for a referendum may state that an existing referendum levy is expiring and project the anticipated amount of increase over the existing referendum levy in the first year, if any, in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the district.

The notice must include the following statement: "Passage of this referendum will result in an increase in your property taxes." However, in cases of renewing existing levies, the notice

may include the following statement: "Passage of this referendum extends an existing operating referendum at the same amount per pupil as in the previous year."

(c) A referendum on the question of revoking or reducing the increased revenue amount authorized pursuant to paragraph (a) may be called by the board. A referendum to revoke or reduce the revenue amount must state the amount per ~~resident marginal cost~~ adjusted pupil unit by which the authority is to be reduced. Revenue authority approved by the voters of the district pursuant to paragraph (a) must be available to the school district at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one revocation or reduction referendum may be held to revoke or reduce referendum revenue for any specific year and for years thereafter.

(d) The approval of 50 percent plus one of those voting on the question is required to pass a referendum authorized by this subdivision.

(e) At least 15 days before the day of the referendum, the district must submit a copy of the notice required under paragraph (b) to the commissioner and to the county auditor of each county in which the district is located. Within 15 days after the results of the referendum have been certified by the board, or in the case of a recount, the certification of the results of the recount by the canvassing board, the district must notify the commissioner of the results of the referendum.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 19. Minnesota Statutes 2013 Supplement, section 126C.17, subdivision 9a, is amended to read:

Subd. 9a. **Board-approved referendum allowance.** Notwithstanding subdivision 9, a school district may convert up to \$300 per adjusted pupil unit of referendum authority from voter approved to board approved by a board vote. A district with less than \$300 per adjusted pupil unit of referendum authority after the local optional revenue subtraction under subdivision 1 may authorize new referendum authority up to the difference between \$300 per adjusted pupil unit and the district's referendum authority. The board may authorize this levy for up to five years and may subsequently reauthorize that authority in increments of up to five years.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 20. Minnesota Statutes 2013 Supplement, section 126C.44, is amended to read:

126C.44 SAFE SCHOOLS LEVY.

(a) 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 \$36 multiplied by the district's adjusted pupil units for the school year. The proceeds of the levy must be reserved and 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;

(5) to pay the costs for other crime prevention, drug abuse, student and staff safety, voluntary opt-in suicide prevention tools, and violence prevention measures taken by the school district;

(6) to pay costs for licensed school counselors, licensed school nurses, licensed school social workers, licensed school psychologists, and licensed alcohol and chemical dependency counselors to help provide early responses to problems;

(7) to pay for facility security enhancements including laminated glass, public announcement systems, emergency communications devices, and equipment and facility modifications related to violence prevention and facility security;

(8) to pay for costs associated with improving the school climate; or

(9) to pay costs for colocating and collaborating with mental health professionals who are not district employees or contractors.

(b) For expenditures under paragraph (a), clause (1), 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.

(c) A school district that is a member of an intermediate school district may include in its authority under this section the costs associated with safe schools activities authorized under paragraph (a) for intermediate school district programs. This authority must not exceed ~~\$10~~ \$15 times the adjusted ~~marginal-cost~~ pupil units of the member districts. This authority is in addition to any other authority authorized under this section. Revenue raised under this paragraph must be transferred to the intermediate school district.

EFFECTIVE DATE. This section is effective for taxes payable in 2015 and later.

Sec. 21. Minnesota Statutes 2012, section 127A.45, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) "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) "Cumulative amount guaranteed" means the product of

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

(2) the sum of

(i) the current year aid payment percentage 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.

(c) "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.

(d) The current year aid payment percentage equals ~~73 in fiscal year 2010 and 70 in fiscal year 2011, and 60 in fiscal years 2012 and later~~ 90.

Sec. 22. Minnesota Statutes 2012, section 127A.45, subdivision 3, is amended to read:

Subd. 3. **Payment dates and percentages.** (a) The commissioner shall pay to a district on the dates indicated an amount computed as follows: the cumulative amount guaranteed minus the sum of (1) the district's other district receipts through the current payment, and (2) 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:	5.5
Payment 2	July 30:	8.0
Payment 3	August 15:	17.5
Payment 4	August 30:	20.0
Payment 5	September 15:	22.5
Payment 6	September 30:	25.0
Payment 7	October 15:	27.0
Payment 8	October 30:	30.0
Payment 9	November 15:	32.5
Payment 10	November 30:	36.5
Payment 11	December 15:	42.0
Payment 12	December 30:	45.0
Payment 13	January 15:	50.0
Payment 14	January 30:	54.0
Payment 15	February 15:	58.0
Payment 16	February 28:	63.0
Payment 17	March 15:	68.0
Payment 18	March 30:	74.0
Payment 19	April 15:	78.0
Payment 20	April 30:	85.0
Payment 21	May 15:	90.0

Payment 22	May 30:	95.0
Payment 23	June 20:	100.0

(b) In addition to the amounts paid under paragraph (a), the commissioner shall pay to a school district or charter school on the dates indicated an amount computed as follows:

Payment 3	August 15: the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392
Payment 4	August 30: 30 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits
Payment 6	September 30: 40 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits
Payment 8	October 30: 30 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits

(c) Notwithstanding paragraph (b), if the current year aid payment percentage under subdivision 2, paragraph (d), is less than 90, in addition to the amounts paid under paragraph (a), the commissioner shall pay to a charter school on the dates indicated an amount computed as follows:

Payment 1	July 15: 75 percent of the final adjustment for the prior fiscal year for all aid entitlements
Payment 8	October 30: 25 percent of the final adjustment for the prior fiscal year for all aid entitlements

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 23. Minnesota Statutes 2013 Supplement, section 127A.47, subdivision 7, is amended to read:

Subd. 7. **Alternative attendance programs.** (a) The general education aid and special education aid for districts must be adjusted for each pupil attending a nonresident district under sections 123A.05 to 123A.08, 124D.03, 124D.08, and 124D.68. The adjustments must be made according to this subdivision.

(b) For purposes of this subdivision, the "unreimbursed cost of providing special education and services" means the difference between: (1) the actual cost of providing special instruction and services, including special transportation and unreimbursed building lease and debt service costs for facilities used primarily for special education, for a pupil with a disability, as defined in section 125A.02, or a pupil, as defined in section 125A.51, who is enrolled in a program listed in this subdivision, minus (2) if the pupil receives special instruction and services outside the regular classroom for more than 60 percent of the school day, the amount of general education revenue and referendum equalization aid as defined in section 125A.11, subdivision 1, paragraph (c), attributable to that pupil for the portion of time the pupil receives special instruction and services outside of the regular classroom, excluding portions attributable to district and school administration, district support services, operations and maintenance, capital expenditures, and pupil transportation, minus (3) special education aid under section 125A.76 attributable to that pupil, that is received by the district providing special instruction and services. For purposes of this paragraph, general education

revenue and referendum equalization aid attributable to a pupil must be calculated using the serving district's average general education revenue and referendum equalization aid per adjusted pupil unit.

(c) For fiscal year 2015 and later, special education aid paid to a resident district must be reduced by an amount equal to 90 percent of the unreimbursed cost of providing special education and services.

(d) Notwithstanding paragraph (c), special education aid paid to a resident district must be reduced by an amount equal to 100 percent of the unreimbursed cost of special education and services provided to students at an intermediate district, cooperative, or charter school where the percent of students eligible for special education services is at least 70 percent of the charter school's total enrollment.

(e) Special education aid paid to the district or cooperative providing special instruction and services for the pupil, or to the fiscal agent district for a cooperative, must be increased by the amount of the reduction in the aid paid to the resident district under paragraphs (c) and (d). If the resident district's special education aid is insufficient to make the full adjustment, the remaining adjustment shall be made to other state aids due to the district.

(f) An area learning center operated by a service cooperative, intermediate district, education district, or a joint powers cooperative may elect through the action of the constituent boards to charge the resident district tuition for pupils rather than to have the general education revenue paid to a fiscal agent school district. Except as provided in paragraph (e), the district of residence must pay tuition equal to at least 90 and no more than 100 percent of the district average general education revenue per pupil unit minus an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times .0466, calculated without compensatory revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units for pupils attending the area learning center.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 24. Laws 2012, chapter 263, section 1, is amended to read:

Section 1. INNOVATIVE DELIVERY OF EDUCATION SERVICES AND SHARING OF DISTRICT RESOURCES; PILOT PROJECT.

Subdivision 1. **Establishment; requirements for participation.** (a) A five-year pilot project for the 2013-2014 through 2017-2018 school years is established to improve student and school outcomes by allowing groups of school districts to work together to provide innovative education programs and activities and share district resources. The pilot project may last until June 30, 2018, or for up to five years, whichever is less, except that innovation partnerships formed during the period of the pilot project may continue past June 30, 2018, with the agreement of the partnership members.

(b) To participate in this pilot project to improve student and school outcomes, a group of two or more school districts must collaborate with school staff and receive formal school board approval to form a partnership. The partnership must develop a plan to provide challenging programmatic options for students, create professional development opportunities for educators, increase student engagement and connection and challenging learning opportunities for students, or demonstrate efficiencies in delivering financial and other services. The plan must establish:

- (1) collaborative educational goals and objectives;
- (2) strategies and processes to implement those goals and objectives, including a budget process with periodic expenditure reviews;
- (3) valid and reliable measures to evaluate progress in realizing the goals and objectives;
- (4) an implementation timeline; and
- (5) other applicable conditions, regulations, responsibilities, duties, provisions, fee schedules, and legal considerations needed to fully implement the plan.

A partnership may invite additional districts to join the partnership during the pilot project term after notifying the commissioner.

(c) A partnership of interested districts must apply by February 1, ~~2013~~, of any year to the education commissioner in the form and manner the commissioner determines, consistent with this section. The application must contain the formal approval adopted by the school board in each district to participate in the plan.

(d) Notwithstanding other law to the contrary, a participating school district under this section continues to: receive revenue and maintain its taxation authority; be organized and governed by an elected school board with general powers under Minnesota Statutes, section 123B.02; and be subject to employment agreements under Minnesota Statutes, chapter 122A, and Minnesota Statutes, section 179A.20; and district employees continue to remain employees of the employing school district.

Subd. 2. **Commissioner's role.** Interested groups of school districts must submit a completed application to the commissioner by March 1, ~~2013~~, of any year in the form and manner determined by the commissioner. The education commissioner must convene an advisory panel composed of a teacher appointed by Education Minnesota, a school principal appointed by the Minnesota Association of Secondary School Principals, a school board member appointed by the Minnesota School Boards Association, and a school superintendent appointed by the Minnesota Association of School Administrators to advise the commissioner on applicants' qualifications to participate in this pilot project. The commissioner ~~must select between three and~~ may select up to six qualified applicants under subdivision 1 by April 1, ~~2013~~, of any year to participate in this pilot project, ensuring an equitable geographical distribution of project participants to the extent practicable. The commissioner must select only those applicants that fully comply with the requirements in subdivision 1. The commissioner must terminate a project participant that fails to effectively implement the goals and objectives contained in its application and according to its stated timeline.

Subd. 3. **Pilot project evaluation.** Participating school districts must submit pilot project data to the commissioner in the form and manner determined by the commissioner. The education commissioner must analyze participating districts' progress in realizing their educational goals and objectives to work together in providing innovative education programs and activities and sharing resources. The commissioner must include the analysis of best practices in a report to the legislative committees with jurisdiction over kindergarten through grade 12 education finance and policy on the efficacy of this pilot project. The commissioner ~~may~~ shall submit an interim project report ~~at any time~~ by February 1, 2016, and must submit a final report to the legislature by February 1, ~~2018~~ 2019, recommending whether or not to continue or expand the pilot project.

Sec. 25. Laws 2012, chapter 263, section 1, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective the day following final enactment and applies to the 2013-2014 through 2017-2018 school years.

Sec. 26. Laws 2013, chapter 116, article 1, section 58, subdivision 2, is amended to read:

Subd. 2. **General education aid.** For general education aid under Minnesota Statutes, section 126C.13, subdivision 4:

	6,051,766,000		
\$	<u>6,851,419,000</u>	.....	2014
	6,370,640,000		
\$	<u>6,464,199,000</u>	.....	2015

The 2014 appropriation includes ~~\$781,842,000~~ \$780,156,000 for 2013 and ~~\$5,269,924,000~~ \$6,071,263,000 for 2014.

The 2015 appropriation includes ~~\$823,040,000~~ \$589,095,000 for 2014 and ~~\$5,547,600,000~~ \$5,875,104,000 for 2015.

Sec. 27. Laws 2013, chapter 116, article 1, section 58, subdivision 6, is amended to read:

Subd. 6. **Nonpublic pupil education aid.** For nonpublic pupil education aid under Minnesota Statutes, sections 123B.40 to 123B.43 and 123B.87:

	15,582,000		
\$	<u>15,867,000</u>	.....	2014
	16,169,000		
\$	<u>16,132,000</u>	.....	2015

The 2014 appropriation includes ~~\$2,099,000~~ \$1,898,000 for 2013 and ~~\$13,483,000~~ \$13,969,000 for 2014.

The 2015 appropriation includes ~~\$2,122,000~~ \$1,552,000 for 2014 and ~~\$14,047,000~~ \$14,580,000 for 2015.

Sec. 28. Laws 2013, chapter 116, article 1, section 58, subdivision 7, is amended to read:

Subd. 7. **Nonpublic pupil transportation.** For nonpublic pupil transportation aid under Minnesota Statutes, section 123B.92, subdivision 9:

	18,565,000		
\$	<u>18,500,000</u>	.....	2014
	18,946,000		
\$	<u>17,710,000</u>	.....	2015

The 2014 appropriation includes ~~\$2,668,000~~ \$2,602,000 for 2013 and ~~\$15,897,000~~ \$15,898,000 for 2014.

The 2015 appropriation includes ~~\$2,502,000~~ \$1,766,000 for 2014 and ~~\$16,444,000~~ \$15,944,000 for 2015.

Sec. 29. **APPROPRIATIONS.**

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **Recovery program grants.** For recovery program grants under Minnesota Statutes, section 124D.695:

\$ 500,000 2015

Sec. 30. **REVISOR'S INSTRUCTION.**

In Minnesota Statutes, the revisor of statutes shall change the term "location equity" to "local optional."

Sec. 31. **REPEALER.**

The amendments to Minnesota Statutes, section 124D.09, subdivision 9, made by Laws 2014, chapter 272, article 3, section 32, if enacted, are repealed the day following final enactment.

ARTICLE 16

EDUCATION EXCELLENCE

Section 1. Minnesota Statutes 2012, section 13.43, subdivision 16, is amended to read:

Subd. 16. **School district or charter school disclosure of violence or inappropriate sexual contact.** The superintendent of a school district or the superintendent's designee, or a person having administrative control of a charter school, must release to a requesting school district or charter school private personnel data on a current or former employee related to acts of violence toward or sexual contact with a student, if:

(1) an investigation conducted by or on behalf of the school district or law enforcement affirmed the allegations in writing prior to release and the investigation resulted in the resignation of the subject of the data; or

(2) the employee resigned while a complaint or charge involving the allegations was pending, the allegations involved acts of sexual contact with a student, and the employer informed the employee in writing, before the employee resigned, that if the employee resigns while the complaint or charge is still pending, the employer must release private personnel data about the employee's alleged sexual contact with a student to a school district or charter school requesting the data after the employee applies for employment with that school district or charter school and the data remain classified as provided in chapter 13.

Data that are released under this subdivision must not include data on the student.

Sec. 2. Minnesota Statutes 2012, section 122A.40, subdivision 13, is amended to read:

Subd. 13. **Immediate discharge.** (a) Except as otherwise provided in paragraph (b), a board may discharge a continuing-contract teacher, effective immediately, upon any of the following grounds:

(1) immoral conduct, insubordination, or conviction of a felony;

(2) conduct unbecoming a teacher which requires the immediate removal of the teacher from classroom or other duties;

(3) failure without justifiable cause to teach without first securing the written release of the school board;

(4) gross inefficiency which the teacher has failed to correct after reasonable written notice;

(5) willful neglect of duty; or

(6) continuing physical or mental disability subsequent to a 12 months leave of absence and inability to qualify for reinstatement in accordance with subdivision 12.

For purposes of this paragraph, conduct unbecoming a teacher includes an unfair discriminatory practice described in section 363A.13.

Prior to discharging a teacher under this paragraph, the board must notify the teacher in writing and state its ground for the proposed discharge in reasonable detail. Within ten days after receipt of this notification the teacher may make a written request for a hearing before the board and it shall be granted before final action is taken. The board may suspend a teacher with pay pending the conclusion of the hearing and determination of the issues raised in the hearing after charges have been filed which constitute ground for discharge. If a teacher has been charged with a felony and the underlying conduct that is the subject of the felony charge is a ground for a proposed immediate discharge, the suspension pending the conclusion of the hearing and determination of the issues may be without pay. If a hearing under this paragraph is held, the board must reimburse the teacher for any salary or compensation withheld if the final decision of the board or the arbitrator does not result in a penalty to or suspension, termination, or discharge of the teacher.

(b) A board must discharge a continuing-contract teacher, effective immediately, upon receipt of notice under section 122A.20, subdivision 1, paragraph (b), that the teacher's license has been revoked due to a conviction for child abuse or sexual abuse.

(c) When a teacher is discharged under paragraph (b) or when the commissioner makes a final determination of child maltreatment involving a teacher under section 626.556, subdivision 11, the school principal or other person having administrative control of the school must include in the teacher's employment record the information contained in the record of the disciplinary action or the final maltreatment determination, consistent with the definition of public data under section 13.41, subdivision 5, and must provide the Board of Teaching and the licensing division at the department with the necessary and relevant information to enable the Board of Teaching and the department's licensing division to fulfill their statutory and administrative duties related to issuing, renewing, suspending, or revoking a teacher's license. Information received by the Board of Teaching or the licensing division at the department under this paragraph is governed by section 13.41 or other applicable law governing data of the receiving entity. In addition to the background check required under section 123B.03, a school board or other school hiring authority must contact the Board of Teaching and the department to determine whether the teacher's license has been suspended or revoked, consistent with the discharge and final maltreatment determinations identified in this paragraph. Unless restricted by federal or state data practices law or by the terms of a collective bargaining agreement, the responsible authority for a school district must disseminate to another school district private personnel data on a current or former teacher employee or contractor of the district, including the results of background investigations, if the requesting school district seeks the information because the subject of the data has applied for employment with the requesting school district.

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

Sec. 3. Minnesota Statutes 2012, section 122A.41, subdivision 6, is amended to read:

Subd. 6. **Grounds for discharge or demotion.** (a) Except as otherwise provided in paragraph (b), causes for the discharge or demotion of a teacher either during or after the probationary period must be:

- (1) immoral character, conduct unbecoming a teacher, or insubordination;
- (2) failure without justifiable cause to teach without first securing the written release of the school board having the care, management, or control of the school in which the teacher is employed;
- (3) inefficiency in teaching or in the management of a school, consistent with subdivision 5, paragraph (b);
- (4) affliction with active tuberculosis or other communicable disease must be considered as cause for removal or suspension while the teacher is suffering from such disability; or
- (5) discontinuance of position or lack of pupils.

For purposes of this paragraph, conduct unbecoming a teacher includes an unfair discriminatory practice described in section 363A.13.

(b) A probationary or continuing-contract teacher must be discharged immediately upon receipt of notice under section 122A.20, subdivision 1, paragraph (b), that the teacher's license has been revoked due to a conviction for child abuse or sexual abuse.

(c) When a teacher is discharged under paragraph (b) or when the commissioner makes a final determination of child maltreatment involving a teacher under section 626.556, subdivision 11, the school principal or other person having administrative control of the school must include in the teacher's employment record the information contained in the record of the disciplinary action or the final maltreatment determination, consistent with the definition of public data under section 13.41, subdivision 5, and must provide the Board of Teaching and the licensing division at the department with the necessary and relevant information to enable the Board of Teaching and the department's licensing division to fulfill their statutory and administrative duties related to issuing, renewing, suspending, or revoking a teacher's license. Information received by the Board of Teaching or the licensing division at the department under this paragraph is governed by section 13.41 or other applicable law governing data of the receiving entity. In addition to the background check required under section 123B.03, a school board or other school hiring authority must contact the Board of Teaching and the department to determine whether the teacher's license has been suspended or revoked, consistent with the discharge and final maltreatment determinations identified in this paragraph. Unless restricted by federal or state data practices law or by the terms of a collective bargaining agreement, the responsible authority for a school district must disseminate to another school district private personnel data on a current or former teacher employee or contractor of the district, including the results of background investigations, if the requesting school district seeks the information because the subject of the data has applied for employment with the requesting school district.

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

Sec. 4. Minnesota Statutes 2012, section 122A.414, subdivision 2, as amended by Laws 2014, chapter 272, article 3, section 17, if enacted, is amended to read:

Subd. 2. **Alternative teacher professional pay system.** (a) To participate in this program, a school district, intermediate school district, school site, or charter school must have an educational improvement plan under section 122A.413 and an alternative teacher professional pay system agreement under paragraph (b). A charter school participant also must comply with subdivision 2a.

(b) The alternative teacher professional pay system agreement must:

(1) describe how teachers can achieve career advancement and additional compensation;

(2) describe how the school district, intermediate school district, school site, or charter school will provide teachers with career advancement options that allow teachers to retain primary roles in student instruction and facilitate site-focused professional development that helps other teachers improve their skills;

(3) reform the "steps and lanes" salary schedule, prevent any teacher's compensation paid before implementing the pay system from being reduced as a result of participating in this system, base at least 60 percent of any compensation increase on teacher performance using:

(i) schoolwide student achievement gains under section 120B.35 or locally selected standardized assessment outcomes, or both;

(ii) measures of student growth and literacy that may include value-added models or student learning goals, consistent with section 122A.40, subdivision 8, clause (9), or 122A.41, subdivision 5, clause (9), and other measures that include the academic literacy, oral academic language, and achievement of English learners under section 122A.40, subdivision 8, clause (10), or 122A.41, subdivision 5, clause (10); and

(iii) an objective evaluation program under section 122A.40, subdivision 8, paragraph (b), clause (2), or 122A.41, subdivision 5, paragraph (b), clause (2);

(4) provide for participation in job-embedded learning opportunities such as professional learning communities to improve instructional skills and learning that are aligned with student needs under section 122A.413, consistent with the staff development plan under section 122A.60 and led during the school day by trained teacher leaders such as master or mentor teachers;

(5) allow any teacher in a participating school district, intermediate school district, school site, or charter school that implements an alternative pay system to participate in that system without any quota or other limit; and

(6) encourage collaboration rather than competition among teachers.

EFFECTIVE DATE. The amendments made by this section are effective for agreements approved after August 1, 2015.

Sec. 5. Minnesota Statutes 2012, section 122A.415, subdivision 1, is amended to read:

Subdivision 1. **Revenue amount.** (a) A school district, intermediate school district, school site, or charter school that meets the conditions of section 122A.414 and submits an application approved by the commissioner is eligible for alternative teacher compensation revenue.

(b) For school district and intermediate school district applications, the commissioner must consider only those applications to participate that are submitted jointly by a district and the

exclusive representative of the teachers. The application must contain an alternative teacher professional pay system agreement that:

(1) implements an alternative teacher professional pay system consistent with section 122A.414; and

(2) is negotiated and adopted according to the Public Employment Labor Relations Act under chapter 179A, except that notwithstanding section 179A.20, subdivision 3, a district may enter into a contract for a term of two or four years.

Alternative teacher compensation revenue for a qualifying school district or site in which the school board and the exclusive representative of the teachers agree to place teachers in the district or at the site on the alternative teacher professional pay system equals \$260 times the number of pupils enrolled at the district or site on October 1 of the previous fiscal year. Alternative teacher compensation revenue for a qualifying intermediate school district must be calculated under ~~section 126C.10, subdivision 34~~ subdivision 4, paragraphs (a) and (b).

(c) For a newly combined or consolidated district, the revenue shall be computed using the sum of pupils enrolled on October 1 of the previous year in the districts entering into the combination or consolidation. The commissioner may adjust the revenue computed for a site using prior year data to reflect changes attributable to school closings, school openings, or grade level reconfigurations between the prior year and the current year.

(d) The revenue is available only to school districts, intermediate school districts, school sites, and charter schools that fully implement an alternative teacher professional pay system by October 1 of the current school year.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 6. Minnesota Statutes 2013 Supplement, section 124D.862, subdivision 1, is amended to read:

Subdivision 1. **Initial achievement and integration revenue.** (a) An eligible district's initial achievement and integration revenue equals the lesser of 100.3 percent of the district's expenditures under the budget approved by the commissioner under section 124D.861, subdivision 3, paragraph (c), excluding expenditures used to generate incentive revenue under subdivision 2, or the sum of (1) \$350 times the district's adjusted pupil units for that year times the ratio of the district's enrollment of protected students for the previous school year to total enrollment for the previous school year and (2) the greater of zero or 66 percent of the difference between the district's integration revenue for fiscal year 2013 and the district's integration revenue for fiscal year 2014 under clause (1).

(b) In each year, 0.3 percent of each district's initial achievement and integration revenue is transferred to the department for the oversight and accountability activities required under this section and section 124D.861.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to revenue for fiscal year 2014 and later.

Sec. 7. Minnesota Statutes 2013 Supplement, section 124D.862, subdivision 2, is amended to read:

Subd. 2. **Incentive revenue.** An eligible school district's maximum incentive revenue equals \$10 per adjusted pupil unit. ~~In order to receive this revenue, a district must be~~ A district's incentive revenue equals the lesser of the maximum incentive revenue or the district's expenditures for implementing a voluntary plan to reduce racial and economic enrollment disparities through intradistrict and interdistrict activities that have been approved as a part of the district's achievement and integration plan under the budget approved by the commissioner under section 124D.861, subdivision 3, paragraph (c).

EFFECTIVE DATE. This section is effective the day following final enactment and applies to revenue for fiscal year 2014 and later.

Sec. 8. Laws 2013, chapter 116, article 3, section 37, subdivision 8, is amended to read:

Subd. 8. **Tribal contract schools.** For tribal contract school aid under Minnesota Statutes, section 124D.83:

	2,080,000		
\$	<u>2,044,000</u>	.....	2014
	2,230,000		
\$	<u>2,161,000</u>	.....	2015

The 2014 appropriation includes ~~\$266,000~~ \$166,000 for 2013 and ~~\$1,814,000~~ \$1,878,000 for 2014.

The 2015 appropriation includes ~~\$285,000~~ \$208,000 for 2014 and ~~\$1,945,000~~ \$1,953,000 for 2015.

Sec. 9. Laws 2013, chapter 116, article 3, section 37, subdivision 15, is amended to read:

Subd. 15. **Early childhood literacy programs.** For early childhood literacy programs under Minnesota Statutes, section 119A.50, subdivision 3:

\$	4,125,000	.....	2014
	4,125,000		
\$	<u>5,125,000</u>	.....	2015

Up to \$4,125,000 ~~each~~ in the first year and \$5,125,000 in the second year is for leveraging federal and private funding to support AmeriCorps members serving in the Minnesota Reading Corps program established by ServeMinnesota, including costs associated with the training and teaching of early literacy skills to children age three to grade 3 and the evaluation of the impact of the program under Minnesota Statutes, sections 124D.38, subdivision 2, and 124D.42, subdivision 6. Up to \$1,000,000 in fiscal year 2015 must be used to support priority and focus schools as defined by the Department of Education and to expand kindergarten programming.

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

The base for fiscal year 2016 and later is \$4,375,000.

Sec. 10. Laws 2013, chapter 116, article 3, section 37, subdivision 18, is amended to read:

Subd. 18. **School Climate Safety Technical Assistance Center.** For the School Climate Safety Technical Assistance Center under Minnesota Statutes, section 127A.052:

\$	500,000	.....	2014
\$	500,000	.....	2015

Sec. 11. BETTER ALIGNING MINNESOTA'S ALTERNATIVE TEACHER PROFESSIONAL PAY SYSTEM AND TEACHER DEVELOPMENT AND EVALUATION PROGRAM.

To better align Minnesota's alternative teacher professional pay system under Minnesota Statutes, sections 122A.413 to 122A.416, and Minnesota's teacher development and evaluation program under Minnesota Statutes, sections 122A.40, subdivision 8, and 122A.41, subdivision 5, and effect and fund an improved alignment of this system and program, the commissioner of education must consult with stakeholders, including, but not limited to, representatives of the Minnesota Association of School Administrators, the Minnesota Association of Secondary School Principals, the Minnesota Elementary School Principals' Association, Education Minnesota, Schools for Equity in Education, the Minnesota Business Partnership, the Minnesota Chamber of Commerce, the Minnesota School Boards Association, the Department of Education, the College of Education and Human Development at the University of Minnesota, the Minnesota Association of the Colleges for Teacher Education, licensed elementary and secondary school teachers employed in school districts with an alternative teacher professional pay system agreement and licensed elementary and secondary school teachers employed in school districts without an alternative teacher professional pay system agreement, where one or more of these teachers may be a master teacher, peer evaluator, in another teacher leader position, or national board certified teacher, a teacher or school administrator employed in a Minnesota charter school with an alternative teacher professional pay system agreement and a teacher or school administrator employed in a Minnesota charter school without an alternative teacher professional pay system agreement, a parent or guardian of a student currently enrolled in a Minnesota public school, the Association of Metropolitan School Districts, and the Minnesota Rural Education Association. The commissioner also must consult with members of the house of representatives and members of the senate.

The commissioner, by February 1, 2015, must submit to the education policy and finance committees of the legislature written recommendations on better aligning and financing the alternative teacher professional pay system and teacher development and evaluation program.

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

Sec. 12. CAREER AND TECHNICAL EDUCATION PROGRAM INVENTORY.

(a) The commissioner of education must consult with experts knowledgeable about secondary and postsecondary career and technical education programs to determine the content and status of particular career and technical education programs in Minnesota school districts, including cooperating districts under Minnesota Statutes, 123A.33, subdivision 2, integration districts, and postsecondary institutions partnering with school districts or offering courses through PSEO or career and technical programs and the rates of student participation and completion for these various programs, including: agriculture, food, and natural resources; architecture and construction; arts, audiovisual technology, and communications; business management and administration; computer science; family and consumer science; finance; health science; hospitality and tourism; human services; information technology; manufacturing; marketing; science, technology, engineering, and mathematics; and transportation, distribution, and logistics.

(b) To accomplish paragraph (a) and to understand the current role of local school districts and postsecondary institutions in providing career and technical education programs, the commissioner of education, in consultation with experts, also must examine the extent to which secondary and postsecondary education programs offer students a progression of coordinated, nonduplicative courses that adequately prepare students to successfully complete a career and technical education program.

(c) The commissioner of education must submit a report by February 1, 2015, to the education policy and finance committees of the legislature, consistent with this section, and include information about each district's dedicated equipment, resources, and relationships with postsecondary institutions and the local business community.

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

Sec. 13. INFORMATION TECHNOLOGY CERTIFICATION PARTNERSHIPS; REQUEST FOR PROPOSAL; PROGRAM REQUIREMENTS.

(a) The commissioner shall contract with at least one provider to provide information technology education opportunities to students in grades 9 through 12. This partnership must allow participating students and teachers to secure broad-based information technology certifications.

(b) The commissioner shall issue a competitive request for proposals, award the contract, and make available, through participating school districts, charter schools, and intermediate districts, instruction on information technology skills and competencies that are essential for career and college readiness. The request for proposals shall at least include the following components:

- (1) a research-based curriculum;
- (2) online access to the curriculum;
- (3) instructional software for classroom and student use;
- (4) certification of skills and competencies in a broad array of information technology-related skill areas;
- (5) professional development for teachers; and
- (6) deployment and program support, including, but not limited to, integration with academic standards under Minnesota Statutes, section 120B.021 or 120B.022.

(c) If the contract awarded under this section does not allow for the service to be delivered in every eligible school, the commissioner shall make the contracted service available on a first-come, first-served basis to an equal number of schools in each of the regions represented by a regional development commission under Minnesota Statutes, section 462.387, and in the region consisting of counties not represented by a regional development commission. If participating schools in any region do not exhaust the services allocated to that region, the commissioner may reallocate unused services to other regions.

Sec. 14. LEGISLATIVE REPORT ON K-12 STUDENTS' EXPERIENCE WITH PHYSICAL EDUCATION.

(a) The commissioner of education must prepare and submit to the education policy and finance committees of the legislature by January 15, 2015, a written report on K-12 students' experience with

physical education, consistent with this section. Among other physical education-related issues, the report must include:

(1) the number of minutes per day and frequency per week students in each grade level, kindergarten through grade 8, receive physical education, identify the requirements in high school physical education in terms of semesters, trimesters, quarters, or school years;

(2) the measures and data used to assess students' level of fitness and the uses made of the fitness data;

(3) the educational preparation of physical education instructors and the proportion of time certified physical education teachers provide physical education instruction;

(4) the amount of time and number of days per week each grade level, kindergarten through grade 6, receives recess;

(5) whether high school students are allowed to substitute other activities for required physical education, and, if so, which activities qualify;

(6) identify the number or percentage of high school students who earn required physical education credits online;

(7) whether schools offer before or after school physical activities opportunities in each grade level, kindergarten through grade 8, and in high school, and, if so, what are the opportunities; and

(8) the extent to which schools coordinate with developmentally adaptive physical education specialists when needed.

(b) Any costs of preparing this report must be paid for out of the Department of Education's current operating budget.

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

Sec. 15. TEACHER DEVELOPMENT AND EVALUATION REVENUE.

(a) For fiscal year 2015 only, teacher development and evaluation revenue for a school district, intermediate school district, or charter school that does not have an alternative professional pay system agreement under Minnesota Statutes, section 122A.414, subdivision 2, equals \$302 times the number of full-time equivalent teachers employed on October 1 of the previous school year. Revenue under this section must be reserved for teacher development and evaluation activities consistent with Minnesota Statutes, section 122A.40, subdivision 8, or Minnesota Statutes, section 122A.41, subdivision 5. For the purposes of this section, "teacher" has the meaning given it in Minnesota Statutes, section 122A.40, subdivision 1, or Minnesota Statutes, section 122A.41, subdivision 1.

(b) Notwithstanding paragraph (a), the state total teacher development and evaluation revenue entitlement must not exceed \$10,000,000 for fiscal year 2015. The commissioner must limit the amount of revenue under this section so as not to exceed this limit.

Sec. 16. APPROPRIATIONS.

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **Career and technical program inventory.** For the career and technical program inventory program under section 12:

\$ 100,000 2015

This is a onetime appropriation.

Subd. 3. **Teacher Professional Pay System and Teacher Evaluation Program alignment.** For the alignment and reporting activities under section 11:

\$ 25,000 2015

This is a onetime appropriation.

Subd. 4. **Northwestern Online College in the High School program.** For the Northwestern Online College in the High School program:

\$ 160,000 2015

The base for fiscal year 2016 and later is \$0.

Subd. 5. **Information technology certification partnership.** For an information technology certification partnership.

\$ 300,000 2015

The base for 2016 and later is \$0.

Subd. 6. **Legislative report on K-12 students' experience with physical education.** For the preparation of the legislative report on K-12 students' experience with physical education.

\$ 25,000 2015

The base for fiscal year 2016 and later is \$0.

Subd. 7. **Teacher development and evaluation.** For teacher development and evaluation revenue.

\$ 9,000,000 2015

The 2015 appropriation includes \$0 for 2014 and \$9,000,000 for 2015. This is a onetime appropriation and is available until expended.

Sec. 17. **REPEALER.**

The amendments to Minnesota Statutes, section 122A.414, subdivision 2, made by Laws 2014, chapter 272, article 1, section 22, if enacted, are repealed the day following final enactment.

ARTICLE 17**SPECIAL EDUCATION**

Section 1. Minnesota Statutes 2013 Supplement, section 125A.0942, is amended to read:

125A.0942 STANDARDS FOR RESTRICTIVE PROCEDURES.

Subdivision 1. **Restrictive procedures plan.** (a) Schools that intend to use restrictive procedures shall maintain and make publicly accessible in an electronic format on a school or district Web site or make a paper copy available upon request describing a restrictive procedures plan for children with disabilities that at least:

- (1) lists the restrictive procedures the school intends to use;
- (2) describes how the school will implement a range of positive behavior strategies and provide links to mental health services;
- (3) describes how the school will provide training on de-escalation techniques, consistent with section 122A.09, subdivision 4, paragraph (k);

(4) describes how the school will monitor and review the use of restrictive procedures, including:

- (i) conducting post-use debriefings, consistent with subdivision 3, paragraph (a), clause (5); and
 - (ii) convening an oversight committee to undertake a quarterly review of the use of restrictive procedures based on patterns or problems indicated by similarities in the time of day, day of the week, duration of the use of a procedure, the individuals involved, or other factors associated with the use of restrictive procedures; the number of times a restrictive procedure is used schoolwide and for individual children; the number and types of injuries, if any, resulting from the use of restrictive procedures; whether restrictive procedures are used in nonemergency situations; the need for additional staff training; and proposed actions to minimize the use of restrictive procedures; and
- ~~(4)~~ (5) includes a written description and documentation of the training staff completed under subdivision 5.

(b) Schools annually must publicly identify oversight committee members who must at least include:

- (1) a mental health professional, school psychologist, or school social worker;
- (2) an expert in positive behavior strategies;
- (3) a special education administrator; and
- (4) a general education administrator.

Subd. 2. **Restrictive procedures.** (a) Restrictive procedures may be used only by a licensed special education teacher, school social worker, school psychologist, behavior analyst certified by the National Behavior Analyst Certification Board, a person with a master's degree in behavior analysis, other licensed education professional, paraprofessional under section 120B.363, or mental health professional under section 245.4871, subdivision 27, who has completed the training program under subdivision 5.

(b) A school shall make reasonable efforts to notify the parent on the same day a restrictive procedure is used on the child, or if the school is unable to provide same-day notice, notice is sent within two days by written or electronic means or as otherwise indicated by the child's parent under paragraph (d) (f).

(c) The district must hold a meeting of the individualized education program team, conduct or review a functional behavioral analysis, review data, consider developing additional or revised positive behavioral interventions and supports, consider actions to reduce the use of restrictive procedures, and modify the individualized education program or behavior intervention plan as appropriate. The district must hold the meeting: within ten calendar days after district staff use restrictive procedures on two separate school days within 30 calendar days or a pattern of use emerges and the child's individualized education program or behavior intervention plan does not provide for using restrictive procedures in an emergency; or at the request of a parent or the district after restrictive procedures are used. The district must review use of restrictive procedures at a child's annual individualized education program meeting when the child's individualized education program provides for using restrictive procedures in an emergency.

(d) If the individualized education program team under paragraph (c) determines that existing interventions and supports are ineffective in reducing the use of restrictive procedures or the district uses restrictive procedures on a child on ten or more school days during the same school year, the team, as appropriate, either must consult with other professionals working with the child; consult with experts in behavior analysis, mental health, communication, or autism; consult with culturally competent professionals; review existing evaluations, resources, and successful strategies; or consider whether to reevaluate the child.

(e) At the individualized education program meeting under paragraph (c), the team must review any known medical or psychological limitations, including any medical information the parent provides voluntarily, that contraindicate the use of a restrictive procedure, consider whether to prohibit that restrictive procedure, and document any prohibition in the individualized education program or behavior intervention plan.

(f) An individualized education program team may plan for using restrictive procedures and may include these procedures in a child's individualized education program or behavior intervention plan; however, the restrictive procedures may be used only in response to behavior that constitutes an emergency, consistent with this section. The individualized education program or behavior intervention plan shall indicate how the parent wants to be notified when a restrictive procedure is used.

Subd. 3. **Physical holding or seclusion.** (a) Physical holding or seclusion may be used only in an emergency. A school that uses physical holding or seclusion shall meet the following requirements:

- (1) physical holding or seclusion is the least intrusive intervention that effectively responds to the emergency;
- (2) physical holding or seclusion is not used to discipline a noncompliant child;
- (3) physical holding or seclusion ends when the threat of harm ends and the staff determines the child can safely return to the classroom or activity;
- (4) staff directly observes the child while physical holding or seclusion is being used;

(5) each time physical holding or seclusion is used, the staff person who implements or oversees the physical holding or seclusion documents, as soon as possible after the incident concludes, the following information:

(i) a description of the incident that led to the physical holding or seclusion;

(ii) why a less restrictive measure failed or was determined by staff to be inappropriate or impractical;

(iii) the time the physical holding or seclusion began and the time the child was released; and

(iv) a brief record of the child's behavioral and physical status;

(6) the room used for seclusion must:

(i) be at least six feet by five feet;

(ii) be well lit, well ventilated, adequately heated, and clean;

(iii) have a window that allows staff to directly observe a child in seclusion;

(iv) have tamperproof fixtures, electrical switches located immediately outside the door, and secure ceilings;

(v) have doors that open out and are unlocked, locked with keyless locks that have immediate release mechanisms, or locked with locks that have immediate release mechanisms connected with a fire and emergency system; and

(vi) not contain objects that a child may use to injure the child or others;

(7) before using a room for seclusion, a school must:

(i) receive written notice from local authorities that the room and the locking mechanisms comply with applicable building, fire, and safety codes; and

(ii) register the room with the commissioner, who may view that room; and

(8) until August 1, 2015, a school district may use prone restraints with children age five or older if:

(i) the district has provided to the department a list of staff who have had specific training on the use of prone restraints;

(ii) the district provides information on the type of training that was provided and by whom;

(iii) only staff who received specific training use prone restraints;

(iv) each incident of the use of prone restraints is reported to the department within five working days on a form provided by the department; and

(v) the district, before using prone restraints, must review any known medical or psychological limitations that contraindicate the use of prone restraints.

The department must collect data on districts' use of prone restraints and publish the data in a readily accessible format on the department's Web site on a quarterly basis.

(b) By ~~March 1, 2014~~ February 1, 2015, and annually thereafter, stakeholders must recommend to the commissioner specific and measurable implementation and outcome goals for reducing the use of restrictive procedures and the commissioner must submit to the legislature a report on districts' progress in reducing the use of restrictive procedures that recommends how to further reduce these procedures and eliminate the use of prone restraints. The statewide plan includes the following components: measurable goals; the resources, training, technical assistance, mental health services, and collaborative efforts needed to significantly reduce districts' use of prone restraints; and recommendations to clarify and improve the law governing districts' use of restrictive procedures. The commissioner must consult with interested stakeholders when preparing the report, including representatives of advocacy organizations, special education directors, teachers, paraprofessionals, intermediate school districts, school boards, day treatment providers, county social services, state human services department staff, mental health professionals, and autism experts. By June 30 each year, districts must report summary data on their use of restrictive procedures to the department, in a form and manner determined by the commissioner. The summary data must include information about the use of restrictive procedures, including use of reasonable force under section 121A.582.

Subd. 4. **Prohibitions.** The following actions or procedures are prohibited:

- (1) engaging in conduct prohibited under section 121A.58;
- (2) requiring a child to assume and maintain a specified physical position, activity, or posture that induces physical pain;
- (3) totally or partially restricting a child's senses as punishment;
- (4) presenting an intense sound, light, or other sensory stimuli using smell, taste, substance, or spray as punishment;
- (5) denying or restricting a child's access to equipment and devices such as walkers, wheelchairs, hearing aids, and communication boards that facilitate the child's functioning, except when temporarily removing the equipment or device is needed to prevent injury to the child or others or serious damage to the equipment or device, in which case the equipment or device shall be returned to the child as soon as possible;
- (6) interacting with a child in a manner that constitutes sexual abuse, neglect, or physical abuse under section 626.556;
- (7) withholding regularly scheduled meals or water;
- (8) denying access to bathroom facilities; and
- (9) physical holding that restricts or impairs a child's ability to breathe, restricts or impairs a child's ability to communicate distress, places pressure or weight on a child's head, throat, neck, chest, lungs, sternum, diaphragm, back, or abdomen, or results in straddling a child's torso.

Subd. 5. **Training for staff.** (a) To meet the requirements of subdivision 1, staff who use restrictive procedures, including paraprofessionals, shall complete training in the following skills and knowledge areas:

- (1) positive behavioral interventions;
- (2) communicative intent of behaviors;

- (3) relationship building;
- (4) alternatives to restrictive procedures, including techniques to identify events and environmental factors that may escalate behavior;
- (5) de-escalation methods;
- (6) standards for using restrictive procedures only in an emergency;
- (7) obtaining emergency medical assistance;
- (8) the physiological and psychological impact of physical holding and seclusion;
- (9) monitoring and responding to a child's physical signs of distress when physical holding is being used;
- (10) recognizing the symptoms of and interventions that may cause positional asphyxia when physical holding is used;
- (11) district policies and procedures for timely reporting and documenting each incident involving use of a restricted procedure; and
- (12) schoolwide programs on positive behavior strategies.

(b) The commissioner, after consulting with the commissioner of human services, must develop and maintain a list of training programs that satisfy the requirements of paragraph (a). The commissioner also must develop and maintain a list of experts to help individualized education program teams reduce the use of restrictive procedures. The district shall maintain records of staff who have been trained and the organization or professional that conducted the training. The district may collaborate with children's community mental health providers to coordinate trainings.

Subd. 6. Behavior supports; reasonable force. (a) School districts are encouraged to establish effective schoolwide systems of positive behavior interventions and supports.

(b) Nothing in this section or section 125A.0941 precludes the use of reasonable force under sections 121A.582; 609.06, subdivision 1; and 609.379. For the 2014-2015 school year and later, districts must collect and submit to the commissioner summary data, consistent with subdivision 3, paragraph (b), on district use of reasonable force that is consistent with the definition of physical holding or seclusion for a child with a disability under this section.

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

Sec. 2. Minnesota Statutes 2013 Supplement, section 125A.11, subdivision 1, is amended to read:

Subdivision 1. **Nonresident tuition rate; other costs.** (a) For fiscal year 2015 and later, when a school district provides special instruction and services for a pupil with a disability as defined in section 125A.02 outside the district of residence, excluding a pupil for whom an adjustment to special education aid is calculated according to section 127A.47, subdivision 7, paragraphs (b) to (d), special education aid paid to the resident district must be reduced by an amount equal to (1) the actual cost of providing special instruction and services to the pupil, including a proportionate amount for special transportation and unreimbursed building lease and debt service costs for facilities used primarily for special education, plus (2) the amount of general education revenue and referendum equalization aid attributable to that pupil, calculated using the resident

district's average general education revenue and referendum equalization aid per adjusted pupil unit excluding basic skills revenue, elementary sparsity revenue and secondary sparsity revenue, minus (3) the amount of special education aid for children with a disability under section 125A.76 received on behalf of that child, minus (4) if the pupil receives special instruction and services outside the regular classroom for more than 60 percent of the school day, the amount of general education revenue and referendum equalization aid, excluding portions attributable to district and school administration, district support services, operations and maintenance, capital expenditures, and pupil transportation, attributable to that pupil for the portion of time the pupil receives special instruction and services outside of the regular classroom, calculated using the resident district's average general education revenue and referendum equalization aid per adjusted pupil unit excluding basic skills revenue, elementary sparsity revenue and secondary sparsity revenue and the serving district's basic skills revenue, elementary sparsity revenue and secondary sparsity revenue per adjusted pupil unit. Notwithstanding clauses (1) and (4), for pupils served by a cooperative unit without a fiscal agent school district, the general education revenue and referendum equalization aid attributable to a pupil must be calculated using the resident district's average general education revenue and referendum equalization aid excluding compensatory revenue, elementary sparsity revenue, and secondary sparsity revenue. Special education aid paid to the district or cooperative providing special instruction and services for the pupil must be increased by the amount of the reduction in the aid paid to the resident district. Amounts paid to cooperatives under this subdivision and section 127A.47, subdivision 7, shall be recognized and reported as revenues and expenditures on the resident school district's books of account under sections 123B.75 and 123B.76. If the resident district's special education aid is insufficient to make the full adjustment, the remaining adjustment shall be made to other state aid due to the district.

(b) Notwithstanding paragraph (a) and section 127A.47, subdivision 7, paragraphs (b) to (d), a charter school where more than 30 percent of enrolled students receive special education and related services, a site approved under section 125A.515, an intermediate district, a special education cooperative, or a school district that served as the applicant agency for a group of school districts for federal special education aids for fiscal year 2006 may apply to the commissioner for authority to charge the resident district an additional amount to recover any remaining unreimbursed costs of serving pupils with a disability. The application must include a description of the costs and the calculations used to determine the unreimbursed portion to be charged to the resident district. Amounts approved by the commissioner under this paragraph must be included in the tuition billings or aid adjustments under paragraph (a), or section 127A.47, subdivision 7, paragraphs (b) to (d), as applicable.

(c) For purposes of this subdivision and section 127A.47, subdivision 7, ~~paragraphs (d) and (e)~~ paragraph (b), "general education revenue and referendum equalization aid" means the sum of the general education revenue according to section 126C.10, subdivision 1, excluding the local optional levy according to section 126C.10, subdivision 2e, paragraph (c), plus the referendum equalization aid according to section 126C.17, subdivision 7.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 3. Minnesota Statutes 2013 Supplement, section 125A.76, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For the purposes of this section and section 125A.79, the definitions in this subdivision apply.

(b) "Basic revenue" has the meaning given it in section 126C.10, subdivision 2. For the purposes of computing basic revenue pursuant to this section, each child with a disability shall be counted as prescribed in section 126C.05, subdivision 1.

(c) "Essential personnel" means teachers, cultural liaisons, related services, and support services staff providing services to students. Essential personnel may also include special education paraprofessionals or clericals providing support to teachers and students by preparing paperwork and making arrangements related to special education compliance requirements, including parent meetings and individualized education programs. Essential personnel does not include administrators and supervisors.

(d) "Average daily membership" has the meaning given it in section 126C.05.

(e) "Program growth factor" means 1.046 for fiscal years 2012 ~~through~~ through 2015, 1.0 for fiscal year 2016, 1.046 for fiscal year 2017, and the product of 1.046 and the program growth factor for the previous year for fiscal year 2018 and later.

(f) "Nonfederal special education expenditure" means all direct expenditures that are necessary and essential to meet the district's obligation to provide special instruction and services to children with a disability according to sections 124D.454, 125A.03 to 125A.24, 125A.259 to 125A.48, and 125A.65 as submitted by the district and approved by the department under section 125A.75, subdivision 4, excluding expenditures:

- (1) reimbursed with federal funds;
- (2) reimbursed with other state aids under this chapter;
- (3) for general education costs of serving students with a disability;
- (4) for facilities;
- (5) for pupil transportation; and
- (6) for postemployment benefits.

(g) "Old formula special education expenditures" means expenditures eligible for revenue under Minnesota Statutes 2012, section 125A.76, subdivision 2.

(h) For the Minnesota State Academy for the Deaf and the Minnesota State Academy for the Blind, expenditures under paragraphs (f) and (g) are limited to the salary and fringe benefits of one-to-one instructional and behavior management aides and one-to-one licensed, certified professionals assigned to a child attending the academy, if the aides or professionals are required by the child's individualized education program.

~~(h)~~ (i) "Cross subsidy reduction aid percentage" means 1.0 percent for fiscal year 2014 and 2.27 percent for fiscal year 2015.

~~(i)~~ (j) "Cross subsidy reduction aid limit" means \$20 for fiscal year 2014 and \$48 for fiscal year 2015.

~~(j)~~ (k) "Special education aid increase limit" means \$80 for fiscal year 2016, \$100 for fiscal year 2017, and, for fiscal year 2018 and later, the sum of the special education aid increase limit for the previous fiscal year and \$40.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 4. Minnesota Statutes 2012, section 125A.76, subdivision 2, is amended to read:

Subd. 2. **Special education initial aid.** The special education initial aid equals the sum of the following amounts computed using current year data:

(1) 68 percent of the salary of each essential person employed in the district's program for children with a disability during the fiscal year, whether the person is employed by one or more districts or a Minnesota correctional facility operating on a fee-for-service basis;

(2) for the Minnesota State Academy for the Deaf or the Minnesota State Academy for the Blind, 68 percent of the salary of each ~~one to one~~ one-to-one instructional and behavior management aide and one-to-one licensed, certified professional assigned to a child attending the academy, if the aides or professionals are required by the child's individualized education program;

(3) for special instruction and services provided to any pupil by contracting with public, private, or voluntary agencies other than school districts, in place of special instruction and services provided by the district, 52 percent of the difference between the amount of the contract and the general education revenue, excluding basic skills revenue and alternative teacher compensation revenue, and referendum equalization aid attributable to a pupil, calculated using the resident district's average general education revenue and referendum equalization aid per adjusted pupil unit for the fraction of the school day the pupil receives services under the contract. This includes children who are residents of the state, receive services under this subdivision and subdivision 1, and are placed in a care and treatment facility by court action in a state that does not have a reciprocity agreement with the commissioner under section 125A.155 as provided for in section 125A.79, subdivision 8;

(4) for special instruction and services provided to any pupil by contracting for services with public, private, or voluntary agencies other than school districts, that are supplementary to a full educational program provided by the school district, 52 percent of the amount of the contract for that pupil;

(5) for supplies and equipment purchased or rented for use in the instruction of children with a disability, an amount equal to 47 percent of the sum actually expended by the district, or a Minnesota correctional facility operating on a fee-for-service basis, but not to exceed an average of \$47 in any one school year for each child with a disability receiving instruction;

(6) for fiscal years 1997 and later, special education base revenue shall include amounts under clauses (1) to (5) for special education summer programs provided during the base year for that fiscal year;

(7) the cost of providing transportation services for children with disabilities under section 123B.92, subdivision 1, paragraph (b), clause (4); and

(8) the district's transition-disabled program initial aid according to section 124D.454, subdivision 3.

The department shall establish procedures through the uniform financial accounting and reporting system to identify and track all revenues generated from third-party billings as special education revenue at the school district level; include revenue generated from third-party billings as special education revenue in the annual cross-subsidy report; and exclude third-party revenue from calculation of excess cost aid to the districts.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 5. Minnesota Statutes 2013 Supplement, section 125A.76, subdivision 2a, is amended to read:

Subd. 2a. **Special education initial aid.** For fiscal year 2016 and later, a district's special education initial aid equals the sum of:

(1) the lesser least of 62 percent of the district's old formula special education expenditures for the prior fiscal year, excluding pupil transportation expenditures, 50 percent of the district's nonfederal special education expenditures for the prior year, excluding pupil transportation expenditures, or 56 percent of the product of the sum of the following amounts, computed using prior fiscal year data, and the program growth factor:

(i) the product of the district's average daily membership served and the sum of:

(A) \$450; plus

(B) \$400 times the ratio of the sum of the number of pupils enrolled on October 1 who are eligible to receive free lunch plus one-half of the pupils enrolled on October 1 who are eligible to receive reduced-price lunch to the total October 1 enrollment; plus

(C) .008 times the district's average daily membership served; plus

(ii) \$10,400 times the December 1 child count for the primary disability areas of autism spectrum disorders, developmental delay, and severely multiply impaired; plus

(iii) \$18,000 times the December 1 child count for the primary disability areas of deaf and hard-of-hearing and emotional or behavioral disorders; plus

(iv) \$27,000 times the December 1 child count for the primary disability areas of developmentally cognitive mild-moderate, developmentally cognitive severe-profound, physically impaired, visually impaired, and deafblind; plus

(2) the cost of providing transportation services for children with disabilities under section 123B.92, subdivision 1, paragraph (b), clause (4).

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2016 and later.

Sec. 6. Minnesota Statutes 2013 Supplement, section 125A.76, subdivision 2b, is amended to read:

Subd. 2b. **Cross subsidy reduction aid.** For fiscal years 2014 and 2015, the cross subsidy reduction aid for a school district, not including a charter school, equals the lesser of (a) the product of the cross subsidy reduction aid limit and the district's average daily membership served or (b) the sum of the product of the cross subsidy reduction aid percentage, the district's average daily membership served, and the sum of:

(1) \$450; plus

(2) \$400 times the ratio of the sum of the number of pupils enrolled on October 1 who are eligible to receive free lunch plus one-half of the pupils enrolled on October 1 who are eligible to receive reduced-price lunch to the total October 1 enrollment; plus

(3) .008 times the district's average daily membership served; plus the product of the cross subsidy aid percentage and the sum of:

(i) \$10,100 times the December 1 child count for the primary disability areas of autism spectrum disorders, developmental delay, and severely multiply impaired; plus

(ii) \$17,500 times the December 1 child count for the primary disability areas of deaf and hard-of-hearing and emotional or behavioral disorders; plus

(iii) \$26,000 times the December 1 child count for the primary disability areas of developmentally cognitive mild-moderate, developmentally cognitive severe-profound, physically impaired, visually impaired, and deafblind.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to revenue for fiscal year 2014 and later.

Sec. 7. Minnesota Statutes 2013 Supplement, section 125A.76, subdivision 2c, is amended to read:

Subd. 2c. **Special education aid.** (a) For fiscal year 2014 and fiscal year 2015, a district's special education aid equals the sum of the district's special education ~~initial~~ aid under subdivision 5, the district's cross subsidy reduction aid under subdivision 2b, and the district's excess cost aid under section 125A.79, subdivision 7.

(b) For fiscal year 2016 and later, a district's special education aid equals the sum of the district's special education initial aid under subdivision 2a and the district's excess cost aid under section 125A.79, subdivision 5.

(c) Notwithstanding paragraph (b), for fiscal year 2016, the special education aid for a school district must not exceed the sum of the special education aid the district would have received for fiscal year 2016 under Minnesota Statutes 2012, sections 125A.76 and 125A.79, as adjusted according to Minnesota Statutes 2012, sections 125A.11 and 127A.47, subdivision 7, and the product of the district's average daily membership served and the special education aid increase limit.

(d) Notwithstanding paragraph (b), for fiscal year 2017 and later, the special education aid for a school district must not exceed the sum of: (i) the product of the district's average daily membership served and the special education aid increase limit and (ii) the product of the sum of the special education aid the district would have received for fiscal year 2016 under Minnesota Statutes 2012, sections 125A.76 and 125A.79, as adjusted according to Minnesota Statutes 2012, sections 125A.11 and 127A.47, subdivision 7, the ratio of the district's average daily membership served for the current fiscal year to the district's average daily membership served for fiscal year 2016, and the program growth factor.

(e) Notwithstanding paragraph (b), for fiscal year 2016 and later the special education aid for a school district, not including a charter school, must not be less than the lesser of (1) the district's nonfederal special education expenditures for that fiscal year or (2) the product of the sum of the special education aid the district would have received for fiscal year 2016 under Minnesota Statutes 2012, sections 125A.76 and 125A.79, as adjusted according to Minnesota Statutes 2012, sections 125A.11 and 127A.47, subdivision 7, the ratio of the district's adjusted daily membership for the

current fiscal year to the district's average daily membership for fiscal year 2016, and the program growth factor.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to revenue for fiscal year 2014 and later.

Sec. 8. Minnesota Statutes 2013 Supplement, section 125A.79, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For the purposes of this section, the definitions in this subdivision apply.

(a) "Unreimbursed old formula special education expenditures" means:

(1) old formula special education expenditures for the prior fiscal year; minus

(2) for fiscal years 2014 and 2015, the sum of the special education aid under section 125A.76, subdivision 5, for the prior fiscal year and the cross subsidy reduction aid under section 125A.76, subdivision 2b, and for fiscal year 2016 and later, the special education initial aid under section 125A.76, subdivision 2a; minus

(3) for fiscal year 2016 and later, the amount of general education revenue, excluding local optional revenue, plus local optional aid and referendum equalization aid for the prior fiscal year attributable to pupils receiving special instruction and services outside the regular classroom for more than 60 percent of the school day for the portion of time the pupils receive special instruction and services outside the regular classroom, excluding portions attributable to district and school administration, district support services, operations and maintenance, capital expenditures, and pupil transportation.

(b) "Unreimbursed nonfederal special education expenditures" means:

(1) nonfederal special education expenditures for the prior fiscal year; minus

(2) special education initial aid under section 125A.76, subdivision 2a; minus

(3) the amount of general education revenue and referendum equalization aid for the prior fiscal year attributable to pupils receiving special instruction and services outside the regular classroom for more than 60 percent of the school day for the portion of time the pupils receive special instruction and services outside of the regular classroom, excluding portions attributable to district and school administration, district support services, operations and maintenance, capital expenditures, and pupil transportation.

(c) "General revenue" for a school district means the sum of the general education revenue according to section 126C.10, subdivision 1, excluding alternative teacher compensation revenue, ~~minus~~ transportation sparsity revenue ~~minus~~, local optional revenue, and total operating capital revenue. "General revenue" for a charter school means the sum of the general education revenue according to section 124D.11, subdivision 1, and transportation revenue according to section 124D.11, subdivision 2, excluding alternative teacher compensation revenue, ~~minus~~ referendum equalization aid ~~minus~~, transportation sparsity revenue minus, and operating capital revenue.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to revenue for fiscal year 2014 and later.

Sec. 9. Minnesota Statutes 2013 Supplement, section 125A.79, subdivision 5, is amended to read:

Subd. 5. **Initial Excess cost aid.** For fiscal year 2016 and later, a district's ~~initial~~ excess cost aid equals the greater of:

(1) 56 percent of the difference between (i) the district's unreimbursed nonfederal special education expenditures and (ii) 7.0 percent of the district's general revenue;

(2) 62 percent of the difference between (i) the district's unreimbursed old formula special education expenditures and (ii) 2.5 percent of the district's general revenue; or

(3) zero.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2016 and later.

Sec. 10. Minnesota Statutes 2013 Supplement, section 125A.79, subdivision 8, is amended to read:

Subd. 8. **Out-of-state tuition.** For children who are residents of the state, receive services under section 125A.76, subdivisions 1 and 2, and are placed in a care and treatment facility by court action in a state that does not have a reciprocity agreement with the commissioner under section 125A.155, the resident school district shall ~~submit the balance~~ receive special education out-of-state tuition aid equal to the amount of the tuition bills, minus (1) the general education revenue, excluding basic skills revenue and the local optional levy attributable to the pupil, calculated using the resident district's average general education revenue per adjusted pupil unit, and (2) the referendum equalization aid attributable to the pupil, calculated using the resident district's average general education revenue and referendum equalization aid per adjusted pupil unit minus, and (3) the special education contracted services initial revenue aid attributable to the pupil.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 11. Laws 2013, chapter 116, article 5, section 31, subdivision 8, is amended to read:

Subd. 8. **Special education paperwork cost savings.** (a) For the contract to customize a statewide online reporting system and effect special education paperwork cost savings:

\$ 1,763,000 2014

For a transfer to MNIT. This appropriation is available in fiscal year 2015 if not and must be expended according to this subdivision for online due process reporting.

(b) To ensure a strong focus on outcomes for children with disabilities informs federal and state compliance and accountability requirements and to increase opportunities for special educators and related-services providers to focus on teaching children with disabilities, the commissioner must customize a streamlined, user-friendly statewide online system, with a single model online form, for effectively and efficiently collecting and reporting required special education-related data to individuals with a legitimate educational interest and who are authorized by law to access the data.

(c) The commissioner must consult with qualified experts, including information technology specialists, licensed special education teachers and directors of special education, related-services providers, third-party vendors, a designee of the commissioner of human services, parents of children with disabilities, representatives of advocacy groups representing children with disabilities,

and representatives of school districts and special education cooperatives on integrating, field testing, customizing, and sustaining this simple, easily accessible, efficient, and effective online data system for uniform statewide reporting of required due process compliance data. Among other outcomes, the system must:

(1) reduce special education teachers' paperwork burden and thereby increase the teachers' opportunities to focus on teaching children;

(2) to the extent authorized by chapter 13 or other applicable state or federal law governing access to and dissemination of educational records, provide for efficiently and effectively transmitting the records of all transferring children with disabilities, including highly mobile and homeless children with disabilities, among others, and avoid fragmented service delivery;

(3) address language and other barriers and disparities that prevent parents from understanding and communicating information about the needs of their children with disabilities; and

(4) help continuously improve the interface among the online systems serving children with disabilities in order to maintain and reinforce the children's ability to learn.

(d) The commissioner must use the federal Office of Special Education Programs model forms for the (1) individualized education program, (2) notice of procedural safeguards, and (3) prior written notice that are consistent with Part B of IDEA to integrate and customize a state-sponsored universal special education online case management system, consistent with the requirements of state law and this subdivision for customizing a statewide online reporting system. The commissioner must use a request for proposal process to contract for the technology and software needed for customizing the online system in order for the system to be fully functional, consistent with the requirements of this subdivision. This online system must be made available to school districts without charge beginning in the 2015-2016 school year. For the 2015-2016 through 2017-2018 school years, school districts may use this online system or may contract with an outside vendor for compliance reporting. Beginning in the 2018-2019 school year and later, school districts must use this online system for compliance reporting.

(e) All data on individuals maintained in the statewide reporting system are classified as provided in chapter 13 or other applicable state or federal law. An authorized individual's ability to enter, update, or access data must be limited through the use of role-based access codes corresponding to that individual's official duties or training level, and the statutory authorization that grants access for a particular purpose. Any action in which data in the system are entered, updated, accessed, or shared or disseminated outside of the system must be recorded in an audit trail. The audit trail must identify the specific user responsible for the action, the date and time the action occurred, and the purpose for the action. Data contained in the audit trail maintain the same classification as the underlying data affected by the action, provided the responsible authority makes the data available to a student or the student's parent upon request, and the responsible authority may access the data to audit the system's user activity and security safeguards. Before entering data on a student, the responsible authority must provide the student or the student's parent written notice of the data practices rights and responsibilities required by this subdivision and a reasonable opportunity to refuse consent to have the student's data included in the system. Upon receiving the student or the student's parent written refusal to consent, the school district must not enter data on that student into the system and must delete any existing data on that student currently in the system.

(f) Consistent with this subdivision, the commissioner must establish a public Internet Web interface to provide information to educators, parents, and the public about the form and content of required special education reports, to respond to queries from educators, parents, and the public about specific aspects of special education reports and reporting, and to use the information garnered from the interface to streamline and revise special education reporting on the online system under this subdivision. The public Internet Web interface must have a prominently-linked page describing the rights and responsibilities of students and parents whose data are included in the statewide reporting system, and include information on the data practices rights of students and parents provided by this subdivision and a form students or parents may use to refuse consent to have a student's data included in the system. The public Internet Web interface must not provide access to the educational records of any individual child.

(g) The commissioner annually by February 1 must submit to the legislature a report on the status, recent changes, and sustainability of the online system under this subdivision.

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

Sec. 12. RULEMAKING AUTHORITY; SPECIAL EDUCATION TASK FORCE RECOMMENDATIONS.

The commissioner of education must use the expedited rulemaking process under Minnesota Statutes, section 14.389, including subdivision 5, to make the specific rule changes recommended by the Special Education Case Load and Rule Alignment Task Force in its 2014 report entitled "Recommendations for Special Education Case Load and Rule Alignment" submitted to the legislature on February 15, 2014.

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

Sec. 13. APPROPRIATION.

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **Department assistance.** For the commissioner of education to assist school districts in meeting the needs of children who have experienced a high use of prone restraints, consistent with Minnesota Statutes 2013 Supplement, section 125A.0942:

\$	<u>250,000</u>	<u>.....</u>	<u>2015</u>
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The commissioners of education and human services, or their designees, must discuss coordinating use of funds and personnel available for this purpose within their respective departments. This is a onetime appropriation.

ARTICLE 18

FACILITIES

Section 1. [123A.482] JOINT POWERS COOPERATIVE FACILITY.

Subdivision 1. **Schools may be jointly operated.** Two or more school districts may agree to jointly operate a secondary facility. The districts may choose to operate the facility according to a joint powers agreement under section 123A.78 or 471.59.

Subd. 2. **Expanded program offerings.** A jointly operated secondary program seeking funding under section 123A.485 must demonstrate to the commissioner's satisfaction that the jointly operated program provides enhanced learning opportunities and broader curriculum offerings to the students attending that program. The commissioner must approve or disapprove a cooperative secondary program within 60 days of receipt of an application.

Subd. 3. **Transfer of employees.** If an employee is transferred between two employer members of the joint powers agreement under this section, the employee's length of service under section 122A.40, subdivision 5, remains uninterrupted. The employee shall receive credit on the receiving district's salary schedule for the employee's educational attainment and years of continuous service in the sending district, or shall receive a comparable salary, whichever is greater. The employee shall receive credit for accrued sick leave and rights to severance benefits as if the employee had been employed by the receiving district during the employee's years of employment in the sending district.

Subd. 4. **Revenue.** An approved program that is jointly operated under this section is eligible for aid under section 123A.485 and qualifies for a facilities grant under sections 123A.44 to 123A.446.

Subd. 5. **Duty to maintain elementary and secondary schools met.** A school district operating a joint facility under this section meets the requirements of section 123A.64.

Subd. 6. **Estimated market value limit exclusion.** Bonds for a cooperative facility operated under this section issued by a member school district are not subject to the net debt limit under section 475.53, subdivision 4.

Subd. 7. **Allocation of levy authority for joint facility.** For purposes of determining each member district's school levy, a jointly operated secondary program may allocate program costs to each member district according to the joint powers agreement and each member district may include those costs in its tax levy. The joint powers agreement may choose to allocate costs on any basis adopted as part of the joint powers agreement.

Subd. 8. **Effect of consolidation.** The joint powers agreement may allow member school districts that choose to consolidate to continue to certify levies separately based on each component district's characteristics.

Subd. 9. **Bonds.** A joint powers district formed under this section may issue bonds according to section 123A.78 or its member districts may issue bonds individually after complying with this subdivision. The joint powers board must submit the project for review and comment under section 123B.71. The joint powers board must hold a hearing on the proposal. If the bonds are not issued under section 123A.78, each member district of the joint powers district must submit the question of authorizing borrowing of funds for the project to the voters of the district at a special election. The question submitted shall state the total amount of funding needed from that district. The member district may issue the bonds according to chapter 475 and certify the levy required by section 475.61 only if a majority of those voting on the question in that district vote in the affirmative and only after the board has adopted a resolution pledging the full faith and credit of that unit. The resolution must irrevocably commit that unit to pay an agreed-upon share of any debt levy shortages that, together with other funds available, would allow the member school board to pay the principal and interest on the obligations. The clerk of the joint powers board must certify the vote of any bond elections to the commissioner. Bonds issued under this section first qualify for debt service equalization aid in fiscal year 2018.

Subd. 10. **Election.** A district entering into a joint powers agreement under this section may conduct a referendum seeking approval for a new facility. This election may be held separately or at the same time as a bond election under subdivision 9. If the election is held at the same time, the questions may be asked separately or as a conjunctive question. The question must be approved by a majority of those voting on the question. If asked separately and the question fails, a district may not proceed with the sale of bonds according to subdivision 9.

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

Sec. 2. Minnesota Statutes 2012, section 123A.64, is amended to read:

123A.64 DUTY TO MAINTAIN ELEMENTARY AND SECONDARY SCHOOLS.

Each district must maintain classified elementary and secondary schools, grades 1 through 12, unless the district is exempt according to section 123A.61 or 123A.62, has made an agreement with another district or districts as provided in sections 123A.30, 123A.32, or sections 123A.35 to 123A.43, or 123A.17, subdivision 7, or has received a grant under sections 123A.441 to 123A.446, or has formed a cooperative under section 123A.482. A district that has an agreement according to sections 123A.35 to 123A.43 or 123A.32 must operate a school with the number of grades required by those sections. A district that has an agreement according to section 123A.30 or 123A.17, subdivision 7, or has received a grant under sections 123A.441 to 123A.446 must operate a school for the grades not included in the agreement, but not fewer than three grades.

Sec. 3. Minnesota Statutes 2013 Supplement, section 123B.53, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For purposes of this section, the eligible debt service revenue of a district is defined as follows:

(1) the amount needed to produce between five and six percent in excess of the amount needed to meet when due the principal and interest payments on the obligations of the district for eligible projects according to subdivision 2, including the amounts necessary for repayment of energy loans according to section 216C.37 or sections 298.292 to 298.298, debt service loans and capital loans, lease purchase payments under section 126C.40, subdivision 2, alternative facilities levies under section 123B.59, subdivision 5, paragraph (a), minus

(2) the amount of debt service excess levy reduction for that school year calculated according to the procedure established by the commissioner.

(b) The obligations in this paragraph are excluded from eligible debt service revenue:

(1) obligations under section 123B.61;

(2) the part of debt service principal and interest paid from the taconite environmental protection fund or Douglas J. Johnson economic protection trust, excluding the portion of taconite payments from the Iron Range school consolidation and cooperatively operated school account under section 298.28, subdivision 7a;

(3) obligations issued under Laws 1991, chapter 265, article 5, section 18, as amended by Laws 1992, chapter 499, article 5, section 24; ~~and~~

(4) obligations under section 123B.62; and

(5) obligations equalized under section 123B.535.

(c) For purposes of this section, if a preexisting school district reorganized under sections 123A.35 to 123A.43, 123A.46, and 123A.48 is solely responsible for retirement of the preexisting district's bonded indebtedness, capital loans or debt service loans, debt service equalization aid must be computed separately for each of the preexisting districts.

(d) For purposes of this section, the adjusted net tax capacity determined according to sections 127A.48 and 273.1325 shall be adjusted to include the tax capacity of property generally exempted from ad valorem taxes under section 272.02, subdivision 64.

EFFECTIVE DATE. This section is effective for fiscal year 2017 and later.

Sec. 4. Minnesota Statutes 2013 Supplement, section 123B.53, subdivision 5, is amended to read:

Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a district equals the sum of the first tier equalized debt service levy and the second tier equalized debt service levy.

(b) A district's first tier equalized debt service levy equals the district's first tier debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

(2) ~~\$3,550~~ \$3,400 in fiscal year 2016 and \$4,430 in fiscal year 2017 and later.

(c) A district's second tier equalized debt service levy equals the district's second tier debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

(2) ~~\$7,900~~ \$8,000.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2016 and later.

Sec. 5. **[123B.535] NATURAL DISASTER DEBT SERVICE EQUALIZATION.**

Subdivision 1. Definitions. (a) For purposes of this section, the eligible natural disaster debt service revenue of a district is defined as the amount needed to produce between five and six percent in excess of the amount needed to meet when due the principal and interest payments on the obligations of the district that would otherwise qualify under section 123B.53 under the following conditions:

(1) the district was impacted by a natural disaster event or area occurring January 1, 2005, or later, as declared by the President of the United States of America, which is eligible for Federal Emergency Management Agency payments;

(2) the natural disaster caused \$500,000 or more in damages to school district buildings; and

(3) the repair and replacement costs are not covered by insurance payments or Federal Emergency Management Agency payments.

(b) For purposes of this section, the adjusted net tax capacity equalizing factor equals the quotient derived by dividing the total adjusted net tax capacity of all school districts in the state for the year before the year the levy is certified by the total number of adjusted pupil units in the state for the year prior to the year the levy is certified.

(c) For purposes of this section, the adjusted net tax capacity determined according to sections 127A.48 and 273.1325 shall be adjusted to include the tax capacity of property generally exempted from ad valorem taxes under section 272.02, subdivision 64.

Subd. 2. **Notification.** A district eligible for natural disaster debt service equalization revenue under subdivision 1 must notify the commissioner of the amount of its intended natural disaster debt service revenue calculated under subdivision 1 for all bonds sold prior to the notification by July 1 of the calendar year the levy is certified.

Subd. 3. **Natural disaster debt service equalization revenue.** The debt service equalization revenue of a district equals the greater of zero or the eligible debt service revenue, minus the greater of zero or the difference between:

(1) the amount raised by a levy of ten percent times the adjusted net tax capacity of the district; and

(2) the district's eligible debt service revenue under section 123B.53.

Subd. 4. **Equalized natural disaster debt service levy.** A district's equalized natural disaster debt service levy equals the district's natural disaster debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

(2) 300 percent of the statewide adjusted net tax capacity equalizing factor.

Subd. 5. **Natural disaster debt service equalization aid.** A district's natural disaster debt service equalization aid equals the difference between the district's natural disaster debt service equalization revenue and the district's equalized natural disaster debt service levy.

Subd. 6. **Natural disaster debt service equalization aid payment schedule.** Debt service equalization aid must be paid according to section 127A.45, subdivision 10.

EFFECTIVE DATE. This section is effective for taxes payable in 2016 and revenue for fiscal year 2017 and later.

Sec. 6. Minnesota Statutes 2013 Supplement, section 123B.54, is amended to read:

123B.54 DEBT SERVICE APPROPRIATION.

(a) The amount necessary to make debt service equalization aid payments under ~~section~~ sections 123B.53 and 123B.535 is annually appropriated from the general fund to the commissioner of education.

(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 for revenue for fiscal year 2017 and later.

Sec. 7. Minnesota Statutes 2012, section 123B.57, subdivision 6, is amended to read:

Subd. 6. **Uses of health and safety revenue.** (a) Health and safety revenue may be used only for approved expenditures necessary for the correction of fire and life safety hazards; design, purchase, installation, maintenance, and inspection of fire protection and alarm equipment; purchase or construction of appropriate facilities for the storage of combustible and flammable materials; inventories and facility modifications not related to a remodeling project to comply with lab safety requirements under section 121A.31; inspection, testing, repair, removal or encapsulation, and disposal of asbestos-containing building materials; cleanup and disposal of polychlorinated biphenyls; cleanup and disposal of hazardous and infectious wastes; cleanup, removal, disposal, and repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296A.01; correction of occupational safety and health administration regulated hazards; indoor air quality inspections, investigations, and testing; mold abatement; upgrades or replacement of mechanical ventilation systems to meet American Society of Heating, Refrigerating and Air Conditioning Engineers standards and State Mechanical Code; design, materials, and installation of local exhaust ventilation systems, including required make-up air for controlling regulated hazardous substances; correction of Department of Health Food Code violations; correction of swimming pool hazards excluding depth correction; playground safety inspections, repair of unsafe outdoor playground equipment, and the installation of impact surfacing materials; bleacher repair or rebuilding to comply with the order of a building code inspector under section 326B.112; testing and mitigation of elevated radon hazards; lead testing; copper in water testing; cleanup after major weather-related disasters or flooding; reduction of excessive organic and inorganic levels in wells and capping of abandoned wells; installation and testing of boiler backflow valves to prevent contamination of potable water; vaccinations, titers, and preventative supplies for bloodborne pathogen compliance; costs to comply with the Janet B. Johnson Parents' Right to Know Act; automated external defibrillators and other emergency plan equipment and supplies specific to the district's emergency action plan; compliance with the National Emission Standards for Hazardous Air Pollutants for school generators established by the United States Environmental Protection Agency; and health, safety, and environmental management costs associated with implementing the district's health and safety program including costs to establish and operate safety committees, in school buildings or property owned or being acquired by the district. Testing and calibration activities are permitted for existing mechanical ventilation systems at intervals no less than every five years.

(b) For fiscal years 2014 through 2017, a school district must not include expenses related to emission compliance projects for school generators in its health and safety revenue unless it reduces its approved spending on other qualified health and safety projects by the same amount.

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

Sec. 8. Minnesota Statutes 2012, section 123B.71, subdivision 8, is amended to read:

Subd. 8. **Review and comment.** A school district, a special education cooperative, or a cooperative unit of government, as defined in section 123A.24, subdivision 2, must not initiate an installment contract for purchase or a lease agreement, hold a referendum for bonds, nor solicit bids for new construction, expansion, or remodeling of an educational facility that requires an expenditure in excess of \$500,000 per school site if it has a capital loan outstanding, or ~~\$1,400,000~~ \$2,000,000 per school site if it does not have a capital loan outstanding, prior to review and

comment by the commissioner. ~~The commissioner may exempt~~ A facility addition, maintenance project, or remodeling project funded only with general education aid and levy revenue, deferred maintenance revenue, alternative facilities bonding and levy program revenue, lease levy proceeds, capital facilities bond proceeds, or health and safety revenue is exempt from this provision after reviewing a written request from a school district describing the scope of work. A capital project under section 123B.63 addressing only technology is exempt from this provision if the district submits a school board resolution stating that funds approved by the voters will be used only as authorized in section 126C.10, subdivision 14. A school board shall not separate portions of a single project into components to avoid the requirements of this subdivision.

Sec. 9. Minnesota Statutes 2012, section 123B.71, subdivision 9, is amended to read:

Subd. 9. **Information required.** A school board proposing to construct, expand, or remodel a facility described in that requires a review and comment under subdivision 8 shall submit to the commissioner a proposal containing information including at least the following:

(1) the geographic area and population to be served, preschool through grade 12 student enrollments for the past five years, and student enrollment projections for the next five years;

(2) a list of existing facilities by year constructed, their uses, and an assessment of the extent to which alternate facilities are available within the school district boundaries and in adjacent school districts;

(3) a list of the specific deficiencies of the facility that demonstrate the need for a new or renovated facility to be provided, the process used to determine the deficiencies, a list of those deficiencies that will and will not be addressed by the proposed project, and a list of the specific benefits that the new or renovated facility will provide to the students, teachers, and community users served by the facility;

(4) the relationship of the project to any priorities established by the school district, educational cooperatives that provide support services, or other public bodies in the service area;

(5) a description of the pedestrian, bicycle, and transit connections between the school and nearby residential areas that make it easier for children, teachers, and parents to get to the school by walking, bicycling, and taking transit;

(6) a specification of how the project maximizes the opportunity for cooperative use of existing park, recreation, and other public facilities and whether and how the project will increase collaboration with other governmental or nonprofit entities;

(7) (4) a description of the project, including the specification of site and outdoor space acreage and square footage allocations for classrooms, laboratories, and support spaces; estimated expenditures for the major portions of the project; and the dates the project will begin and be completed;

(8) (5) a specification of the source of financing the project, including applicable statutory citations; the scheduled date for a bond issue or school board action; a schedule of payments, including debt service equalization aid; and the effect of a bond issue on local property taxes by the project class and valuation;

~~(9) an analysis of how the proposed new or remodeled facility will affect school district operational or administrative staffing costs, and how the district's operating budget will cover any increased operational or administrative staffing costs;~~

~~(10) a description of the consultation with local or state transportation officials on multimodal school site access and safety issues, and the ways that the project will address those issues;~~

~~(11) a description of how indoor air quality issues have been considered and a certification that the architects and engineers designing the facility will have professional liability insurance;~~

~~(12) as required under section 123B.72, for buildings coming into service after July 1, 2002, a certification that the plans and designs for the extensively renovated or new facility's heating, ventilation, and air conditioning systems will meet or exceed code standards; will provide for the monitoring of outdoor airflow and total airflow of ventilation systems; and will provide an indoor air quality filtration system that meets ASHRAE standard 52.1;~~

~~(13) a specification of any desegregation requirements that cannot be met by any other reasonable means;~~

~~(14) a specification of how the facility will utilize environmentally sustainable school facility design concepts;~~

~~(15) a description of how the architects and engineers have considered the American National Standards Institute Acoustical Performance Criteria, Design Requirements and Guidelines for Schools of the maximum background noise level and reverberation times; and~~

~~(16) any existing information from the relevant local unit of government about the cumulative costs to provide infrastructure to serve the school, such as utilities, sewer, roads, and sidewalks.~~

(6) documents obligating the school district and contractors to comply with items (i) to (vii) in planning and executing the project:

(i) section 471.345 governing municipal contracts;

(ii) sustainable design;

(iii) school facility commissioning under section 123B.72 certifying the plans and designs for the heating, ventilating, air conditioning, and air filtration for an extensively renovated or new facility meet or exceed current code standards, including the ASHRAE air filtration standard 52.1;

(iv) American National Standards Institute Acoustical Performance Criteria, Design Requirements and Guidelines for Schools on maximum background noise level and reverberation times;

(v) State Fire Code;

(vi) chapter 326B governing building codes; and

(vii) consultation with affected government units about the impact of the project on utilities, roads, sewers, sidewalks, retention ponds, school bus and automobile traffic, access to mass transit, and safe access for pedestrians and cyclists.

Sec. 10. Minnesota Statutes 2012, section 123B.72, subdivision 1, is amended to read:

Subdivision 1. **Application.** This section applies to the installation or retrofitting of heating, ventilation, and air conditioning systems for ~~which review and comment of the project under section 123B.71 has been requested after July 1, 1997~~ projects where the total project cost per site exceeds \$1,400,000.

EFFECTIVE DATE. This section is effective July 1, 2014.

Sec. 11. Minnesota Statutes 2012, section 123B.72, subdivision 3, is amended to read:

Subd. 3. **Certification.** Prior to occupying or reoccupying a school facility affected by this section, a school board or its designee shall submit a document prepared by a system inspector to the building official or to the commissioner, verifying that the facility's heating, ventilation, and air conditioning system has been installed and operates according to design specifications and code, according to section 123B.71, subdivision 9, clause ~~(12)~~ (6), item (iii). A systems inspector shall also verify that the facility's design will provide the ability for monitoring of outdoor airflow and total airflow of ventilation systems in new school facilities and that any heating, ventilation, or air conditioning system that is installed or modified for a project subject to this section must provide a filtration system with a current ASHRAE standard.

EFFECTIVE DATE. This section is effective July 1, 2014.

Sec. 12. Minnesota Statutes 2013 Supplement, section 126C.10, subdivision 2d, is amended to read:

Subd. 2d. **Declining enrollment revenue.** (a) A school district's declining enrollment revenue equals the greater of zero or the product of: (1) ~~28~~ 28 percent of the formula allowance for that year and (2) the difference between the adjusted pupil units for the preceding year and the adjusted pupil units for the current year.

(b) Notwithstanding paragraph (a), for fiscal years 2015, 2016, and 2017 only, a pupil enrolled at the Crosswinds school shall not generate declining enrollment revenue for the district or charter school in which the pupil was last counted in average daily membership.

EFFECTIVE DATE. This section is effective July 1, 2014, if but only if the Crosswinds school is conveyed to the Perpich Center for Arts Education by an enactment during the 2014 regular legislative session.

Sec. 13. Minnesota Statutes 2013 Supplement, section 126C.40, subdivision 1, is amended to read:

Subdivision 1. **To lease building or land.** (a) When 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 ~~\$162~~ \$212 times the adjusted 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 Education after April 1, 1998, the term "instructional purpose" as used in this subdivision excludes expenditures on stadiums.

(g) The commissioner of education 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 ~~\$46~~ \$65 times the adjusted 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), for taxes payable in 2012 to 2023, a district that is a member of the "Technology and Information Education Systems" data

processing joint board, that finds it economically advantageous to enter into a lease agreement to finance improvements to a building and land 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). The total levy authority under this paragraph shall not exceed \$632,000.

(j) Notwithstanding paragraph (a), a district may levy under this subdivision for the purpose of leasing administrative space if the district can demonstrate to the satisfaction of the commissioner that the lease cost for the administrative space is no greater than the lease cost for instructional space that the district would otherwise lease. The commissioner must deny this levy authority unless the district passes a resolution stating its intent to lease instructional space under this section if the commissioner does not grant authority under this paragraph. The resolution must also certify that the lease cost for administrative space under this paragraph is no greater than the lease cost for the district's proposed instructional lease.

EFFECTIVE DATE. This section is effective for taxes payable in 2015 and later.

Sec. 14. Minnesota Statutes 2013 Supplement, section 126C.48, subdivision 8, is amended to read:

Subd. 8. **Taconite payment and other reductions.** (1) Reductions in levies pursuant to subdivision 1 must be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts that have revenue pursuant to sections 298.018; 298.225; 298.24 to 298.28, except an amount distributed under sections 298.26; 298.28, subdivision 4, paragraphs (c), clause (ii), and (d); 298.34 to 298.39; 298.391 to 298.396; 298.405; 477A.15; and any law imposing a tax upon severed mineral values must reduce the levies authorized by this chapter and chapters 120B, 122A, 123A, 123B, 124A, 124D, 125A, and 127A by 95 percent of the sum of the previous year's revenue specified under this clause and the amount attributable to the same production year distributed to the cities and townships within the school district under section 298.28, subdivision 2, paragraph (c).

(3) The amount of any voter approved referendum, facilities down payment, and debt levies shall not be reduced by more than 50 percent under this subdivision, except that payments under section 298.28, subdivision 7a, may reduce the debt service levy by more than 50 percent. In administering this paragraph, the commissioner shall first reduce the nonvoter approved levies of a district; then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved referendum levies authorized under section 126C.17; then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved facilities down payment levies authorized under section 123B.63 and then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved debt levies.

(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) 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, 298.28, and 477A.15 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. 15. Minnesota Statutes 2012, section 127A.49, subdivision 2, is amended to read:

Subd. 2. **Abatements.** Whenever by virtue of chapter 278, sections 270C.86, 375.192, or otherwise, the net tax capacity or referendum market value of any district for any taxable year is changed after the taxes for that year have been spread by the county auditor and the local tax rate as determined by the county auditor based upon the original net tax capacity is applied upon the changed net tax capacities, the county auditor shall, prior to February 1 of each year, certify to the commissioner of education the amount of any resulting net revenue loss that accrued to the district during the preceding year. Each year, the commissioner shall pay an abatement adjustment to the district in an amount calculated according to the provisions of this subdivision. This amount shall be deducted from the amount of the levy authorized by section 126C.46. The amount of the abatement adjustment must be the product of:

- (1) the net revenue loss as certified by the county auditor, times
- (2) the ratio of:
 - (i) the sum of the amounts of the district's certified levy in the third preceding year according to the following:
 - (A) section 123B.57, if the district received health and safety aid according to that section for the second preceding year;
 - (B) section 124D.20, if the district received aid for community education programs according to that section for the second preceding year;
 - (C) section 124D.135, subdivision 3, if the district received early childhood family education aid according to section 124D.135 for the second preceding year;
 - (D) section 126C.17, subdivision 6, if the district received referendum equalization aid according to that section for the second preceding year;
 - (E) section 126C.10, subdivision 13a, if the district received operating capital aid according to section 126C.10, subdivision 13b, in the second preceding year;
 - (F) section 126C.10, subdivision 29, if the district received equity aid according to section 126C.10, subdivision 30, in the second preceding year;
 - (G) section 126C.10, subdivision 32, if the district received transition aid according to section 126C.10, subdivision 33, in the second preceding year;
 - (H) section 123B.53, subdivision 5, if the district received debt service equalization aid according to section 123B.53, subdivision 6, in the second preceding year;

(I) section 123B.535, subdivision 4, if the district received natural disaster debt service equalization aid according to section 123B.535, subdivision 5, in the second preceding year;

~~(H)~~ (J) section 124D.22, subdivision 3, if the district received school-age care aid according to section 124D.22, subdivision 4, in the second preceding year;

~~(H)~~ (K) section 123B.591, subdivision 3, if the district received deferred maintenance aid according to section 123B.591, subdivision 4, in the second preceding year; and

~~(K)~~ (L) section 126C.10, subdivision 35, if the district received alternative teacher compensation equalization aid according to section 126C.10, subdivision 36, paragraph (a), in the second preceding year; to

(ii) the total amount of the district's certified levy in the third preceding December, plus or minus auditor's adjustments.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2017 and later.

Sec. 16. Minnesota Statutes 2012, section 127A.49, subdivision 3, is amended to read:

Subd. 3. **Excess tax increment.** (a) If a return of excess tax increment is made to a district pursuant to sections 469.176, subdivision 2, and 469.177, subdivision 9, or upon decertification of a tax increment district, the school district's aid and levy limitations must be adjusted for the fiscal year in which the excess tax increment is paid under the provisions of this subdivision.

(b) An amount must be subtracted from the district's aid for the current fiscal year equal to the product of:

(1) the amount of the payment of excess tax increment to the district, times

(2) the ratio of:

(i) the sum of the amounts of the district's certified levy for the fiscal year in which the excess tax increment is paid according to the following:

(A) section 123B.57, if the district received health and safety aid according to that section for the second preceding year;

(B) section 124D.20, if the district received aid for community education programs according to that section for the second preceding year;

(C) section 124D.135, subdivision 3, if the district received early childhood family education aid according to section 124D.135 for the second preceding year;

(D) section 126C.17, subdivision 6, if the district received referendum equalization aid according to that section for the second preceding year;

(E) section 126C.10, subdivision 13a, if the district received operating capital aid according to section 126C.10, subdivision 13b, in the second preceding year;

(F) section 126C.10, subdivision 29, if the district received equity aid according to section 126C.10, subdivision 30, in the second preceding year;

(G) section 126C.10, subdivision 32, if the district received transition aid according to section 126C.10, subdivision 33, in the second preceding year;

(H) section 123B.53, subdivision 5, if the district received debt service equalization aid according to section 123B.53, subdivision 6, in the second preceding year;

(I) section 123B.535, subdivision 4, if the district received natural disaster debt service equalization aid according to section 123B.535, subdivision 5, in the second preceding year;

~~(H)~~ (J) section 124D.22, subdivision 3, if the district received school-age care aid according to section 124D.22, subdivision 4, in the second preceding year;

~~(H)~~ (K) section 123B.591, subdivision 3, if the district received deferred maintenance aid according to section 123B.591, subdivision 4, in the second preceding year; and

~~(K)~~ (L) section 126C.10, subdivision 35, if the district received alternative teacher compensation equalization aid according to section 126C.10, subdivision 36, paragraph (a), in the second preceding year; to

(ii) the total amount of the district's certified levy for the fiscal year, plus or minus auditor's adjustments.

(c) An amount must be subtracted from the school district's levy limitation for the next levy certified equal to the difference between:

- (1) the amount of the distribution of excess increment; and
- (2) the amount subtracted from aid pursuant to clause (a).

If the aid and levy reductions required by this subdivision cannot be made to the aid for the fiscal year specified or to the levy specified, the reductions must be made from aid for subsequent fiscal years, and from subsequent levies. The school district must use the payment of excess tax increment to replace the aid and levy revenue reduced under this subdivision.

(d) This subdivision applies only to the total amount of excess increments received by a district for a calendar year that exceeds \$25,000.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2017 and later.

Sec. 17. Minnesota Statutes 2012, section 129C.10, subdivision 3, is amended to read:

Subd. 3. **Powers and duties of board.** (a) The board has the powers necessary for the care, management, and control of the Perpich Center for Arts Education and any other school authorized in this chapter, and all its ~~their~~ real and personal property. The powers shall include, but are not limited to, those listed in this subdivision.

(b) The board may employ and discharge necessary employees, and contract for other services to ensure the efficient operation of the Center for Arts Education and any other school authorized in this chapter.

(c) The board may receive and award grants. The board may establish a charitable foundation and accept, in trust or otherwise, any gift, grant, bequest, or devise for educational purposes and hold, manage, invest, and dispose of them and the proceeds and income of them according to the terms and conditions of the gift, grant, bequest, or devise and its acceptance. The board must adopt internal procedures to administer and monitor aids and grants.

(d) The board may establish or coordinate evening, continuing education, extension, and summer programs for teachers and pupils.

(e) The board may identify pupils who have artistic talent, either demonstrated or potential, in dance, literary arts, media arts, music, theater, and visual arts, or in more than one art form.

(f) The board must educate pupils with artistic talent by providing:

(1) an interdisciplinary academic and arts program for pupils in the 11th and 12th grades. The total number of pupils accepted under this clause and clause (2) shall not exceed 310;

(2) additional instruction to pupils for a 13th grade. Pupils eligible for this instruction are those enrolled in 12th grade who need extra instruction and who apply to the board, or pupils enrolled in the 12th grade who do not meet learner outcomes established by the board;

(3) intensive arts seminars for one or two weeks for pupils in grades 9 to 12;

(4) summer arts institutes for pupils in grades 9 to 12;

(5) artist mentor and extension programs in regional sites; and

(6) teacher education programs for indirect curriculum delivery.

(g) The board may determine the location for the Perpich Center for Arts Education and any additional facilities related to the center, including the authority to lease a temporary facility.

(h) The board must plan for the enrollment of pupils on an equal basis from each congressional district.

(i) The board may establish task forces as needed to advise the board on policies and issues. The task forces expire as provided in section 15.059, subdivision 6.

(j) The board may request the commissioner of education for assistance and services.

(k) The board may enter into contracts with other public and private agencies and institutions for residential and building maintenance services if it determines that these services could be provided more efficiently and less expensively by a contractor than by the board itself. The board may also enter into contracts with public or private agencies and institutions, school districts or combinations of school districts, or service cooperatives to provide supplemental educational instruction and services.

(l) The board may provide or contract for services and programs by and for the Center for Arts Education, including a store, operating in connection with the center; theatrical events; and other programs and services that, in the determination of the board, serve the purposes of the center.

(m) The board may provide for transportation of pupils to and from the Center for Arts Education for all or part of the school year, as the board considers advisable and subject to its rules. Notwithstanding any other law to the contrary, the board may charge a reasonable fee for transportation of pupils. Every driver providing transportation of pupils under this paragraph must possess all qualifications required by the commissioner of education. The board may contract for furnishing authorized transportation under rules established by the commissioner of education and may purchase and furnish gasoline to a contract carrier for use in the performance of a contract with the board for transportation of pupils to and from the Center for Arts Education. When transportation is provided, scheduling of routes, establishment of the location of bus stops, the

manner and method of transportation, the control and discipline of pupils, and any other related matter is within the sole discretion, control, and management of the board.

(n) The board may provide room and board for its pupils. If the board provides room and board, it shall charge a reasonable fee for the room and board. The fee is not subject to chapter 14 and is not a prohibited fee according to sections 123B.34 to 123B.39.

(o) The board may establish and set fees for services and programs. If the board sets fees not authorized or prohibited by the Minnesota public school fee law, it may do so without complying with the requirements of section 123B.38.

(p) The board may apply for all competitive grants administered by agencies of the state and other government or nongovernment sources.

EFFECTIVE DATE. This section is effective the day following the date on which the Crosswinds school is conveyed to the Perpich Center for Arts Education by an enactment during the 2014 regular legislative session.

Sec. 18. Minnesota Statutes 2012, section 129C.10, is amended by adding a subdivision to read:

Subd. 5a. **Interdistrict voluntary integration magnet program.** Notwithstanding Minnesota Rules, parts 3535.0110 and 3535.0150, the board may establish and operate an interdistrict integration magnet program according to section 129C.30. For fiscal year 2016 and later, the board must have an approved achievement and integration plan and budget under section 124D.861.

EFFECTIVE DATE. This section is effective the day following the date on which the Crosswinds school is conveyed to the Perpich Center for Arts Education by an enactment during the 2014 regular legislative session.

Sec. 19. [129C.30] **CROSSWINDS INTEGRATION MAGNET SCHOOL.**

Subdivision 1. **Definitions.** (a) The following terms having the meanings given them for this chapter.

(b) "Board" means the board of directors of the Perpich Center for Arts Education.

(c) "Crosswinds school" means the Crosswinds school in Woodbury operated during the 2012-2013 school year by Joint Powers District No. 6067, East Metro Integration District.

Subd. 2. **Board to operate the Crosswinds school.** The board may operate the Crosswinds school with the powers and duties granted to it under this chapter. A student may apply to the Crosswinds school under section 124D.03 and the Crosswinds school may accept students under that section.

Subd. 3. **General education funding.** General education revenue must be paid to the Crosswinds school as though it were a district. The general education revenue for each adjusted pupil unit is the state average general education revenue per pupil unit, plus the referendum equalization aid allowance in the pupil's district of residence, minus an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times .0466, calculated without declining enrollment, basic skills revenue, extended time revenue, pension adjustment revenue, transition revenue, and transportation sparsity revenue, plus declining enrollment, basic skills revenue, extended time revenue, pension adjustment revenue, and transition revenue as

though the school were a school district. The general education revenue for each extended time pupil unit equals \$4,794.

Subd. 4. **Special education funding.** Special education aid must be paid to the Crosswinds school according to sections 125A.76 and 125A.79, as though it were a school district. The special education aid paid to the Crosswinds school shall be adjusted as follows:

(1) if the Crosswinds school does not receive general education revenue on behalf of the student according to subdivision 3, the aid shall be adjusted as provided in section 125A.11; or

(2) if the Crosswinds school receives general education revenue on behalf of the student according to subdivision 3, the aid shall be adjusted as provided in section 127A.47, subdivision 7, paragraphs (b) to (d).

Subd. 5. **Pupil transportation.** (a) For fiscal year 2015 only, a member district of Joint Powers District No. 6067, East Metro Integration District, must transport pupils enrolled at the Crosswinds school in the same manner as they were transported in fiscal year 2014.

(b) Pupil transportation expenses under this section are reimbursable under section 124D.87.

Subd. 6. **Achievement and integration aid.** For fiscal year 2016 and later, the Crosswinds school is eligible for achievement and integration aid under section 124D.862 as if it were a school district.

Subd. 7. **Other aids, grants, revenue.** (a) The Crosswinds school is eligible to receive other aids, grants, and revenue according to chapters 120A to 129C as though it were a district.

(b) Notwithstanding paragraph (a), the Crosswinds school may not receive aid, a grant, or revenue if a levy is required to obtain the money, or if the aid, grant, or revenue replaces levy revenue that is not general education revenue, except as otherwise provided in this section.

(c) Federal aid received by the state must be paid to the school if it qualifies for the aid as though it were a school district.

(d) In the year-end report to the commissioner of education, the Crosswinds school shall report the total amount of funds received from grants and other outside sources.

Subd. 8. **Year-round programming.** The Crosswinds school may operate as a flexible learning year program under sections 124D.12 to 124D.127.

Subd. 9. **Data requirements.** The commissioner of education shall require the Crosswinds school to follow the budget and accounting procedures required for school districts and the Crosswinds school shall report all data to the Department of Education in the form and manner required by the commissioner.

EFFECTIVE DATE. This section is effective July 1, 2014, if, but only if, the Crosswinds school is conveyed to the Perpich Center for Arts Education by an enactment during the 2014 regular legislative session.

Sec. 20. Minnesota Statutes 2012, section 298.28, subdivision 7a, as added by Laws 2014, chapter 150, article 6, section 13, is amended to read:

Subd. 7a. **Iron Range school consolidation and cooperatively operated school account.** The following amounts must be allocated to the Iron Range Resources and Rehabilitation Board to be

deposited in the Iron Range school consolidation and cooperatively operated school account that is hereby created:

- (1) ten cents per taxable ton of the tax imposed under section 298.24;
- (2) the amount as determined under section 298.17, paragraph (b), clause (3); and
- (3) for distributions in 2015 through 2017, an amount equal to two-thirds of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

Expenditures from this account shall be made only to provide disbursements to assist school districts with the payment of bonds that were issued for qualified school projects, or for any other disbursement as approved by the Iron Range Resources and Rehabilitation Board. For purposes of this section, "qualified school projects" means school projects within the taconite assistance area as defined in section 273.1341, that were (1) approved, by referendum, after December 7, 2009; and (2) approved by the commissioner of education pursuant to section 123B.71.

Beginning in fiscal year 2019, the disbursement to school districts for payments for bonds issued under section 123A.482, subdivision 9, must be increased each year to offset any reduction in debt service equalization aid that the school district qualifies for in that year, under section 123B.53, subdivision 6, compared with the amount the school district qualified for in fiscal year 2018.

No expenditure under this section shall be made unless approved by seven members of the Iron Range Resources and Rehabilitation Board.

EFFECTIVE DATE. This section is effective for production year 2014 and thereafter.

Sec. 21. HARAMBEE COMMUNITY SCHOOL TRANSITION.

Subdivision 1. **Student enrollment.** A student enrolled in the Harambee community school during the 2013-2014 school year may continue to enroll in the Harambee community school in any subsequent year. For the 2014-2015 school year and later, other students may apply for enrollment under Minnesota Statutes, section 124D.03.

Subd. 2. **Compensatory revenue; literacy aid; alternative compensation revenue.** For the 2014-2015 school year only, the Department of Education must calculate compensatory revenue, literacy aid, and alternative compensation revenue for the Harambee community school based on the October 1, 2013, enrollment counts.

Subd. 3. **Year-round programming.** Harambee community school may operate as a flexible learning year program under Minnesota Statutes, sections 124D.12 to 124D.127.

Subd. 4. **Pupil transportation.** The board may transport pupils enrolled in the 2013-2014 school year to and from the Harambee community school in succeeding school years regardless of the students' districts of residence. Pupil transportation expenses under this section are reimbursable under Minnesota Statutes, section 124D.87.

EFFECTIVE DATE. This section is effective the day following the date on which the real and personal property of the Harambee community school in Maplewood is conveyed to Independent School District No. 623, Roseville, by an enactment during the 2014 regular legislative session.

Sec. 22. TRANSITION REQUIREMENTS; CROSSWINDS SCHOOL.

Subdivision 1. **Student enrollment.** Any student enrolled in the Crosswinds school during the 2013-2014 school year may continue to enroll in the Crosswinds school in any subsequent year. For the 2014-2015 school year and later, a student may apply for enrollment to the school under Minnesota Statutes, section 124D.03.

Subd. 2. **Compensatory revenue, literacy aid, and alternative compensation revenue.** For the 2014-2015 school year only, the Department of Education must calculate compensatory revenue, literacy aid, and alternative compensation revenue for the Crosswinds school based on the October 1, 2013, enrollment counts at that site.

Subd. 3. **Title 1 funding.** To the extent possible, the Department of Education must qualify the Crosswinds school for Title 1, and, if applicable, other federal funding as if the program were still operated by Joint Powers District No. 6067, East Metro Integration District.

EFFECTIVE DATE. This section is effective the day following the date on which the Crosswinds school is conveyed to the Perpich Center for Arts Education by an enactment during the 2014 regular legislative session.

Sec. 23. **LEASE LEVY; SATELLITE TRANSPORTATION HUB FOR ROSEMOUNT-APPLE VALLEY-EAGAN SCHOOL DISTRICT.**

Notwithstanding Minnesota Statutes, section 126C.40, subdivision 1, Independent School District No. 196, Rosemount-Apple Valley-Eagan, may lease a satellite transportation hub under Minnesota Statutes, section 126C.40, subdivision 1, if the district can demonstrate to the satisfaction of the commissioner of education that the satellite transportation hub will result in a significant financial savings. Levy authority under this section shall not exceed the total levy authority under Minnesota Statutes, section 126C.40, subdivision 1, paragraph (e).

EFFECTIVE DATE. This section is effective for taxes payable in 2016 and later.

Sec. 24. **REPEALER.**

Minnesota Statutes 2012, section 123B.71, subdivisions 1 and 4, are repealed.

ARTICLE 19

NUTRITION

Section 1. Minnesota Statutes 2013 Supplement, section 124D.111, subdivision 1, is amended to read:

Subdivision 1. **School lunch aid computation.** Each school year, the state must pay participants in the national school lunch program the amount of 12.5 cents for each full paid, ~~reduced-price~~, and free student lunch and 52.5 cents for each reduced-price lunch served to students.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 2. Minnesota Statutes 2012, section 124D.111, is amended by adding a subdivision to read:

Subd. 4. **No fees.** A participant that receives school lunch aid under this section must make lunch available without charge to all participating students who qualify for free or reduced-price meals. The participant must also ensure that any reminders for payment of outstanding student meal balances do not demean or stigmatize any child participating in the school lunch program.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 3. Minnesota Statutes 2012, section 124D.1158, subdivision 3, is amended to read:

Subd. 3. **Program reimbursement.** Each school year, the state must reimburse each participating school 30 cents for each reduced-price breakfast and, 55 cents for each fully paid breakfast served to students in grades 1 to 12, and \$1.30 for each fully paid breakfast served to a kindergarten student.

Sec. 4. Minnesota Statutes 2012, section 124D.1158, subdivision 4, is amended to read:

Subd. 4. **No fees.** A school that receives school breakfast aid under this section must make breakfast available without charge to all participating students in grades 1 to 12 who qualify for free or reduced price meals and to all kindergarten students.

Sec. 5. Laws 2013, chapter 116, article 7, section 21, subdivision 2, is amended to read:

Subd. 2. **School lunch.** For school lunch aid according to Minnesota Statutes, section 124D.111, and Code of Federal Regulations, title 7, section 210.17:

	13,032,000		
\$	<u>12,417,000</u>	.....	2014
	13,293,000		
\$	<u>16,185,000</u>	.....	2015

Sec. 6. Laws 2013, chapter 116, article 7, section 21, subdivision 3, is amended to read:

Subd. 3. **School breakfast.** For traditional school breakfast aid under Minnesota Statutes, section 124D.1158:

	5,711,000		
\$	<u>5,308,000</u>	.....	2014
	6,022,000		
\$	<u>6,176,000</u>	.....	2015

ARTICLE 20

EARLY EDUCATION, COMMUNITY EDUCATION, SELF-SUFFICIENCY AND LIFELONG LEARNING

Section 1. Minnesota Statutes 2012, section 124D.13, subdivision 2, as amended by Laws 2014, chapter 272, article 1, section 31, is amended to read:

Subd. 2. **Program requirements.** (a) Early childhood family education programs are programs for children in the period of life from birth to kindergarten, for the parents and other relatives of these children, and for expectant parents. To the extent that funds are insufficient to provide programs for all children, early childhood family education programs should emphasize programming for a child from birth to age three and encourage parents and other relatives to involve four- and five-year-old children in school readiness programs, and other public and nonpublic early learning programs. A district may not limit participation to school district residents. Early childhood family education programs must provide:

(1) programs to educate parents and other relatives about the physical, ~~mental,~~ cognitive, social, and emotional development of children and to enhance the skills of parents and other relatives in providing for their children's learning and development;

(2) structured learning activities requiring interaction between children and their parents or relatives;

(3) structured learning activities for children that promote children's development and positive interaction with peers, which are held while parents or relatives attend parent education classes;

(4) information on related community resources;

(5) information, materials, and activities that support the safety of children, including prevention of child abuse and neglect; ~~and~~

(6) ~~a community outreach plan to ensure participation by families who reflect the racial, cultural, linguistic, and economic diversity of the school district.~~ needs assessment that identifies new and underserved populations, identifies child and family risk factors, particularly those that impact children's learning and development, and assesses family and parenting education needs in the community;

(7) programming and services that are tailored to the needs of families and parents prioritized in the community needs assessment; and

(8) provide information about and, if needed, assist in making arrangements for an early childhood health and developmental screening under sections 121A.16 and 121A.17, when the child nears the third birthday.

Early childhood family education programs should prioritize programming and services for families and parents identified in the community needs assessment, particularly those families and parents with children with the most risk factors birth to age three.

Early childhood family education programs are encouraged to provide parents of English learners with translated oral and written information to monitor the program's impact on their children's English language development, to know whether their children are progressing in developing their English and native language proficiency, and to actively engage with and support their children in developing their English and native language proficiency.

The programs must include learning experiences for children, parents, and other relatives that promote children's early literacy and, where practicable, their native language skills and activities for children that require substantial involvement of the children's parents or other relatives. The program may provide parenting education programming or services to anyone identified in the community needs assessment. Providers must review the program periodically to assure the instruction and materials are not racially, culturally, or sexually biased. The programs must encourage parents to be aware of practices that may affect equitable development of children.

(b) For the purposes of this section, "relative" or "relatives" means noncustodial grandparents or other persons related to a child by blood, marriage, adoption, or foster placement, excluding parents.

Sec. 2. Minnesota Statutes 2012, section 124D.13, subdivision 4, is amended to read:

Subd. 4. **Home visiting program.** A district that levies for home visiting under section 124D.135, subdivision 6, shall use this revenue to include as part of the early childhood family

education programs a parent education component that is designed to reach isolated or at-risk families.

The home visiting program must use:

(1) an established risk assessment tool to determine the family's level of risk incorporate evidence-informed parenting education practices designed to support the healthy growth and development of children, with a priority focus on those children who have high needs;

(2) establish clear objectives and protocols for home visits;

(3) encourage families to make a transition from home visits to site-based parenting programs;

(4) provide program services that are community-based, accessible, and culturally relevant; **and**

(5) foster collaboration among existing agencies and community-based organizations that serve young children and their families, such as public health evidence-based models of home visiting and Head Start home visiting; and

(6) provide information about and assist in making arrangements for an early childhood health and developmental screening when the child nears his or her third birthday.

Home visitors The home visiting program should be provided by licensed parenting educators, certified family life educators, or professionals with an equivalent license that reflect the demographic composition of the community to the extent possible.

Sec. 3. Minnesota Statutes 2012, section 124D.13, subdivision 9, is amended to read:

Subd. 9. **District advisory councils.** The board must appoint an advisory council from the area in which the program is provided. A majority of the council must be parents participating in the program, who represent the demographics of the community. The district must ensure, to the extent possible, that the council includes representation of families who are racially, culturally, linguistically, and economically diverse. The council must assist the board in developing, planning, and monitoring the early childhood family education program. The council must report to the board and the community education advisory council.

Sec. 4. Minnesota Statutes 2012, section 124D.13, subdivision 13, is amended to read:

Subd. 13. **Program data submission requirements.** Districts receiving early childhood family education revenue under section 124D.135 must submit annual program data, including data that demonstrates the program response to the community needs assessment, to the department by July 15 in the form and manner prescribed by the commissioner.

Sec. 5. Minnesota Statutes 2012, section 124D.13, is amended by adding a subdivision to read:

Subd. 14. **Supervision.** A program provided by a board must be supervised by a licensed early childhood teacher or a licensed parent educator.

Sec. 6. Minnesota Statutes 2012, section 124D.13, is amended by adding a subdivision to read:

Subd. 15. **Parenting education transition program.** To the extent that funds are sufficient, early childhood family education may provide parenting education transition programming for parents of children birth to grade three in districts in which there is a prekindergarten-grade three initiative in order to facilitate continued parent engagement in children's learning and development. Early

childhood family education programs are encouraged to develop partnerships to provide a parenting education liaison to providers of other public and nonpublic early learning programs, such as Head Start, school readiness, child care, early childhood special education, local public health programs, and health care providers.

Sec. 7. Minnesota Statutes 2012, section 124D.135, subdivision 1, is amended to read:

Subdivision 1. **Revenue.** The revenue for early childhood family education programs for a school district equals ~~\$112 for fiscal year 2007 and \$120 for fiscal year 2008~~ \$120 for fiscal year 2014 and the formula allowance for the year times 0.023 for fiscal year 2015 and later, times the greater of:

(1) 150; or

(2) the number of people under five years of age residing in the district on October 1 of the previous school year.

Sec. 8. Minnesota Statutes 2012, section 124D.135, subdivision 3, is amended to read:

Subd. 3. **Early childhood family education levy.** ~~(a)~~ By September 30 of each year, the commissioner shall establish a tax rate for early childhood family education revenue that raises \$22,135,000 in each fiscal year. If the amount of the early childhood family education levy would exceed the early childhood family education revenue, the early childhood family education levy must equal the early childhood family education revenue. A district may not certify an early childhood family education levy unless it has met the annual program data reporting requirements under section 124D.13, subdivision 13.

~~(b) Notwithstanding paragraph (a), for fiscal year 2009 only, the commissioner shall establish a tax rate for early education revenue that raises \$13,565,000.~~

Sec. 9. Minnesota Statutes 2012, section 124D.16, subdivision 2, is amended to read:

Subd. 2. **Amount of aid.** (a) A district is eligible to receive school readiness aid for eligible prekindergarten pupils enrolled in a school readiness program under section 124D.15 if the biennial plan required by section 124D.15, subdivision 3a, has been approved by the commissioner.

~~(b) For fiscal year 2002 and thereafter,~~ A district must receive school readiness aid equal to:

(1) the number of four-year-old children in the district on October 1 for the previous school year times the ratio of 50 percent of the total school readiness aid for that year to the total number of four-year-old children reported to the commissioner for the previous school year; plus

(2) the number of pupils enrolled in the school district from families eligible for the free or reduced school lunch program for the previous school year times the ratio of 50 percent of the total school readiness aid for that year to the total number of pupils in the state from families eligible for the free or reduced school lunch program for the previous school year.

(c) For fiscal year 2015 and later, the total school readiness aid entitlement equals \$12,170,000.

EFFECTIVE DATE. This section is effective for state aid for fiscal year 2015 and later.

Sec. 10. Minnesota Statutes 2013 Supplement, section 124D.165, subdivision 3, is amended to read:

Subd. 3. **Administration.** (a) The commissioner shall establish application timelines and determine the schedule for awarding scholarships that meets operational needs of eligible families and programs. The commissioner may prioritize applications on factors including family income, geographic location, and whether the child's family is on a waiting list for a publicly funded program providing early education or child care services.

(b) For fiscal years 2014 and 2015 only, scholarships may be awarded up to not exceed \$5,000 per year for each eligible child per year. For fiscal year 2016 and later, the commissioner shall establish a target for the average scholarship amount per child based on the results of the rate survey conducted under section 119B.02.

(c) A four-star rated program that has children eligible for a scholarship enrolled in or on a waiting list for a program beginning in July, August, or September may notify the commissioner, in the form and manner prescribed by the commissioner, each year of the program's desire to enhance program services or to serve more children than current funding provides. The commissioner may designate a predetermined number of scholarship slots for that program and notify the program of that number. Beginning July 1, 2016, a school district or Head Start program qualifying under this paragraph may use its established registration process to enroll scholarship recipients and may verify a scholarship recipient's family income in the same manner as for other program participants.

(d) A scholarship is awarded for a 12-month period. If the scholarship recipient has not been accepted and subsequently enrolled in a rated program within ten months of the awarding of the scholarship, the scholarship cancels and the recipient must reapply in order to be eligible for another scholarship. A child may not be awarded more than one scholarship in a 12-month period.

(e) A child who receives a scholarship who has not completed development screening under sections 121A.16 to 121A.19 must complete that screening within 90 days of first attending an eligible program.

(f) For fiscal year 2017 and later, a school district or Head Start program enrolling scholarship recipients under paragraph (c) may apply to the commissioner, in the form and manner prescribed by the commissioner, for direct payment of state aid. Upon receipt of the application, the commissioner must pay each program directly for each approved scholarship recipient enrolled under paragraph (c) according to the metered payment system or another schedule established by the commissioner.

Sec. 11. Minnesota Statutes 2013 Supplement, section 124D.165, subdivision 4, is amended to read:

Subd. 4. **Early childhood program eligibility.** (a) In order to be eligible to accept an early childhood education scholarship, a program must:

- (1) participate in the quality rating and improvement system under section 124D.142; and
- (2) beginning July 1, 2016, have a three- or four-star rating in the quality rating and improvement system.

(b) Any program accepting scholarships must use the revenue to supplement and not supplant federal funding.

(c) Notwithstanding paragraph (a), all Minnesota early learning foundation scholarship program pilot sites are eligible to accept an early learning scholarship under this section.

Sec. 12. Minnesota Statutes 2013 Supplement, section 124D.165, subdivision 5, is amended to read:

Subd. 5. **Report required.** The commissioner shall contract with an independent contractor to evaluate the early learning scholarship program. The evaluation must include recommendations regarding the appropriate scholarship amount, efficiency, and effectiveness of the administration, and impact on kindergarten readiness. By January 15, 2016, the commissioner shall submit a written copy of the evaluation to the chairs and ranking minority members of the legislative committees and divisions with primary jurisdiction over kindergarten through grade 12 education.

Sec. 13. Minnesota Statutes 2012, section 124D.522, is amended to read:

124D.522 ADULT BASIC EDUCATION SUPPLEMENTAL SERVICE GRANTS.

(a) The commissioner, in consultation with the policy review task force under section 124D.521, may make grants to nonprofit organizations to provide services that are not offered by a district adult basic education program or that are supplemental to either the statewide adult basic education program, or a district's adult basic education program. The commissioner may make grants for: staff development for adult basic education teachers and administrators; training for volunteer tutors; training, services, and materials for serving disabled students through adult basic education programs; statewide promotion of adult basic education services and programs; development and dissemination of instructional and administrative technology for adult basic education programs; programs which primarily serve communities of color; adult basic education distance learning projects, including television instruction programs; and other supplemental services to support the mission of adult basic education and innovative delivery of adult basic education services.

(b) The commissioner must establish eligibility criteria and grant application procedures. Grants under this section must support services throughout the state, focus on educational results for adult learners, and promote outcome-based achievement through adult basic education programs. Beginning in fiscal year 2002, the commissioner may make grants under this section from the state total adult basic education aid set aside for supplemental service grants under section 124D.531. Up to one-fourth of the appropriation for supplemental service grants must be used for grants for adult basic education programs to encourage and support innovations in adult basic education instruction and service delivery. A grant to a single organization cannot exceed ~~20~~ 40 percent of the total supplemental services aid. Nothing in this section prevents an approved adult basic education program from using state or federal aid to purchase supplemental services.

Sec. 14. Minnesota Statutes 2013 Supplement, section 124D.531, subdivision 1, is amended to read:

Subdivision 1. **State total adult basic education aid.** (a) The state total adult basic education aid for fiscal year 2011 equals \$44,419,000, plus any amount that is not paid during the previous fiscal year as a result of adjustments under subdivision 4, paragraph (a), or section 124D.52, subdivision 3. The state total adult basic education aid for later fiscal years equals:

(1) the state total adult basic education aid for the preceding fiscal year plus any amount that is not paid for during the previous fiscal year, as a result of adjustments under subdivision 4, paragraph (a), or section 124D.52, subdivision 3; times

(2) the lesser of:

- (i) ~~1.025~~ 1.03; or
- (ii) the average growth in state total contact hours over the prior ten program years.

~~Beginning in fiscal year 2002, two~~ Three percent of the state total adult basic education aid must be set aside for adult basic education supplemental service grants under section 124D.522.

(b) The state total adult basic education aid, excluding basic population aid, equals the difference between the amount computed in paragraph (a), and the state total basic population aid under subdivision 2.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 15. Minnesota Statutes 2012, section 124D.531, subdivision 3, is amended to read:

Subd. 3. **Program revenue.** Adult basic education programs established under section 124D.52 and approved by the commissioner are eligible for revenue under this subdivision. For fiscal year 2001 and later, adult basic education revenue for each approved program equals the sum of:

- (1) the basic population aid under subdivision 2 for districts participating in the program during the current program year; plus
- (2) 84 percent times the amount computed in subdivision 1, paragraph (b), times the ratio of the contact hours for students participating in the program during the first prior program year to the state total contact hours during the first prior program year; plus
- (3) eight percent times the amount computed in subdivision 1, paragraph (b), times the ratio of the enrollment of English learners during the second prior school year in districts participating in the program during the current program year to the state total enrollment of English learners during the second prior school year in districts participating in adult basic education programs during the current program year; plus
- (4) eight percent times the amount computed in subdivision 1, paragraph (b), times the ratio of the latest federal census count of the number of adults aged ~~20~~ 25 or older with no diploma residing in the districts participating in the program during the current program year to the latest federal census count of the state total number of adults aged ~~20~~ 25 or older with no diploma residing in the districts participating in adult basic education programs during the current program year.

Sec. 16. Laws 2013, chapter 116, article 8, section 5, subdivision 2, is amended to read:

Subd. 2. **School readiness.** For revenue for school readiness programs under Minnesota Statutes, sections 124D.15 and 124D.16:

	10,095,000		
\$	<u>10,458,000</u>	.....	2014
	10,159,000		
\$	<u>11,962,000</u>	.....	2015

The 2014 appropriation includes \$1,372,000 for 2013 and ~~\$8,723,000~~ \$9,086,000 for 2014.

The 2015 appropriation includes ~~\$1,372,000~~ \$1,009,000 for 2014 and ~~\$8,787,000~~ \$10,953,000 for 2015.

Sec. 17. Laws 2013, chapter 116, article 8, section 5, subdivision 3, is amended to read:

Subd. 3. **Early childhood family education aid.** For early childhood family education aid under Minnesota Statutes, section 124D.135:

	22,078,000		
\$	<u>22,797,000</u>	.....	2014
	22,425,000		
\$	<u>26,651,000</u>	.....	2015

The 2014 appropriation includes \$3,008,000 for 2013 and ~~\$19,070,000~~ \$19,789,000 for 2014.

The 2015 appropriation includes ~~\$3,001,000~~ \$2,198,000 for 2014 and ~~\$19,424,000~~ \$24,453,000 for 2015.

Sec. 18. Laws 2013, chapter 116, article 8, section 5, subdivision 8, is amended to read:

Subd. 8. **Early ~~childhood education~~ learning scholarships.** For transfer to the Office of Early Learning for early learning scholarships under Minnesota Statutes, section 124D.165:

\$	23,000,000	.....	2014
	23,000,000		
\$	<u>27,650,000</u>	.....	2015

Up to \$950,000 each year is for administration of this program.

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

The base for fiscal year 2016 and later is \$27,884,000.

EFFECTIVE DATE. This section is effective July 1, 2014.

Sec. 19. Laws 2013, chapter 116, article 8, section 5, subdivision 9, is amended to read:

Subd. 9. **Parent-child home program.** For a grant to the parent-child home program:

\$	250,000	.....	2014
	250,000		
\$	<u>350,000</u>	.....	2015

The grant must be used for an evidence-based and research-validated early childhood literacy and school readiness program for children ages 16 months to four years at its existing suburban program location. The program must expand to one additional urban and one additional rural program location for fiscal years 2014 and 2015. The base for fiscal year 2016 and later is \$250,000.

Sec. 20. Laws 2013, chapter 116, article 8, section 5, subdivision 14, is amended to read:

Subd. 14. **Adult basic education aid.** For adult basic education aid under Minnesota Statutes, section 124D.531:

	47,005,000		
\$	<u>48,776,000</u>	.....	2014

\$ 48,145,000
48,415,000 2015

The 2014 appropriation includes ~~\$6,284,000~~ \$6,278,000 for 2013 and ~~\$40,721,000~~ \$42,498,000 for 2014.

The 2015 appropriation includes ~~\$6,409,000~~ \$4,722,000 for 2014 and ~~\$41,736,000~~ \$43,693,000 for 2015.

Sec. 21. **APPROPRIATIONS.**

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal year designated.

Subd. 2. **Northside Achievement Zone.** For a grant to the Northside Achievement Zone.

\$ 350,000 2015

(a) Funds appropriated in this section are to reduce multigenerational poverty and the educational achievement gap through increased enrollment of families within the zone, and may be used for Northside Achievement Zone programming and services consistent with federal Promise Neighborhood program agreements and requirements. The base appropriation for fiscal year 2016 and later is \$200,000.

(b) The Northside Achievement Zone shall submit a report to the chairs of the legislative committees with jurisdiction over early childhood through grade 12 education policy and finance that, at a minimum, summarizes program activities, specifies performance measures, and analyzes program outcomes. The report must be submitted by January 15, 2016.

Subd. 3. **Saint Paul Promise Neighborhood.** For a grant to the Saint Paul Promise Neighborhood.

\$ 350,000 2015

(a) Funds appropriated in this section are to reduce multigenerational poverty and the educational achievement gap through increased enrollment of families within the zone, and may be used for Saint Paul Promise Neighborhood programming and services consistent with federal Promise Neighborhood program agreements and requirements.

(b) The Saint Paul Promise Neighborhood shall submit a report on January 15, 2016, to the chairs of the legislative committees with jurisdiction over early childhood through grade 12 education policy and finance. The report, at a minimum, must summarize program activities, specify performance measures, and analyze program outcomes.

(c) The base appropriation for fiscal year 2016 and later is \$200,000.

ARTICLE 21

STATE AGENCIES

Section 1. 2014 H.F. No. 2180, section 11, if enacted, is amended to read:

Sec. 11. Minnesota Statutes 2012, section 471.6161, is amended by adding a subdivision to read:

Subd. 8. **School districts; group health insurance coverage.** (a) Any entity providing group health insurance coverage to a school district must provide the school district with school district-specific nonidentifiable aggregate claims records for the most recent 24 months within 30 days of the request.

(b) School districts shall request proposals for group health insurance coverage as provided in subdivision 2 from a minimum of three potential sources of coverage. One of these requests must go to an administrator governed by chapter 43A. Entities referenced in subdivision 1 must respond to requests for proposals received directly from a school district. School districts that are self-insured must also follow these provisions, except as provided in paragraph (f). School districts must make requests for proposals at least 150 days prior to the expiration of the existing contract but not more frequently than once every 24 months. The request for proposals must include the most recently available 24 months of nonidentifiable aggregate claims data. The request for proposals must be publicly released at or prior to its release to potential sources of coverage.

(c) School district contracts for group health insurance must not be longer than two years unless the exclusive representative of the largest employment group and the school district agree otherwise.

(d) All initial proposals shall be sealed upon receipt until they are all opened no less than 90 days prior to the plan's renewal date in the presence of up to three representatives selected by the exclusive representative of the largest group of employees. Section 13.591, subdivision 3, paragraph (b), applies to data in the proposals. The representatives of the exclusive representative must maintain the data according to this classification and are subject to the remedies and penalties under sections 13.08 and 13.09 for a violation of this requirement.

(e) A school district, in consultation with the same representatives referenced in paragraph (d), may continue to negotiate with any entity that submitted a proposal under paragraph (d) in order to reduce costs or improve services under the proposal. Following the negotiations any entity that submitted an initial proposal may submit a final proposal incorporating the negotiations, which is due no less than 75 days prior to the plan's renewal date. All the final proposals submitted must be opened at the same time in the presence of up to three representatives selected by the exclusive representative of the largest group of employees. Notwithstanding section 13.591, subdivision 3, paragraph (b), following the opening of the final proposals, all the proposals, including any made under paragraph (d), and other data submitted in connection with the proposals are public data. The school district may choose from any of the initial or final proposals without further negotiations and in accordance with subdivision 5, but not sooner than 15 days after the proposals become public data.

(f) School districts that are self-insured shall follow all of the requirements of this section, except that:

- (1) their requests for proposals may be for third-party administrator services, where applicable;
- (2) these requests for proposals must be from a minimum of three different sources, which may include both entities referenced in subdivision 1 and providers of third-party administrator services;
- (3) for purposes of fulfilling the requirement to request a proposal for group insurance coverage from an administrator governed by chapter 43A, self-insured districts are not required to include in the request for proposal the coverage to be provided;

(4) a district that is self-insured on or before the date of enactment, or that is self-insured with more than 1,000 insured lives, or a district in which the school board adopted a motion on or before May 14, 2014, to approve a self-insured health care plan to be effective July 1, 2014, may, but need not, request a proposal from an administrator governed by chapter 43A;

(5) requests for proposals must be sent to providers no less than 90 days prior to the expiration of the existing contract; and

(6) proposals must be submitted at least 60 days prior to the plan's renewal date and all proposals shall be opened at the same time and in the presence of the exclusive representative, where applicable.

(g) Nothing in this section shall restrict the authority granted to school district boards of education by section 471.59, except that districts will not be considered self-insured for purposes of this subdivision solely through participation in a joint powers arrangement.

(h) An entity providing group health insurance to a school district under a multiyear contract must give notice of any rate or plan design changes applicable under the contract at least 90 days before the effective date of any change. The notice must be given to the school district and to the exclusive representatives of employees.

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

Sec. 2. Laws 2013, chapter 116, article 9, section 1, subdivision 2, is amended to read:

Subd. 2. **Department.** (a) For the Department of Education:

\$	20,058,000	.....	2014
	19,308,000		
\$	<u>19,716,000</u>	.....	2015

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

(b) \$260,000 each year is for the Minnesota Children's Museum.

(c) \$41,000 each year is for the Minnesota Academy of Science.

(d) \$50,000 each year is for the Duluth Children's Museum.

(e) \$618,000 each in fiscal year 2014 and \$718,000 in fiscal year 2015 only are for the Board of Teaching. Any balance in the first year does not cancel but is available in the second year.

(f) \$167,000 each in fiscal year 2014 and \$225,000 in fiscal year 2015 are for the Board of School Administrators. Any balance in the first year does not cancel but is available in the second year.

(g) \$75,000 in fiscal year 2015 only is for The Works Museum.

(h) \$50,000 in fiscal year 2015 only is for a grant to the Headwaters Science Center for hands-on science, technology, engineering, and math (STEM) education.

(i) \$25,000 each year is for innovation pilot grants under Laws 2012, chapter 263, section 1.

(j) The expenditures of federal grants and aids as shown in the biennial budget document and its supplements are approved and appropriated and shall be spent as indicated.

(h) (k) None of the amounts appropriated under this subdivision may be used for Minnesota's Washington, D.C. office.

(i) (l) \$250,000 each year is for the School Finance Division to enhance financial data analysis.

(j) (m) \$750,000 in fiscal year 2014 only is for departmental costs associated with teacher development and evaluation. Any balance in the first year does not cancel and is available in the second year.

(n) The base budget for fiscal year 2016 and later is \$19,451,000.

Sec. 3. Laws 2013, chapter 116, article 9, section 2, is amended to read:

Sec. 2. APPROPRIATIONS; MINNESOTA STATE ACADEMIES.

The sums indicated in this section are appropriated from the general fund to the Minnesota State Academies for the Deaf and the Blind for the fiscal years designated:

\$	11,749,000	.....	2014
	11,664,000		
\$	<u>11,964,000</u>	.....	2015

\$85,000 of the fiscal year 2014 appropriation is for costs associated with upgrading kitchen facilities. Any balance in the first year does not cancel but is available in the second year.

Sec. 4. APPROPRIATION; RESPONSES TO HEALTH INSURANCE TRANSPARENCY ACT BID REQUESTS.

(a) \$294,000 is appropriated for fiscal year 2015 from the general fund to the commissioner of management and budget to comply with the requirements relating to health insurance transparency in Laws 2014, chapter 279, if enacted. This is a onetime appropriation.

(b) If Laws 2014, chapter 279, is enacted, the commissioner of management and budget shall report by January 15, 2015, to the legislative chairs and ranking minority members with jurisdiction over state government finance on the ongoing costs incurred by the public employees insurance program in compliance with the requirements of the health insurance transparency act and may request additional appropriations, if necessary.

ARTICLE 22

FORECAST ADJUSTMENTS

A. GENERAL EDUCATION

Section 1. Laws 2013, chapter 116, article 1, section 58, subdivision 3, is amended to read:

Subd. 3. **Enrollment options transportation.** For transportation of pupils attending postsecondary institutions under Minnesota Statutes, section 124D.09, or for transportation of pupils attending nonresident districts under Minnesota Statutes, section 124D.03:

	44,000		
\$	<u>37,000</u>	.....	2014
	48,000		
\$	<u>40,000</u>	.....	2015

Sec. 2. Laws 2013, chapter 116, article 1, section 58, subdivision 4, is amended to read:

Subd. 4. **Abatement revenue.** For abatement aid under Minnesota Statutes, section 127A.49:

	2,747,000		
\$	<u>2,876,000</u>	.....	2014
	3,136,000		
\$	<u>3,103,000</u>	.....	2015

The 2014 appropriation includes \$301,000 for 2013 and ~~\$2,446,000~~ \$2,575,000 for 2014.

The 2015 appropriation includes ~~\$385,000~~ \$286,000 for 2014 and ~~\$2,751,000~~ \$2,817,000 for 2015.

Sec. 3. Laws 2013, chapter 116, article 1, section 58, subdivision 5, is amended to read:

Subd. 5. **Consolidation transition.** For districts consolidating under Minnesota Statutes, section 123A.485:

	472,000		
\$	<u>585,000</u>	.....	2014
	480,000		
\$	<u>254,000</u>	.....	2015

The 2014 appropriation includes \$40,000 for 2013 and ~~\$432,000~~ \$545,000 for 2014.

The 2015 appropriation includes ~~\$68,000~~ \$60,000 for 2014 and ~~\$412,000~~ \$194,000 for 2015.

Sec. 4. Laws 2013, chapter 116, article 1, section 58, subdivision 11, is amended to read:

Subd. 11. **Career and technical aid.** For career and technical aid under Minnesota Statutes, section 124D.4531, subdivision 1b:

	4,320,000		
\$	<u>3,959,000</u>	.....	2014
	5,680,000		
\$	<u>5,172,000</u>	.....	2015

The 2014 appropriation includes \$0 for ~~2014~~ 2013 and ~~\$4,320,000~~ \$3,959,000 for ~~2015~~ 2014.

The 2015 appropriation includes ~~\$680,000~~ \$439,000 for 2014 and ~~\$5,000,000~~ \$4,733,000 for 2015.

B. EDUCATION EXCELLENCE

Sec. 5. Laws 2013, chapter 116, article 3, section 37, subdivision 3, is amended to read:

Subd. 3. **Achievement and integration aid.** For achievement and integration aid under Minnesota Statutes, section 124D.862:

	58,911,000		
\$	<u>55,609,000</u>	.....	2014
	68,623,000		
\$	<u>62,692,000</u>	.....	2015

The 2014 appropriation includes \$0 for 2013 and ~~\$58,911,000~~ \$55,609,000 for 2014.

The 2015 appropriation includes ~~\$9,273,000~~ \$6,178,000 for 2014 and ~~\$59,350,000~~ \$56,514,000 for 2015.

Sec. 6. Laws 2013, chapter 116, article 3, section 37, subdivision 4, is amended to read:

Subd. 4. **Literacy incentive aid.** For literacy incentive aid under Minnesota Statutes, section 124D.98:

	52,514,000		
\$	<u>50,998,000</u>	.....	2014
	53,818,000		
\$	<u>47,458,000</u>	.....	2015

The 2014 appropriation includes \$6,607,000 for 2013 and ~~\$45,907,000~~ \$44,391,000 for 2014.

The 2015 appropriation includes ~~\$7,225,000~~ \$4,932,000 for 2014 and ~~\$46,593,000~~ \$42,526,000 for 2015.

Sec. 7. Laws 2013, chapter 116, article 3, section 37, subdivision 5, is amended to read:

Subd. 5. **Interdistrict desegregation or integration transportation grants.** For interdistrict desegregation or integration transportation grants under Minnesota Statutes, section 124D.87:

	13,968,000		
\$	<u>13,521,000</u>	.....	2014
	14,712,000		
\$	<u>14,248,000</u>	.....	2015

Sec. 8. Laws 2013, chapter 116, article 3, section 37, subdivision 6, is amended to read:

Subd. 6. **Success for the future.** For American Indian success for the future grants under Minnesota Statutes, section 124D.81:

	2,137,000		
\$	<u>2,214,000</u>	.....	2014
\$	2,137,000	.....	2015

The 2014 appropriation includes \$290,000 for 2013 and ~~\$1,847,000~~ \$1,924,000 for 2014.

The 2015 appropriation includes ~~\$290,000~~ \$213,000 for 2014 and ~~\$1,847,000~~ \$1,924,000 for 2015.

Sec. 9. Laws 2013, chapter 116, article 3, section 37, subdivision 20, is amended to read:

Subd. 20. **Alternative compensation.** For alternative teacher compensation aid under Minnesota Statutes, section 122A.415, subdivision 4:

	60,340,000		
\$	<u>71,599,000</u>	.....	2015

The 2015 appropriation includes \$0 for 2014 and ~~\$59,711,000~~ \$71,599,000 for 2015.

C. CHARTER SCHOOLS

Sec. 10. Laws 2013, chapter 116, article 4, section 9, subdivision 2, is amended to read:

Subd. 2. **Charter school building lease aid.** For building lease aid under Minnesota Statutes, section 124D.11, subdivision 4:

	54,484,000		
\$	<u>54,625,000</u>	.....	2014
	59,533,000		
\$	<u>58,294,000</u>	.....	2015

The 2014 appropriation includes ~~\$6,819,000~~ \$6,681,000 for 2013 and ~~\$47,665,000~~ \$47,944,000 for 2014.

The 2015 appropriation includes ~~\$7,502,000~~ \$5,327,000 for 2014 and ~~\$52,031,000~~ \$52,967,000 for 2015.

D. SPECIAL PROGRAMS

Sec. 11. Laws 2013, chapter 116, article 5, section 31, subdivision 2, is amended to read:

Subd. 2. **Special education; regular.** For special education aid under Minnesota Statutes, section 125A.75:

	997,725,000		
\$	<u>1,038,465,000</u>	.....	2014
	1,108,211,000		
\$	<u>1,111,641,000</u>	.....	2015

The 2014 appropriation includes ~~\$118,232,000~~ \$118,183,000 for 2013 and ~~\$802,884,000~~ \$920,282,000 for 2014.

The 2015 appropriation includes ~~\$169,929,000~~ \$129,549,000 for 2014 and ~~\$938,282,000~~ \$982,092,000 for 2015.

Sec. 12. Laws 2013, chapter 116, article 5, section 31, subdivision 3, is amended to read:

Subd. 3. **Aid for children with disabilities.** For aid under Minnesota Statutes, section 125A.75, subdivision 3, for children with disabilities placed in residential facilities within the district boundaries for whom no district of residence can be determined:

	1,655,000		
\$	<u>1,548,000</u>	.....	2014
	1,752,000		
\$	<u>1,674,000</u>	.....	2015

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

Sec. 13. Laws 2013, chapter 116, article 5, section 31, subdivision 4, is amended to read:

Subd. 4. **Travel for home-based services.** For aid for teacher travel for home-based services under Minnesota Statutes, section 125A.75, subdivision 1:

	345,000		
\$	<u>351,000</u>	.....	2014
	355,000		
\$	<u>346,000</u>	.....	2015

The 2014 appropriation includes \$45,000 for 2013 and ~~\$300,000~~ \$306,000 for 2014.

The 2015 appropriation includes ~~\$47,000~~ \$33,000 for 2014 and ~~\$308,000~~ \$313,000 for 2015.

Sec. 14. Laws 2013, chapter 116, article 5, section 31, subdivision 5, is amended to read:

Subd. 5. **Special education; excess costs.** For excess cost aid under Minnesota Statutes, section 125A.79, subdivision 7:

	42,030,000		
\$	<u>42,016,000</u>	.....	2014

The 2014 appropriation includes ~~\$42,030,000~~ \$42,016,000 for 2013 and \$0 for 2014.

E. FACILITIES AND TECHNOLOGY

Sec. 15. Laws 2013, chapter 116, article 6, section 12, subdivision 2, is amended to read:

Subd. 2. **Health and safety revenue.** For health and safety aid according to Minnesota Statutes, section 123B.57, subdivision 5:

\$	463,000 <u>471,000</u>	.....	2014
\$	434,000 <u>651,000</u>	.....	2015

The 2014 appropriation includes ~~\$26,000~~ \$24,000 for 2013 and ~~\$437,000~~ \$447,000 for 2014.

The 2015 appropriation includes ~~\$68,000~~ \$49,000 for 2014 and ~~\$366,000~~ \$602,000 for 2015.

Sec. 16. Laws 2013, chapter 116, article 6, section 12, subdivision 3, is amended to read:

Subd. 3. **Debt service equalization.** For debt service aid according to Minnesota Statutes, section 123B.53, subdivision 6:

	19,083,000		
\$	<u>19,778,000</u>	.....	2014

	25,060,000		
\$	<u>22,591,000</u>	.....	2015

The 2014 appropriation includes \$2,397,000 for 2013 and ~~\$16,686,000~~ \$17,381,000 for 2014.

The 2015 appropriation includes ~~\$2,626,000~~ \$1,931,000 for 2014 and ~~\$22,434,000~~ \$20,660,000 for 2015.

Sec. 17. Laws 2013, chapter 116, article 6, section 12, subdivision 4, is amended to read:

Subd. 4. **Alternative facilities bonding aid.** For alternative facilities bonding aid, according to Minnesota Statutes, section 123B.59, subdivision 1:

	19,287,000		
\$	<u>19,982,000</u>	.....	2014
\$	19,287,000	.....	2015

The 2014 appropriation includes \$2,623,000 for 2013 and ~~\$16,664,000~~ \$17,359,000 for 2014.

The 2015 appropriation includes ~~\$2,623,000~~ \$1,928,000 for 2014 and ~~\$16,664,000~~ \$17,359,000 for 2015.

Sec. 18. Laws 2013, chapter 116, article 6, section 12, subdivision 6, is amended to read:

Subd. 6. **Deferred maintenance aid.** For deferred maintenance aid, according to Minnesota Statutes, section 123B.591, subdivision 4:

	3,564,000		
\$	<u>3,877,000</u>	.....	2014
	3,730,000		
\$	<u>4,024,000</u>	.....	2015

The 2014 appropriation includes ~~\$456,000~~ \$475,000 for 2013 and ~~\$3,108,000~~ \$3,402,000 for 2014.

The 2015 appropriation includes ~~\$489,000~~ \$378,000 for 2014 and ~~\$3,241,000~~ \$3,646,000 for 2015.

F. NUTRITION AND LIBRARIES

Sec. 19. Laws 2013, chapter 116, article 7, section 21, subdivision 4, is amended to read:

Subd. 4. **Kindergarten milk.** For kindergarten milk aid under Minnesota Statutes, section 124D.118:

	1,039,000		
\$	<u>992,000</u>	.....	2014
	1,049,000		
\$	<u>1,002,000</u>	.....	2015

Sec. 20. Laws 2013, chapter 116, article 7, section 21, subdivision 6, is amended to read:

Subd. 6. **Basic system support.** For basic system support grants under Minnesota Statutes, section 134.355:

	13,570,000		
\$	<u>14,058,000</u>	.....	2014
	13,570,000		
\$	<u>13,570,000</u>	.....	2015

The 2014 appropriation includes \$1,845,000 for 2013 and ~~\$11,725,000~~ \$12,213,000 for 2014.

The 2015 appropriation includes ~~\$1,845,000~~ \$1,357,000 for 2014 and ~~\$11,725,000~~ \$12,213,000 for 2015.

Sec. 21. Laws 2013, chapter 116, article 7, section 21, subdivision 7, is amended to read:

Subd. 7. **Multicounty, multitype library systems.** For grants under Minnesota Statutes, sections 134.353 and 134.354, to multicounty, multitype library systems:

	1,300,000		
\$	<u>1,346,000</u>	.....	2014
\$	1,300,000	.....	2015

The 2014 appropriation includes \$176,000 for 2013 and ~~\$1,124,000~~ \$1,170,000 for 2014.

The 2015 appropriation includes ~~\$176,000~~ \$130,000 for 2014 and ~~\$1,124,000~~ \$1,170,000 for 2015.

Sec. 22. Laws 2013, chapter 116, article 7, section 21, subdivision 9, is amended to read:

Subd. 9. **Regional library telecommunications aid.** For regional library telecommunications aid under Minnesota Statutes, section 134.355:

	2,300,000		
\$	<u>2,382,000</u>	.....	2014
\$	2,300,000	.....	2015

The 2014 appropriation includes \$312,000 for 2013 and ~~\$1,988,000~~ \$2,070,000 for 2014.

The 2015 appropriation includes ~~\$312,000~~ \$230,000 for 2014 and ~~\$1,988,000~~ \$2,070,000 for 2015.

G. EARLY CHILDHOOD EDUCATION, SELF-SUFFICIENCY, AND LIFELONG LEARNING

Sec. 23. Laws 2013, chapter 116, article 8, section 5, subdivision 4, is amended to read:

Subd. 4. **Health and developmental screening aid.** For health and developmental screening aid under Minnesota Statutes, sections 121A.17 and 121A.19:

	3,421,000		
\$	<u>3,524,000</u>	.....	2014

\$ ~~3,344,000~~
3,330,000 2015

The 2014 appropriation includes ~~\$474,000~~ \$471,000 for 2013 and ~~\$2,947,000~~ \$3,053,000 for 2014.

The 2015 appropriation includes ~~\$463,000~~ \$339,000 for 2014 and ~~\$2,881,000~~ \$2,991,000 for 2015.

Sec. 24. Laws 2013, chapter 116, article 8, section 5, subdivision 10, is amended to read:

Subd. 10. **Community education aid.** For community education aid under Minnesota Statutes, section 124D.20:

\$ ~~935,000~~
955,000 2014

\$ ~~1,056,000~~
1,060,000 2015

The 2014 appropriation includes \$118,000 for 2013 and ~~\$817,000~~ \$837,000 for 2014.

The 2015 appropriation includes ~~\$128,000~~ \$93,000 for 2014 and ~~\$928,000~~ \$967,000 for 2015.

Sec. 25. Laws 2013, chapter 116, article 8, section 5, subdivision 11, is amended to read:

Subd. 11. **Adults with disabilities program aid.** For adults with disabilities programs under Minnesota Statutes, section 124D.56:

\$ ~~710,000~~ 734,000 2014

\$ 710,000 2015

The 2014 appropriation includes ~~\$96,000~~ \$95,000 for 2013 and ~~\$614,000~~ \$639,000 for 2014.

The 2015 appropriation includes ~~\$96,000~~ \$71,000 for 2014 and ~~\$614,000~~ \$639,000 for 2015.

ARTICLE 23

HEALTH DEPARTMENT

Section 1. Minnesota Statutes 2013 Supplement, section 103I.205, subdivision 4, is amended to read:

Subd. 4. **License required.** (a) Except as provided in paragraph (b), (c), (d), or (e), section 103I.401, subdivision 2, or section 103I.601, subdivision 2, a person may not drill, construct, repair, or seal a well or boring unless the person has a well contractor's license in possession.

(b) A person may construct, repair, and seal a monitoring well if the person:

(1) is a professional engineer licensed under sections 326.02 to 326.15 in the branches of civil or geological engineering;

(2) is a hydrologist or hydrogeologist certified by the American Institute of Hydrology;

- (3) is a professional geoscientist licensed under sections 326.02 to 326.15;
- (4) is a geologist certified by the American Institute of Professional Geologists; or
- (5) meets the qualifications established by the commissioner in rule.

A person must register with the commissioner as a monitoring well contractor on forms provided by the commissioner.

(c) A person may do the following work with a limited well/boring contractor's license in possession. A separate license is required for each of the six activities:

- (1) installing or repairing well screens or pitless units or pitless adaptors and well casings from the pitless adaptor or pitless unit to the upper termination of the well casing;
- (2) constructing, repairing, and sealing drive point wells or dug wells;
- (3) installing well pumps or pumping equipment;
- (4) sealing wells;
- (5) constructing, repairing, or sealing dewatering wells; or
- (6) constructing, repairing, or sealing bored geothermal heat exchangers.

(d) A person may construct, repair, and seal an elevator boring with an elevator boring contractor's license.

(e) Notwithstanding other provisions of this chapter requiring a license or registration, a license or registration is not required for a person who complies with the other provisions of this chapter if the person is:

(1) an individual who constructs a well on land that is owned or leased by the individual and is used by the individual for farming or agricultural purposes or as the individual's place of abode; or

(2) an individual who performs labor or services for a contractor licensed or registered under the provisions of this chapter in connection with the construction, sealing, or repair of a well or boring at the direction and under the personal supervision of a contractor licensed or registered under the provisions of this chapter; or

(3) a licensed plumber who is repairing submersible pumps or water pipes associated with well water systems if the repair location is within an area where there is no licensed or registered well contractor within 25 miles.

Sec. 2. Minnesota Statutes 2012, section 144.1501, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For purposes of this section, the following definitions apply.

(b) "Dentist" means an individual who is licensed to practice dentistry.

(c) "Designated rural area" means ~~an area defined as a small rural area or isolated rural area according to the four category classifications of the Rural Urban Commuting Area system developed for the United States Health Resources and Services Administration~~ a city or township that is:

(1) outside the seven-county metropolitan area as defined in section 473.121, subdivision 2; and

(2) has a population under 15,000.

(d) "Emergency circumstances" means those conditions that make it impossible for the participant to fulfill the service commitment, including death, total and permanent disability, or temporary disability lasting more than two years.

(e) "Medical resident" means an individual participating in a medical residency in family practice, internal medicine, obstetrics and gynecology, pediatrics, or psychiatry.

(f) "Midlevel practitioner" means a nurse practitioner, nurse-midwife, nurse anesthetist, advanced clinical nurse specialist, or physician assistant.

(g) "Nurse" means an individual who has completed training and received all licensing or certification necessary to perform duties as a licensed practical nurse or registered nurse.

(h) "Nurse-midwife" means a registered nurse who has graduated from a program of study designed to prepare registered nurses for advanced practice as nurse-midwives.

(i) "Nurse practitioner" means a registered nurse who has graduated from a program of study designed to prepare registered nurses for advanced practice as nurse practitioners.

(j) "Pharmacist" means an individual with a valid license issued under chapter 151.

(k) "Physician" means an individual who is licensed to practice medicine in the areas of family practice, internal medicine, obstetrics and gynecology, pediatrics, or psychiatry.

(l) "Physician assistant" means a person licensed under chapter 147A.

(m) "Qualified educational loan" means a government, commercial, or foundation loan for actual costs paid for tuition, reasonable education expenses, and reasonable living expenses related to the graduate or undergraduate education of a health care professional.

(n) "Underserved urban community" means a Minnesota urban area or population included in the list of designated primary medical care health professional shortage areas (HPSAs), medically underserved areas (MUAs), or medically underserved populations (MUPs) maintained and updated by the United States Department of Health and Human Services.

Sec. 3. Minnesota Statutes 2012, section 144.551, subdivision 1, is amended to read:

Subdivision 1. **Restricted construction or modification.** (a) The following construction or modification may not be commenced:

(1) any erection, building, alteration, reconstruction, modernization, improvement, extension, lease, or other acquisition by or on behalf of a hospital that increases the bed capacity of a hospital, relocates hospital beds from one physical facility, complex, or site to another, or otherwise results in an increase or redistribution of hospital beds within the state; and

(2) the establishment of a new hospital.

(b) This section does not apply to:

(1) construction or relocation within a county by a hospital, clinic, or other health care facility that is a national referral center engaged in substantial programs of patient care, medical research, and medical education meeting state and national needs that receives more than 40 percent of its patients from outside the state of Minnesota;

(2) a project for construction or modification for which a health care facility held an approved certificate of need on May 1, 1984, regardless of the date of expiration of the certificate;

(3) a project for which a certificate of need was denied before July 1, 1990, if a timely appeal results in an order reversing the denial;

(4) a project exempted from certificate of need requirements by Laws 1981, chapter 200, section 2;

(5) a project involving consolidation of pediatric specialty hospital services within the Minneapolis-St. Paul metropolitan area that would not result in a net increase in the number of pediatric specialty hospital beds among the hospitals being consolidated;

(6) a project involving the temporary relocation of pediatric-orthopedic hospital beds to an existing licensed hospital that will allow for the reconstruction of a new philanthropic, pediatric-orthopedic hospital on an existing site and that will not result in a net increase in the number of hospital beds. Upon completion of the reconstruction, the licenses of both hospitals must be reinstated at the capacity that existed on each site before the relocation;

(7) the relocation or redistribution of hospital beds within a hospital building or identifiable complex of buildings provided the relocation or redistribution does not result in: (i) an increase in the overall bed capacity at that site; (ii) relocation of hospital beds from one physical site or complex to another; or (iii) redistribution of hospital beds within the state or a region of the state;

(8) relocation or redistribution of hospital beds within a hospital corporate system that involves the transfer of beds from a closed facility site or complex to an existing site or complex provided that: (i) no more than 50 percent of the capacity of the closed facility is transferred; (ii) the capacity of the site or complex to which the beds are transferred does not increase by more than 50 percent; (iii) the beds are not transferred outside of a federal health systems agency boundary in place on July 1, 1983; and (iv) the relocation or redistribution does not involve the construction of a new hospital building;

(9) a construction project involving up to 35 new beds in a psychiatric hospital in Rice County that primarily serves adolescents and that receives more than 70 percent of its patients from outside the state of Minnesota;

(10) a project to replace a hospital or hospitals with a combined licensed capacity of 130 beds or less if: (i) the new hospital site is located within five miles of the current site; and (ii) the total licensed capacity of the replacement hospital, either at the time of construction of the initial building or as the result of future expansion, will not exceed 70 licensed hospital beds, or the combined licensed capacity of the hospitals, whichever is less;

(11) the relocation of licensed hospital beds from an existing state facility operated by the commissioner of human services to a new or existing facility, building, or complex operated by the commissioner of human services; from one regional treatment center site to another; or from one building or site to a new or existing building or site on the same campus;

(12) the construction or relocation of hospital beds operated by a hospital having a statutory obligation to provide hospital and medical services for the indigent that does not result in a net increase in the number of hospital beds, notwithstanding section 144.552, 27 beds, of which 12

serve mental health needs, may be transferred from Hennepin County Medical Center to Regions Hospital under this clause;

(13) a construction project involving the addition of up to 31 new beds in an existing nonfederal hospital in Beltrami County;

(14) a construction project involving the addition of up to eight new beds in an existing nonfederal hospital in Otter Tail County with 100 licensed acute care beds;

(15) a construction project involving the addition of 20 new hospital beds used for rehabilitation services in an existing hospital in Carver County serving the southwest suburban metropolitan area. Beds constructed under this clause shall not be eligible for reimbursement under medical assistance, general assistance medical care, or MinnesotaCare;

(16) a project for the construction or relocation of up to 20 hospital beds for the operation of up to two psychiatric facilities or units for children provided that the operation of the facilities or units have received the approval of the commissioner of human services;

(17) a project involving the addition of 14 new hospital beds to be used for rehabilitation services in an existing hospital in Itasca County;

(18) a project to add 20 licensed beds in existing space at a hospital in Hennepin County that closed 20 rehabilitation beds in 2002, provided that the beds are used only for rehabilitation in the hospital's current rehabilitation building. If the beds are used for another purpose or moved to another location, the hospital's licensed capacity is reduced by 20 beds;

(19) a critical access hospital established under section 144.1483, clause (9), and section 1820 of the federal Social Security Act, United States Code, title 42, section 1395i-4, that delicensed beds since enactment of the Balanced Budget Act of 1997, Public Law 105-33, to the extent that the critical access hospital does not seek to exceed the maximum number of beds permitted such hospital under federal law;

(20) notwithstanding section 144.552, a project for the construction of a new hospital in the city of Maple Grove with a licensed capacity of up to 300 beds provided that:

(i) the project, including each hospital or health system that will own or control the entity that will hold the new hospital license, is approved by a resolution of the Maple Grove City Council as of March 1, 2006;

(ii) the entity that will hold the new hospital license will be owned or controlled by one or more not-for-profit hospitals or health systems that have previously submitted a plan or plans for a project in Maple Grove as required under section 144.552, and the plan or plans have been found to be in the public interest by the commissioner of health as of April 1, 2005;

(iii) the new hospital's initial inpatient services must include, but are not limited to, medical and surgical services, obstetrical and gynecological services, intensive care services, orthopedic services, pediatric services, noninvasive cardiac diagnostics, behavioral health services, and emergency room services;

(iv) the new hospital:

(A) will have the ability to provide and staff sufficient new beds to meet the growing needs of the Maple Grove service area and the surrounding communities currently being served by the hospital or health system that will own or control the entity that will hold the new hospital license;

(B) will provide uncompensated care;

(C) will provide mental health services, including inpatient beds;

(D) will be a site for workforce development for a broad spectrum of health-care-related occupations and have a commitment to providing clinical training programs for physicians and other health care providers;

(E) will demonstrate a commitment to quality care and patient safety;

(F) will have an electronic medical records system, including physician order entry;

(G) will provide a broad range of senior services;

(H) will provide emergency medical services that will coordinate care with regional providers of trauma services and licensed emergency ambulance services in order to enhance the continuity of care for emergency medical patients; and

(I) will be completed by December 31, 2009, unless delayed by circumstances beyond the control of the entity holding the new hospital license; and

(v) as of 30 days following submission of a written plan, the commissioner of health has not determined that the hospitals or health systems that will own or control the entity that will hold the new hospital license are unable to meet the criteria of this clause;

(21) a project approved under section 144.553;

(22) a project for the construction of a hospital with up to 25 beds in Cass County within a 20-mile radius of the state Ah-Gwah-Ching facility, provided the hospital's license holder is approved by the Cass County Board;

(23) a project for an acute care hospital in Fergus Falls that will increase the bed capacity from 108 to 110 beds by increasing the rehabilitation bed capacity from 14 to 16 and closing a separately licensed 13-bed skilled nursing facility; or

(24) notwithstanding section 144.552, a project for the construction and expansion of a specialty psychiatric hospital in Hennepin County for up to 50 beds, exclusively for patients who are under 21 years of age on the date of admission. The commissioner conducted a public interest review of the mental health needs of Minnesota and the Twin Cities metropolitan area in 2008. No further public interest review shall be conducted for the construction or expansion project under this clause; or

(25) a project for a 16-bed psychiatric hospital in the city of Thief River Falls, if the commissioner finds the project is in the public interest after the public interest review conducted under section 144.552 is complete.

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

Sec. 4. **[144.9513] HEALTHY HOUSING GRANTS.**

Subdivision 1. Definitions. For purposes of this section and sections 144.9501 to 144.9512, the following terms have the meanings given.

(a) "Housing" means a room or group of rooms located within a dwelling forming a single habitable unit with facilities used or intended to be used for living, sleeping, cooking, and eating.

(b) "Healthy housing" means housing that is sited, designed, built, renovated, and maintained in ways that supports the health of residents.

(c) "Housing-based health threat" means a chemical, biologic, or physical agent in the immediate housing environment, including toxic lead, mold, radon, and indoor allergens and contaminants in carpets, which constitutes a potential or actual hazard to human health at acute or chronic exposure levels.

(d) "Primary prevention" means preventing exposure to housing-based health threats before seeing clinical symptoms or a diagnosis.

(e) "Secondary prevention" means intervention to mitigate health effects on people with housing-based health threats.

Subd. 2. **Grants; administration.** Grant applicants shall submit applications to the commissioner as directed by a request for proposals. Grants must be competitively awarded and recipients of a grant under this section must prepare and submit a quarterly progress report to the commissioner beginning three months after receipt of the grant. The commissioner shall provide technical assistance and program support as needed to ensure that housing-based health threats are effectively identified, mitigated, and evaluated by grantees.

Subd. 3. **Healthy housing and implementation grants; eligible activities.** (a) Within the limits of available appropriations, the commissioner shall make grants to support implementation of healthy housing programs to local boards of health, community action agencies under section 256E.31, and nonprofit organizations with expertise in providing outreach, education, and training on healthy housing subjects and in providing comprehensive healthy housing assessments and interventions.

(b) The grantee may conduct the following activities:

(1) implement and maintain primary prevention programs to reduce housing-based health threats that include the following:

(i) providing education materials to the general public and to property owners, contractors, code officials, health care providers, public health professionals, health educators, nonprofit organizations, and other persons and organizations engaged in housing and health issues;

(ii) promoting awareness of community, legal, and housing resources; and

(iii) promoting the use of hazard reduction measures in new housing construction and housing rehabilitation programs;

(2) provide training on identifying and addressing housing-based health threats;

(3) provide technical assistance on the implementation of mitigation measures;

(4) promote adoption of evidence-based best practices for mitigation of housing-based health threats;

(5) develop work practices for addressing specific housing-based health threats;

(6) identify, characterize, and mitigate hazards in housing that contribute to adverse health outcomes;

(7) ensure screening services and other secondary prevention measures are provided to populations at high risk for housing-related health threats;

(8) promote compliance with Department of Health guidelines and other best practices, as identified by the commissioner, for preventing or reducing housing-based health threats;

(9) establish local or regional collaborative groups to ensure that resources for addressing housing-based health threats are coordinated; or

(10) develop model programs for addressing housing-based health threats.

Sec. 5. [144A.484] INTEGRATED LICENSURE; HOME AND COMMUNITY-BASED SERVICES DESIGNATION.

Subdivision 1. **Integrated licensing established.** (a) From January 1, 2014, to June 30, 2015, the commissioner of health shall enforce the home and community-based services standards under chapter 245D for those providers who also have a home care license pursuant to this chapter as required under Laws 2013, chapter 108, article 8, section 60, and article 11, section 31. During this period, the commissioner shall provide technical assistance to achieve and maintain compliance with applicable law or rules governing the provision of home and community-based services, including complying with the service recipient rights notice in subdivision 4, clause (4). If during the survey, the commissioner finds that the licensee has failed to achieve compliance with an applicable law or rule under chapter 245D and this failure does not imminently endanger the health, safety, or rights of the persons served by the program, the commissioner may issue a licensing survey report with recommendations for achieving and maintaining compliance.

(b) Beginning July 1, 2015, a home care provider applicant or license holder may apply to the commissioner of health for a home and community-based services designation for the provision of basic support services identified under section 245D.03, subdivision 1, paragraph (b). The designation allows the license holder to provide basic support services that would otherwise require licensure under chapter 245D, under the license holder's home care license governed by sections 144A.43 to 144A.481.

Subd. 2. **Application for home and community-based services designation.** An application for a home and community-based services designation must be made on the forms and in the manner prescribed by the commissioner. The commissioner shall provide the applicant with instruction for completing the application and provide information about the requirements of other state agencies that affect the applicant. Application for the home and community-based services designation is subject to the requirements under section 144A.473.

Subd. 3. **Home and community-based services designation fees.** A home care provider applicant or licensee applying for the home and community-based services designation or renewal of a home and community-based services designation must submit a fee in the amount specified in subdivision 8.

Subd. 4. **Applicability of home and community-based services requirements.** A home care provider with a home and community-based services designation must comply with the requirements for home care services governed by this chapter. For the provision of basic support

services, the home care provider must also comply with the following home and community-based services licensing requirements:

- (1) service planning and delivery requirements in section 245D.07;
- (2) protection standards in section 245D.06;
- (3) emergency use of manual restraints in section 245D.061; and
- (4) protection-related rights in section 245D.04, subdivision 3, paragraph (a), clauses (5), (7), (8), (12), and (13), and paragraph (b).

A home care provider with the integrated license-home and community-based services designation may utilize a bill of rights which incorporates the service recipient rights in section 245D.04, subdivision 3, paragraph (a), clauses (5), (7), (8), (12), and (13), and paragraph (b) with the home care bill of rights in section 144A.44.

Subd. 5. **Monitoring and enforcement.** (a) The commissioner shall monitor for compliance with the home and community-based services requirements identified in subdivision 4, in accordance with this section and any agreements by the commissioners of health and human services.

(b) The commissioner shall enforce compliance with applicable home and community-based services licensing requirements as follows:

(1) the commissioner may deny a home and community-based services designation in accordance with section 144A.473 or 144A.475; and

(2) if the commissioner finds that the applicant or license holder has failed to comply with the applicable home and community-based services designation requirements, the commissioner may issue:

- (i) a correction order in accordance with section 144A.474;
- (ii) an order of conditional license in accordance with section 144A.475;
- (iii) a sanction in accordance with section 144A.475; or
- (iv) any combination of clauses (i) to (iii).

Subd. 6. **Appeals.** A home care provider applicant that has been denied a temporary license will also be denied their application for the home and community-based services designation. The applicant may request reconsideration in accordance with section 144A.473, subdivision 3. A licensed home care provider whose application for a home and community-based services designation has been denied or whose designation has been suspended or revoked may appeal the denial, suspension, revocation, or refusal to renew a home and community-based services designation in accordance with section 144A.475. A license holder may request reconsideration of a correction order in accordance with section 144A.474, subdivision 12.

Subd. 7. **Agreements.** The commissioners of health and human services shall enter into any agreements necessary to implement this section.

Subd. 8. **Fees; home and community-based services designation.** (a) The initial fee for a home and community-based services designation is \$155. A home care provider renewing the home and

community-based services designation must pay an annual nonrefundable fee, in addition to the annual home care license fee, according to the following schedule and based on revenues from the home and community-based services that require licensure under chapter 245D during the calendar year immediately preceding the year in which the license fee is paid:

<u>Provider Annual Revenue from HCBS</u>	<u>HCBS Designation</u>
<u>greater than \$1,500,000</u>	<u>\$320</u>
<u>greater than \$1,275,000 and no more than \$1,500,000</u>	<u>\$300</u>
<u>greater than \$1,100,000 and no more than \$1,275,000</u>	<u>\$280</u>
<u>greater than \$950,000 and no more than \$1,100,000</u>	<u>\$260</u>
<u>greater than \$850,000 and no more than \$950,000</u>	<u>\$240</u>
<u>greater than \$750,000 and no more than \$850,000</u>	<u>\$220</u>
<u>greater than \$650,000 and no more than \$750,000</u>	<u>\$200</u>
<u>greater than \$550,000 and no more than \$650,000</u>	<u>\$180</u>
<u>greater than \$450,000 and no more than \$550,000</u>	<u>\$160</u>
<u>greater than \$350,000 and no more than \$450,000</u>	<u>\$140</u>
<u>greater than \$250,000 and no more than \$350,000</u>	<u>\$120</u>
<u>greater than \$100,000 and no more than \$250,000</u>	<u>\$100</u>
<u>greater than \$50,000 and no more than \$100,000</u>	<u>\$80</u>
<u>greater than \$25,000 and no more than \$50,000</u>	<u>\$60</u>
<u>no more than \$25,000</u>	<u>\$40</u>

(b) Fees and penalties collected under this section shall be deposited in the state treasury and credited to the state government special revenue fund.

EFFECTIVE DATE. Minnesota Statutes, section 144A.484, subdivisions 2 to 8, are effective July 1, 2015.

Sec. 6. Minnesota Statutes 2013 Supplement, section 145.4716, subdivision 2, is amended to read:

Subd. 2. **Duties of director.** The director of child sex trafficking prevention is responsible for the following:

(1) developing and providing comprehensive training on sexual exploitation of youth for social service professionals, medical professionals, public health workers, and criminal justice professionals;

(2) collecting, organizing, maintaining, and disseminating information on sexual exploitation and services across the state, including maintaining a list of resources on the Department of Health Web site;

(3) monitoring and applying for federal funding for antitrafficking efforts that may benefit victims in the state;

(4) managing grant programs established under sections 145.4716 to 145.4718;

(5) managing the request for proposals for grants for comprehensive services, including trauma-informed, culturally specific services;

(6) identifying best practices in serving sexually exploited youth, as defined in section 260C.007, subdivision 31;

(6) (7) providing oversight of and technical support to regional navigators pursuant to section 145.4717;

(7) (8) conducting a comprehensive evaluation of the statewide program for safe harbor of sexually exploited youth; and

(8) (9) developing a policy consistent with the requirements of chapter 13 for sharing data related to sexually exploited youth, as defined in section 260C.007, subdivision 31, among regional navigators and community-based advocates.

Sec. 7. **[145.929] HEALTH CARE GRANTS FOR THE UNINSURED.**

Subdivision 1. Dental providers. (a) A dental provider is eligible for a grant under this section if:

(1) the provider is a nonprofit organization not affiliated with a hospital or medical group that offers free or reduced-cost oral health care to low-income patients under the age of 21 with family incomes below 275 percent of the federal poverty guidelines who do not have insurance coverage for oral health care services;

(2) the provider is eligible for critical access dental provider payments under section 256B.76, subdivision 4; and

(3) more than 80 percent of the dental provider's patient encounters per year are with patients who are uninsured or covered by medical assistance or MinnesotaCare.

(b) Grants shall be distributed by the commissioner of health to each eligible provider based on the proportion of that provider's number of low-income uninsured patients under the age of 21 served in the reporting year to the total number of low-income uninsured patients under the age of 21 served by all eligible providers, except that no single eligible provider shall receive less than two percent or more than 30 percent of the total appropriation provided under this subdivision. If the number of eligible providers is such that the minimum of two percent cannot be provided to each eligible provider, the commissioner shall limit eligibility for the subsidy to the top 20 eligible oral health providers.

Subd. 2. Community mental health programs. A community mental health program is eligible for a grant under this section if it is a community mental health center established under section 245.62, or a nonprofit community mental health clinic that is designated as an essential community provider under section 62Q.19, and the center or clinic offers free or reduced-cost mental health care to low-income patients under the age of 21 with family incomes below 275 percent of the federal poverty guidelines who do not have health insurance coverage. The grants shall be distributed by the commissioner of health to each eligible mental health center or clinic based on the proportion of

that mental health center's or clinic's number of low-income uninsured patients under the age of 21 served in the reporting year to the total number of low-income uninsured patients under the age of 21 served by all mental health centers and clinics eligible for a grant under this subdivision, except that no single eligible provider shall receive less than two percent or more than 30 percent of the total appropriation provided under this subdivision.

Subd. 3. **Emergency medical assistance outlier grant program.** (a) The commissioner of health shall establish a grant program for hospitals for the purpose of defraying underpayments associated with the emergency medical assistance program. Grants shall be made for the services provided beginning July 1, 2014, to an individual who is enrolled in emergency medical assistance, and when an emergency medical assistance reimbursement claim is in excess of \$50,000.

(b) Hospitals seeking a grant from this program must submit an application that includes the number and dollar amount of hospital claims for emergency medical assistance in excess of \$50,000 to the commissioner in a form prescribed by the commissioner. Grant payments shall be in proportion to the total hospital emergency medical assistance claims submitted by all applicant hospitals each state fiscal year. Claims for inpatient hospital, outpatient services, and hospital emergency department services shall be considered when determining the value of the grants.

Subd. 4. **Grant process.** The commissioner of health may use data submitted by organizations seeking a grant under this section, without further verification, for purposes of determining eligibility for a grant and allocating grant money among eligible organizations. The chief executive or chief financial officer must certify that the data submitted is accurate and that no changes were made in the organization's accounting and record-keeping practices or policies for providing free or reduced-cost care to uninsured patients for the purpose of creating eligibility or increasing the organization's allocation. The commissioner may audit or verify the data submitted. Grant funds must be used to defray the organization's costs of providing care and services to uninsured patients as identified under subdivision 1, 2, or 3. An organization must not receive more than one grant under subdivision 1, 2, or 3, even though the organization is potentially eligible for a grant under two or more subdivisions. Organizations eligible for a grant under this section may join together to submit a combined application provided the data submitted is certified by each individual organization.

Sec. 8. Minnesota Statutes 2013 Supplement, section 256B.04, subdivision 21, is amended to read:

Subd. 21. **Provider enrollment.** (a) If the commissioner or the Centers for Medicare and Medicaid Services determines that a provider is designated "high-risk," the commissioner may withhold payment from providers within that category upon initial enrollment for a 90-day period. The withholding for each provider must begin on the date of the first submission of a claim.

(b) An enrolled provider that is also licensed by the commissioner under chapter 245A, or is licensed as a home care provider by the Department of Health under chapter 144A and has a home and community-based services designation on the home care license under section 144A.484, must designate an individual as the entity's compliance officer. The compliance officer must:

(1) develop policies and procedures to assure adherence to medical assistance laws and regulations and to prevent inappropriate claims submissions;

(2) train the employees of the provider entity, and any agents or subcontractors of the provider entity including billers, on the policies and procedures under clause (1);

(3) respond to allegations of improper conduct related to the provision or billing of medical assistance services, and implement action to remediate any resulting problems;

(4) use evaluation techniques to monitor compliance with medical assistance laws and regulations;

(5) promptly report to the commissioner any identified violations of medical assistance laws or regulations; and

(6) within 60 days of discovery by the provider of a medical assistance reimbursement overpayment, report the overpayment to the commissioner and make arrangements with the commissioner for the commissioner's recovery of the overpayment.

The commissioner may require, as a condition of enrollment in medical assistance, that a provider within a particular industry sector or category establish a compliance program that contains the core elements established by the Centers for Medicare and Medicaid Services.

(c) The commissioner may revoke the enrollment of an ordering or rendering provider for a period of not more than one year, if the provider fails to maintain and, upon request from the commissioner, provide access to documentation relating to written orders or requests for payment for durable medical equipment, certifications for home health services, or referrals for other items or services written or ordered by such provider, when the commissioner has identified a pattern of a lack of documentation. A pattern means a failure to maintain documentation or provide access to documentation on more than one occasion. Nothing in this paragraph limits the authority of the commissioner to sanction a provider under the provisions of section 256B.064.

(d) The commissioner shall terminate or deny the enrollment of any individual or entity if the individual or entity has been terminated from participation in Medicare or under the Medicaid program or Children's Health Insurance Program of any other state.

(e) As a condition of enrollment in medical assistance, the commissioner shall require that a provider designated "moderate" or "high-risk" by the Centers for Medicare and Medicaid Services or the commissioner permit the Centers for Medicare and Medicaid Services, its agents, or its designated contractors and the state agency, its agents, or its designated contractors to conduct unannounced on-site inspections of any provider location. The commissioner shall publish in the Minnesota Health Care Program Provider Manual a list of provider types designated "limited," "moderate," or "high-risk," based on the criteria and standards used to designate Medicare providers in Code of Federal Regulations, title 42, section 424.518. The list and criteria are not subject to the requirements of chapter 14. The commissioner's designations are not subject to administrative appeal.

(f) As a condition of enrollment in medical assistance, the commissioner shall require that a high-risk provider, or a person with a direct or indirect ownership interest in the provider of five percent or higher, consent to criminal background checks, including fingerprinting, when required to do so under state law or by a determination by the commissioner or the Centers for Medicare and Medicaid Services that a provider is designated high-risk for fraud, waste, or abuse.

(g)(1) Upon initial enrollment, reenrollment, and revalidation, all durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) suppliers operating in Minnesota and receiving Medicaid funds must purchase a surety bond that is annually renewed and designates the Minnesota

Department of Human Services as the obligee, and must be submitted in a form approved by the commissioner.

(2) At the time of initial enrollment or reenrollment, the provider agency must purchase a performance bond of \$50,000. If a revalidating provider's Medicaid revenue in the previous calendar year is up to and including \$300,000, the provider agency must purchase a performance bond of \$50,000. If a revalidating provider's Medicaid revenue in the previous calendar year is over \$300,000, the provider agency must purchase a performance bond of \$100,000. The performance bond must allow for recovery of costs and fees in pursuing a claim on the bond.

(h) The Department of Human Services may require a provider to purchase a performance surety bond as a condition of initial enrollment, reenrollment, reinstatement, or continued enrollment if: (1) the provider fails to demonstrate financial viability, (2) the department determines there is significant evidence of or potential for fraud and abuse by the provider, or (3) the provider or category of providers is designated high-risk pursuant to paragraph (a) and as per Code of Federal Regulations, title 42, section 455.450. The performance bond must be in an amount of \$100,000 or ten percent of the provider's payments from Medicaid during the immediately preceding 12 months, whichever is greater. The performance bond must name the Department of Human Services as an obligee and must allow for recovery of costs and fees in pursuing a claim on the bond.

Sec. 9. LEGISLATIVE HEALTH CARE WORKFORCE COMMISSION.

Subdivision 1. **Legislative oversight.** The Legislative Health Care Workforce Commission is created to study and make recommendations to the legislature on how to achieve the goal of strengthening the workforce in health care.

Subd. 2. **Membership.** The Legislative Health Care Workforce Commission consists of five members of the senate appointed by the Subcommittee on Committees of the Committee on Rules and Administration and five members of the house of representatives appointed by the speaker of the house. The Legislative Health Care Workforce Commission must include three members of the majority party and two members of the minority party in each house.

Subd. 3. **Officers.** The commission must elect a chair and may elect other officers as it determines are necessary. The chair shall alternate between a member of the senate and a member of the house of representatives in January of each odd-numbered year.

Subd. 4. **Initial appointments and meeting.** Appointing authorities for the Legislative Health Care Workforce Commission must make initial appointments by June 1, 2014. The speaker of the house of representatives must designate one member of the commission to convene the first meeting of the commission by June 15, 2014.

Subd. 5. **Report to the legislature.** The Legislative Health Care Workforce Commission must provide a preliminary report making recommendations to the legislature by December 31, 2014. The commissioner must provide a final report to the legislature by December 31, 2016. The final report must:

(1) identify current and anticipated health care workforce shortages, by both provider type and geography;

(2) evaluate the effectiveness of incentives currently available to develop, attract, and retain a highly skilled health care workforce;

(3) study alternative incentives to develop, attract, and retain a highly skilled and diverse health care workforce; and

(4) identify current causes and potential solutions to barriers related to the primary care workforce, including, but not limited to:

(i) training and residency shortages;

(ii) disparities in income between primary care and other providers; and

(iii) negative perceptions of primary care among students.

Subd. 6. **Assistance to the commission.** The commissioners of health, human services, commerce, and other state agencies shall provide assistance and technical support to the commission at the request of the commission. The Minnesota Medical Association and other stakeholder groups shall also provide advice to the commission as needed. The commission may convene subcommittees to provide additional assistance and advice to the commission.

Subd. 7. **Commission member expenses.** Members of the commission may receive per diem and expense reimbursement from money appropriated for the commission in the manner and amount prescribed for per diem and expense payments by the senate Committee on Rules and Administration and the House Committee on Rules and Legislative Administration.

Subd. 8. **Expiration.** The Legislative Health Care Workforce Commission expires on January 1, 2017.

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

Sec. 10. **QUALITY TRANSPARENCY.**

(a) The commissioner of health shall develop an implementation plan for stratifying measures based on disability, race, ethnicity, language, and other sociodemographic factors that are correlated with health disparities and impact performance on quality measures. The plan must be designed so that quality measures can be stratified beginning January 1, 2017, in order to advance work aimed at identifying and eliminating health disparities. By January 15, 2015, the commissioner shall submit a report to the chairs and ranking minority members of the senate and house of representatives committees and divisions with jurisdiction on health and human services and finance with the plan, including an estimated budget, timeline, and processes to be used for implementation.

(b) The commissioner of health shall assess the risk adjustment methodology established under Minnesota Statutes, section 62U.02, subdivision 3, for the potential for harm and unintended consequences for patient populations who experience health disparities, and the providers who serve them, and identify changes that may be needed to alleviate harm and unintended consequences. By January 15, 2016, the commissioner shall submit a report to the chairs and ranking minority members of the senate and house of representatives committees and divisions with jurisdiction on health and human services and finance with the result of the assessment of the risk-adjustment methodology and any recommended changes.

(c) The commissioner shall develop the plan described in paragraph (a), in consultation with consumer, community and advocacy organizations representing diverse communities; health plan companies; providers; quality measurement organizations; and safety net providers that primarily serve communities and patient populations with health disparities. The commissioner shall use

culturally appropriate methods of consultation and engagement with consumer and advocacy organizations led by and representing diverse communities by race, ethnicity, language, and sociodemographic factors.

Sec. 11. DATA ON CHRONIC PAIN THERAPIES.

(a) The commissioner of health shall gather the following data on the provision of chronic pain treatment procedures by physicians, doctors of osteopathy, and certified registered nurse anesthetists who perform these procedures:

(1) the types and number of chronic pain management procedures performed within the last 36 months;

(2) the types of health professionals who perform chronic pain treatment procedures and the professional licenses they hold; and

(3) the location and type of facility in which the chronic pain treatment procedures are performed.

(b) The commissioner shall submit a report with the compiled data to the chairs and ranking minority members of the house and senate committees with jurisdiction over health and human services finance and policy by January 15, 2015.

(c) The commissioner of health may use the data submitted under Minnesota Statutes, section 62U.04, subdivision 4, paragraph (a), to carry out the requirements of this section.

Sec. 12. STUDY AND REPORT ABOUT CLIENT BILLS OF RIGHTS.

The commissioner of health shall consult with Aging Services of Minnesota, Care Providers of Minnesota, Minnesota Home Care Association, the commissioner of human services, the Office of the Ombudsman for Long-Term Care, and other stakeholders to evaluate and determine how to streamline the requirements related to the clients' rights in Minnesota Statutes, sections 144A.44, 144A.441, and 245D.04, for applicable providers, while assuring and maintaining the health and safety of clients. The evaluation must consider the federal client bill of rights requirements for Medicare-certified home care providers. The evaluation must determine if there are duplications or conflicts of client rights, evaluate how to reduce the complexity of the requirements related to clients' rights for providers and consumers, determine which rights must be included in a consolidated client bill of rights document, and develop options to inform consumers of their rights. The commissioner shall report to the chairs and ranking minority members of the health and human services committees of the legislature no later than February 15, 2015, and include any recommendations for legislative changes.

ARTICLE 24

HEALTH CARE

Section 1. Minnesota Statutes 2013 Supplement, section 16A.724, subdivision 3, is amended to read:

Subd. 3. **MinnesotaCare federal receipts.** All federal funding received by Minnesota for implementation and administration of MinnesotaCare as a basic health program, as authorized in section 1331 of the Affordable Care Act, Public Law 111-148, as amended by Public Law 111-152, ~~is dedicated to that program and shall be deposited into the health care access fund~~ is appropriated to the commissioner of human services to be used only for the MinnesotaCare program under

chapter 256L. Federal funding that is received for implementing and administering MinnesotaCare as a basic health program ~~and deposited in the fund~~ shall be used only for that program to purchase health care coverage for enrollees and reduce enrollee premiums and cost-sharing or provide additional enrollee benefits.

Sec. 2. Minnesota Statutes 2012, section 256.01, is amended by adding a subdivision to read:

Subd. 38. **Contract to match recipient third-party liability information.** The commissioner may enter into a contract with a national organization to match recipient third-party liability information and provide coverage and insurance primacy information to the department at no charge to providers and the clearinghouses.

Sec. 3. Minnesota Statutes 2012, section 256.9685, subdivision 1, is amended to read:

Subdivision 1. **Authority.** (a) The commissioner shall establish procedures for determining medical assistance ~~and general assistance medical care~~ payment rates under a prospective payment system for inpatient hospital services in hospitals that qualify as vendors of medical assistance. The commissioner shall establish, by rule, procedures for implementing this section and sections 256.9686, 256.969, and 256.9695. Services must meet the requirements of section 256B.04, subdivision 15, ~~or 256D.03, subdivision 7, paragraph (b),~~ to be eligible for payment.

(b) The commissioner may reduce the types of inpatient hospital admissions that are required to be certified as medically necessary after notice in the State Register and a 30-day comment period.

Sec. 4. Minnesota Statutes 2012, section 256.9685, subdivision 1a, is amended to read:

Subd. 1a. **Administrative reconsideration.** Notwithstanding ~~sections~~ section 256B.04, subdivision 15, ~~and 256D.03, subdivision 7,~~ the commissioner shall establish an administrative reconsideration process for appeals of inpatient hospital services determined to be medically unnecessary. A physician or hospital may request a reconsideration of the decision that inpatient hospital services are not medically necessary by submitting a written request for review to the commissioner within 30 days after receiving notice of the decision. The reconsideration process shall take place prior to the procedures of subdivision 1b and shall be conducted by physicians that are independent of the case under reconsideration. A majority decision by the physicians is necessary to make a determination that the services were not medically necessary.

Sec. 5. Minnesota Statutes 2012, section 256.9686, subdivision 2, is amended to read:

Subd. 2. **Base year.** "Base year" means a hospital's fiscal year or years that is recognized by the Medicare program or a hospital's fiscal year specified by the commissioner if a hospital is not required to file information by the Medicare program from which cost and statistical data are used to establish medical assistance ~~and general assistance medical care~~ payment rates.

Sec. 6. Minnesota Statutes 2012, section 256.969, subdivision 1, is amended to read:

Subdivision 1. **Hospital cost index.** (a) The hospital cost index shall be the change in the Consumer Price Index-All Items (United States city average) (CPI-U) forecasted by Data Resources, Inc. The commissioner shall use the indices as forecasted in the third quarter of the calendar year prior to the rate year. The hospital cost index may be used to adjust the base year operating payment rate through the rate year on an annually compounded basis.

(b) For fiscal years beginning on or after July 1, 1993, the commissioner of human services shall not provide automatic annual inflation adjustments for hospital payment rates under medical assistance, ~~nor under general assistance medical care, except that the inflation adjustments under paragraph (a) for medical assistance, excluding general assistance medical care, shall apply through calendar year 2001.~~ The index for calendar year 2000 shall be reduced 2.5 percentage points to recover overprojections of the index from 1994 to 1996. The commissioner of management and budget shall include as a budget change request in each biennial detailed expenditure budget submitted to the legislature under section 16A.11 annual adjustments in hospital payment rates under medical assistance ~~and general assistance medical care~~, based upon the hospital cost index.

Sec. 7. Minnesota Statutes 2012, section 256.969, subdivision 2, is amended to read:

Subd. 2. **Diagnostic categories.** The commissioner shall use to the extent possible existing diagnostic classification systems, ~~including such as the system used by the Medicare program all patient-refined diagnosis-related groups (APR-DRGs) or other similar classification programs to determine the relative values of inpatient services and case mix indices.~~ The commissioner may combine diagnostic classifications into diagnostic categories and may establish separate categories and numbers of categories based on ~~program eligibility or hospital peer group.~~ Relative values shall be ~~recalculated~~ recalibrated when the base year is changed. Relative value determinations shall include paid claims for admissions during each hospital's base year. The commissioner may extend the time period forward to obtain sufficiently valid information to establish relative values supplement the diagnostic classification systems data with national averages. Relative value determinations shall not include ~~property cost data, Medicare crossover data, and data on admissions that are paid a per day transfer rate under subdivision 14.~~ The computation of the base year cost per admission must include identified outlier cases and their weighted costs up to the point that they become outlier cases, but must exclude costs recognized in outlier payments beyond that point. The commissioner may recategorize the diagnostic classifications and ~~recalculate~~ recalibrate relative values and case mix indices to reflect actual hospital practices, the specific character of specialty hospitals, or to reduce variances within the diagnostic categories after notice in the State Register and a 30-day comment period. ~~The commissioner shall recategorize the diagnostic classifications and recalculate relative values and case mix indices based on the two-year schedule in effect prior to January 1, 2013, reflected in subdivision 2b. The first recategorization shall occur January 1, 2013, and shall occur every two years after. When rates are not rebased under subdivision 2b, the commissioner may establish relative values and case mix indices based on charge data and may update the base year to the most recent data available.~~

Sec. 8. Minnesota Statutes 2012, section 256.969, subdivision 2b, is amended to read:

Subd. 2b. **Operating Hospital payment rates.** ~~In determining operating payment rates for admissions occurring on or after the rate year beginning January 1, 1991, and every two years after, or more frequently as determined by the commissioner, the commissioner shall obtain operating data from an updated base year and establish operating payment rates per admission for each hospital based on the cost-finding methods and allowable costs of the Medicare program in effect during the base year. Rates under the general assistance medical care, medical assistance, and MinnesotaCare programs shall not be rebased to more current data on January 1, 1997, January 1, 2005, for the first 24 months of the rebased period beginning January 1, 2009~~ (a) For discharges occurring on or after November 1, 2014, hospital inpatient services for hospitals located in Minnesota shall be paid according to the following:

(1) critical access hospitals as defined by Medicare shall be paid using a cost-based methodology;

(2) long-term hospitals as defined by Medicare shall be paid on a per diem methodology under subdivision 25;

(3) rehabilitation hospitals or units of hospitals that are recognized as rehabilitation distinct parts as defined by Medicare shall be paid according to the methodology under subdivision 12; and

(4) all other hospitals shall be paid on a diagnosis-related group (DRG) methodology.

(b) For the rebased period beginning January 1, 2011, through October 31, 2014, rates shall not be rebased, except that a Minnesota long-term hospital shall be rebased effective January 1, 2011, based on its most recent Medicare cost report ending on or before September 1, 2008, with the provisions under subdivisions 9 and 23, based on the rates in effect on December 31, 2010. For subsequent rate setting periods after November 1, 2014, in which the base years are updated, a Minnesota long-term hospital's base year shall remain within the same period as other hospitals. Effective January 1, 2013, and after, rates shall not be rebased.

(c) Effective for discharges occurring on and after November 1, 2014, payment rates for hospital inpatient services provided by hospitals located in Minnesota or the local trade area, except for the hospitals paid under the methodologies described in paragraph (a), clauses (2) and (3), shall be rebased, incorporating cost and payment methodologies in a manner similar to Medicare. The base year for the rates effective November 1, 2014, shall be calendar year 2012. The rebasing under this paragraph shall be budget neutral, ensuring that the total aggregate payments under the rebased system are equal to the total aggregate payments that were made for the same number and types of services in the base year. Separate budget neutrality calculations shall be determined for payments made to critical access hospitals and payments made to hospitals paid under the DRG system. Only the rate increases or decreases under subdivision 3a or 3c that applied to the hospitals being rebased during the entire base period shall be incorporated into the budget neutrality calculation.

(d) For discharges occurring on or after November 1, 2014, through June 30, 2016, the rebased rates under paragraph (c) shall include adjustments to the projected rates that result in no greater than a five percent increase or decrease from the base year payments for any hospital. Any adjustments to the rates made by the commissioner under this paragraph and paragraph (e) shall maintain budget neutrality as described in paragraph (c).

(e) For discharges occurring on or after November 1, 2014, through June 30, 2016, the commissioner may make additional adjustments to the rebased rates, and when evaluating whether additional adjustments should be made, the commissioner shall consider the impact of the rates on the following:

(1) pediatric services;

(2) behavioral health services;

(3) trauma services as defined by the National Uniform Billing Committee;

(4) transplant services;

(5) obstetric services, newborn services, and behavioral health services provided by hospitals outside the seven-county metropolitan area;

(6) outlier admissions;

(7) low-volume providers; and

(8) services provided by small rural hospitals that are not critical access hospitals.

(f) Hospital payment rates established under paragraph (c) must incorporate the following:

(1) for hospitals paid under the DRG methodology, the base year ~~operating~~ payment rate per admission is standardized by the ~~case mix index and adjusted by the hospital cost index, relative values, and disproportionate population adjustment.~~ applicable Medicare wage index and adjusted by the hospital's disproportionate population adjustment;

(2) for critical access hospitals, interim per diem payment rates shall be based on the ratio of cost and charges reported on the base year Medicare cost report or reports and applied to medical assistance utilization data. Final settlement payments for a state fiscal year must be determined based on a review of the medical assistance cost report required under subdivision 4b for the applicable state fiscal year;

(3) the cost and charge data used to establish ~~operating~~ hospital payment rates shall ~~must~~ only reflect inpatient services covered by medical assistance and ~~shall not include property cost information and costs recognized in outlier payments;~~ and

(4) in determining hospital payment rates for discharges occurring on or after the rate year beginning January 1, 2011, through December 31, 2012, the hospital payment rate per discharge shall be based on the cost-finding methods and allowable costs of the Medicare program in effect during the base year or years.

(g) The commissioner shall validate the rates effective November 1, 2014, by applying the rates established under paragraph (c), and any adjustments made to the rates under paragraph (d) or (e), to hospital claims paid in calendar year 2013 to determine whether the total aggregate payments for the same number and types of services under the rebased rates are equal to the total aggregate payments made during calendar year 2013.

(h) Effective for discharges occurring on or after July 1, 2017, and every two years thereafter, payment rates under this section shall be rebased to reflect only those changes in hospital costs between the existing base year and the next base year. The commissioner shall establish the base year for each rebasing period considering the most recent year for which filed Medicare cost reports are available. The estimated change in the average payment per hospital discharge resulting from a scheduled rebasing must be calculated and made available to the legislature by January 15 of each year in which rebasing is scheduled to occur, and must include by hospital the differential in payment rates compared to the individual hospital's costs.

Sec. 9. Minnesota Statutes 2012, section 256.969, is amended by adding a subdivision to read:

Subd. 2d. **Interim payments.** Notwithstanding subdivision 2b, paragraph (c), for discharges occurring on or after November 1, 2014, through June 30, 2015, the commissioner may implement an interim payment process to pay hospitals, including payments based on each hospital's average payments per claim for state fiscal years 2011 and 2012. These interim payments may be used to pay hospitals if the rebasing under subdivision 2b, paragraph (c), is not implemented by November 1, 2014. Claims paid at interim payment rates shall be reprocessed and paid at the rates established under subdivision 2b, paragraphs (c) and (d), upon implementation of the rebased rates.

Sec. 10. Minnesota Statutes 2012, section 256.969, is amended by adding a subdivision to read:

Subd. 2e. **Report required.** (a) The commissioner shall report to the legislature by March 1, 2015, and by March 1, 2016, on the financial impacts by hospital and policy ramifications, if any, resulting from payment methodology changes implemented after October 31, 2014, and before December 15, 2015.

(b) The commissioner shall report, at a minimum, the following information:

(1) case-mix adjusted calculations of net payment impacts for each hospital resulting from the difference between the payments each hospital would have received under the payment methodology for discharges before October 31, 2014, and the payments each hospital has received or is expected to receive for the same number and types of services under the payment methodology implemented effective November 1, 2014;

(2) any adjustments that the commissioner made and the impacts of those adjustments for each hospital;

(3) any difference in total aggregate payments resulting from the validation process under calendar year 2013 claims; and

(4) recommendations for further refinement or improvement of the hospital inpatient payment system or methodologies.

Sec. 11. Minnesota Statutes 2012, section 256.969, subdivision 3a, is amended to read:

Subd. 3a. **Payments.** (a) Acute care hospital billings under the medical assistance program must not be submitted until the recipient is discharged. However, the commissioner shall establish monthly interim payments for inpatient hospitals that have individual patient lengths of stay over 30 days regardless of diagnostic category. Except as provided in section 256.9693, medical assistance reimbursement for treatment of mental illness shall be reimbursed based on diagnostic classifications. Individual hospital payments established under this section and sections 256.9685, 256.9686, and 256.9695, in addition to third-party and recipient liability, for discharges occurring during the rate year shall not exceed, in aggregate, the charges for the medical assistance covered inpatient services paid for the same period of time to the hospital. ~~This payment limitation shall be calculated separately for medical assistance and general assistance medical care services. The limitation on general assistance medical care shall be effective for admissions occurring on or after July 1, 1991.~~ Services that have rates established under subdivision 11 or 12, must be limited separately from other services. After consulting with the affected hospitals, the commissioner may consider related hospitals one entity and may merge the payment rates while maintaining separate provider numbers. The operating and property base rates per admission or per day shall be derived from the best Medicare and claims data available when rates are established. The commissioner shall determine the best Medicare and claims data, taking into consideration variables of recency of the data, audit disposition, settlement status, and the ability to set rates in a timely manner. The commissioner shall notify hospitals of payment rates ~~by December 1 of the year preceding the rate year 30 days prior to implementation.~~ The rate setting data must reflect the admissions data used to establish relative values. ~~Base year changes from 1981 to the base year established for the rate year beginning January 1, 1991, and for subsequent rate years, shall not be limited to the limits ending June 30, 1987, on the maximum rate of increase under subdivision 1.~~ The commissioner may adjust base year cost, relative value, and case mix index data to exclude the costs of services that have been discontinued by the October 1 of the year preceding the rate year or that are paid separately from inpatient services. Inpatient stays that encompass portions of two or more rate

years shall have payments established based on payment rates in effect at the time of admission unless the date of admission preceded the rate year in effect by six months or more. In this case, operating payment rates for services rendered during the rate year in effect and established based on the date of admission shall be adjusted to the rate year in effect by the hospital cost index.

(b) For fee-for-service admissions occurring on or after July 1, 2002, the total payment, before third-party liability and spenddown, made to hospitals for inpatient services is reduced by .5 percent from the current statutory rates.

(c) In addition to the reduction in paragraph (b), the total payment for fee-for-service admissions occurring on or after July 1, 2003, made to hospitals for inpatient services before third-party liability and spenddown, is reduced five percent from the current statutory rates. Mental health services within diagnosis related groups 424 to 432 or corresponding APR-DRGs, and facilities defined under subdivision 16 are excluded from this paragraph.

(d) In addition to the reduction in paragraphs (b) and (c), the total payment for fee-for-service admissions occurring on or after August 1, 2005, made to hospitals for inpatient services before third-party liability and spenddown, is reduced 6.0 percent from the current statutory rates. Mental health services within diagnosis related groups 424 to 432 or corresponding APR-DRGs, and facilities defined under subdivision 16 are excluded from this paragraph. ~~Notwithstanding section 256.9686, subdivision 7, for purposes of this paragraph, medical assistance does not include general assistance medical care.~~ Payments made to managed care plans shall be reduced for services provided on or after January 1, 2006, to reflect this reduction.

(e) In addition to the reductions in paragraphs (b), (c), and (d), the total payment for fee-for-service admissions occurring on or after July 1, 2008, through June 30, 2009, made to hospitals for inpatient services before third-party liability and spenddown, is reduced 3.46 percent from the current statutory rates. Mental health services with diagnosis related groups 424 to 432 or corresponding APR-DRGs, and facilities defined under subdivision 16 are excluded from this paragraph. Payments made to managed care plans shall be reduced for services provided on or after January 1, 2009, through June 30, 2009, to reflect this reduction.

(f) In addition to the reductions in paragraphs (b), (c), and (d), the total payment for fee-for-service admissions occurring on or after July 1, 2009, through June 30, 2011, made to hospitals for inpatient services before third-party liability and spenddown, is reduced 1.9 percent from the current statutory rates. Mental health services with diagnosis related groups 424 to 432 or corresponding APR-DRGs, and facilities defined under subdivision 16 are excluded from this paragraph. Payments made to managed care plans shall be reduced for services provided on or after July 1, 2009, through June 30, 2011, to reflect this reduction.

(g) In addition to the reductions in paragraphs (b), (c), and (d), the total payment for fee-for-service admissions occurring on or after July 1, 2011, made to hospitals for inpatient services before third-party liability and spenddown, is reduced 1.79 percent from the current statutory rates. Mental health services with diagnosis related groups 424 to 432 or corresponding APR-DRGs, and facilities defined under subdivision 16 are excluded from this paragraph. Payments made to managed care plans shall be reduced for services provided on or after July 1, 2011, to reflect this reduction.

(h) In addition to the reductions in paragraphs (b), (c), (d), (f), and (g), the total payment for fee-for-service admissions occurring on or after July 1, 2009, made to hospitals for inpatient

services before third-party liability and spenddown, is reduced one percent from the current statutory rates. Facilities defined under subdivision 16 are excluded from this paragraph. Payments made to managed care plans shall be reduced for services provided on or after October 1, 2009, to reflect this reduction.

(i) In addition to the reductions in paragraphs (b), (c), (d), (g), and (h), the total payment for fee-for-service admissions occurring on or after July 1, 2011, made to hospitals for inpatient services before third-party liability and spenddown, is reduced 1.96 percent from the current statutory rates. Facilities defined under subdivision 16 are excluded from this paragraph. Payments made to managed care plans shall be reduced for services provided on or after January 1, 2011, to reflect this reduction.

(j) Effective for discharges on and after November 1, 2014, from hospitals paid under subdivision 2b, paragraph (a), clauses (1) and (4), the rate adjustments in this subdivision must be incorporated into the rebased rates established under subdivision 2b, paragraph (c), and must not be applied to each claim.

Sec. 12. Minnesota Statutes 2012, section 256.969, subdivision 3b, is amended to read:

Subd. 3b. Nonpayment for hospital-acquired conditions and for certain treatments. (a) The commissioner must not make medical assistance payments to a hospital for any costs of care that result from a condition listed identified in paragraph (c), if the condition was hospital acquired.

(b) For purposes of this subdivision, a condition is hospital acquired if it is not identified by the hospital as present on admission. For purposes of this subdivision, medical assistance includes ~~general assistance medical care and MinnesotaCare.~~

(c) The prohibition in paragraph (a) applies to payment for each hospital-acquired condition ~~listed in this paragraph that is~~ identified in this paragraph that is represented by an ICD-9-CM or ICD-10-CM diagnosis code and is designated as a complicating condition or a major complicating condition:

- (1) ~~foreign object retained after surgery (ICD-9-CM codes 998.4 or 998.7);~~
- (2) ~~air embolism (ICD-9-CM code 999.1);~~
- (3) ~~blood incompatibility (ICD-9-CM code 999.6);~~
- (4) ~~pressure ulcers stage III or IV (ICD-9-CM codes 707.23 or 707.24);~~
- (5) ~~falls and trauma, including fracture, dislocation, intracranial injury, crushing injury, burn, and electric shock (ICD-9-CM codes with these ranges on the complicating condition and major complicating condition list: 800-829; 830-839; 850-854; 925-929; 940-949; and 991-994);~~
- (6) ~~catheter-associated urinary tract infection (ICD-9-CM code 996.64);~~
- (7) ~~vascular catheter-associated infection (ICD-9-CM code 999.31);~~
- (8) ~~manifestations of poor glycemic control (ICD-9-CM codes 249.10; 249.11; 249.20; 249.21; 250.10; 250.11; 250.12; 250.13; 250.20; 250.21; 250.22; 250.23; and 251.0);~~
- (9) ~~surgical site infection (ICD-9-CM codes 996.67 or 998.59) following certain orthopedic procedures (procedure codes 81.01; 81.02; 81.03; 81.04; 81.05; 81.06; 81.07; 81.08; 81.23; 81.24; 81.31; 81.32; 81.33; 81.34; 81.35; 81.36; 81.37; 81.38; 81.83; and 81.85);~~

~~(10) surgical site infection (ICD-9-CM code 998.59) following bariatric surgery (procedure codes 44.38; 44.39; or 44.95) for a principal diagnosis of morbid obesity (ICD-9-CM code 278.01);~~

~~(11) surgical site infection, mediastinitis (ICD-9-CM code 519.2) following coronary artery bypass graft (procedure codes 36.10 to 36.19); and~~

~~(12) deep vein thrombosis (ICD-9-CM codes 453.40 to 453.42) or pulmonary embolism (ICD-9-CM codes 415.11 or 415.19) following total knee replacement (procedure code 81.54) or hip replacement (procedure codes 00.85 to 00.87 or 81.51 to 81.52). The list of conditions shall be the hospital-acquired conditions (HAC) list defined by the Centers for Medicare and Medicaid Services on an annual basis.~~

(d) The prohibition in paragraph (a) applies to any additional payments that result from a hospital-acquired condition ~~listed~~ identified in paragraph (c), including, but not limited to, additional treatment or procedures, readmission to the facility after discharge, increased length of stay, change to a higher diagnostic category, or transfer to another hospital. In the event of a transfer to another hospital, the hospital where the condition ~~listed~~ identified under paragraph (c) was acquired is responsible for any costs incurred at the hospital to which the patient is transferred.

(e) A hospital shall not bill a recipient of services for any payment disallowed under this subdivision.

Sec. 13. Minnesota Statutes 2012, section 256.969, subdivision 3c, is amended to read:

Subd. 3c. **Rateable reduction and readmissions reduction.** (a) The total payment for fee for service admissions occurring on or after September 1, 2011, ~~through June 30, 2015~~ to October 31, 2014, made to hospitals for inpatient services before third-party liability and spenddown, is reduced ten percent from the current statutory rates. Facilities defined under subdivision 16, long-term hospitals as determined under the Medicare program, children's hospitals whose inpatients are predominantly under 18 years of age, and payments under managed care are excluded from this paragraph.

(b) Effective for admissions occurring during calendar year 2010 and each year after, the commissioner shall calculate a ~~regional~~ readmission rate for admissions to all hospitals occurring within 30 days of a previous discharge using data from the Reducing Avoidable Readmissions Effectively (RARE) campaign. The commissioner may adjust the readmission rate taking into account factors such as the medical relationship, complicating conditions, and sequencing of treatment between the initial admission and subsequent readmissions.

(c) Effective for payments to all hospitals on or after July 1, 2013, ~~through June 30, 2015~~ October 31, 2014, the reduction in paragraph (a) is reduced one percentage point for every percentage point reduction in the overall readmissions rate between the two previous calendar years to a maximum of five percent.

(d) The exclusion from the rate reduction in paragraph (a) shall apply to a hospital located in Hennepin County with a licensed capacity of 1,700 beds as of September 1, 2011, for admissions of children under 18 years of age occurring on or after September 1, 2011, through August 31, 2013, but shall not apply to payments for admissions occurring on or after September 1, 2013, through October 31, 2014.

(e) Effective for discharges on or after November 1, 2014, from hospitals paid under subdivision 2b, paragraph (a), clauses (1) and (4), the rate adjustments in this subdivision must be incorporated into the rebased rates established under subdivision 2b, paragraph (c), and must not be applied to each claim.

EFFECTIVE DATE. Paragraph (d) is effective retroactively from September 1, 2011, and applies to admissions on or after that date.

Sec. 14. Minnesota Statutes 2012, section 256.969, is amended by adding a subdivision to read:

Subd. 4b. **Medical assistance cost reports for services.** (a) A hospital that meets one of the following criteria must annually submit to the commissioner medical assistance cost reports within six months of the end of the hospital's fiscal year:

(1) a hospital designated as a critical access hospital that receives medical assistance payments;
or

(2) a Minnesota hospital or out-of-state hospital located within a Minnesota local trade area that receives a disproportionate population adjustment under subdivision 9.

For purposes of this subdivision, local trade area has the meaning given in subdivision 17.

(b) The commissioner shall suspend payments to any hospital that fails to submit a report required under this subdivision. Payments must remain suspended until the report has been filed with and accepted by the commissioner.

Sec. 15. Minnesota Statutes 2012, section 256.969, subdivision 6a, is amended to read:

Subd. 6a. **Special considerations.** In determining the payment rates, the commissioner shall consider whether the circumstances in subdivisions 7 8 to 14 exist.

Sec. 16. Minnesota Statutes 2012, section 256.969, subdivision 8, is amended to read:

Subd. 8. **Unusual length of stay experience.** (a) The commissioner shall establish day outlier thresholds for each diagnostic category established under subdivision 2 at two standard deviations beyond the mean length of stay. Payment for the days beyond the outlier threshold shall be in addition to the operating and property payment rates per admission established under subdivisions 2; ~~and 2b, and 2c.~~ Payment for outliers shall be at 70 percent of the allowable operating cost, after adjustment by the case mix index, hospital cost index, relative values and the disproportionate population adjustment. The outlier threshold for neonatal and burn diagnostic categories shall be established at one standard deviation beyond the mean length of stay, and payment shall be at 90 percent of allowable operating cost calculated in the same manner as other outliers. A hospital may choose an alternative to the 70 percent outlier payment that is at a minimum of 60 percent and a maximum of 80 percent if the commissioner is notified in writing of the request by October 1 of the year preceding the rate year. The chosen percentage applies to all diagnostic categories except burns and neonates. The percentage of allowable cost that is unrecognized by the outlier payment shall be added back to the base year operating payment rate per admission.

(b) Effective for transfers occurring on and after November 1, 2014, the commissioner shall establish payment rates for acute transfers that are based on Medicare methodologies.

Sec. 17. Minnesota Statutes 2012, section 256.969, subdivision 8a, is amended to read:

Subd. 8a. **Short length of stay Neonatal admissions.** Except as provided in subdivision 13, for admissions occurring on or after July 1, 1995, payment shall be determined as follows and shall be included in the base year for rate setting purposes:

(1) for an admission that is categorized to a neonatal diagnostic related group in which the length of stay is less than 50 percent of the average length of stay for the category in the base year and the patient at admission is equal to or greater than the age of one, payments shall be established according to the methods of subdivision 14;

(2) For an admission that is categorized to a diagnostic category that includes neonatal respiratory distress syndrome, the hospital must have a level II or level III nursery and the patient must receive treatment in that unit or payment will be made without regard to the syndrome condition.

EFFECTIVE DATE. This section is effective November 1, 2014.

Sec. 18. Minnesota Statutes 2012, section 256.969, is amended by adding a subdivision to read:

Subd. 8c. **Hospital residents.** For discharges occurring on or after November 1, 2014, payments for hospital residents shall be made as follows:

(1) payments for the first 180 days of inpatient care shall be the APR-DRG system plus any outliers; and

(2) payment for all medically necessary patient care subsequent to the first 180 days shall be reimbursed at a rate computed by multiplying the statewide average cost-to-charge ratio by the usual and customary charges.

Sec. 19. Minnesota Statutes 2012, section 256.969, subdivision 9, is amended to read:

Subd. 9. **Disproportionate numbers of low-income patients served.** (a) For admissions occurring on or after October 1, 1992, through December 31, 1992, the medical assistance disproportionate population adjustment shall comply with federal law and shall be paid to a hospital, excluding regional treatment centers and facilities of the federal Indian Health Service, with a medical assistance inpatient utilization rate in excess of the arithmetic mean. The adjustment must be determined as follows:

(1) for a hospital with a medical assistance inpatient utilization rate above the arithmetic mean for all hospitals excluding regional treatment centers and facilities of the federal Indian Health Service but less than or equal to one standard deviation above the mean, the adjustment must be determined by multiplying the total of the operating and property payment rates by the difference between the hospital's actual medical assistance inpatient utilization rate and the arithmetic mean for all hospitals excluding regional treatment centers and facilities of the federal Indian Health Service; and

(2) for a hospital with a medical assistance inpatient utilization rate above one standard deviation above the mean, the adjustment must be determined by multiplying the adjustment that would be determined under clause (1) for that hospital by 1.1. If federal matching funds are not available for all adjustments under this subdivision, the commissioner shall reduce payments on a pro rata basis so that all adjustments qualify for federal match. ~~The commissioner may establish a separate disproportionate population operating payment rate adjustment under the general assistance medical care program. For purposes of this subdivision medical assistance does not include general assistance medical care.~~ The commissioner shall report annually on the number of

hospitals likely to receive the adjustment authorized by this paragraph. The commissioner shall specifically report on the adjustments received by public hospitals and public hospital corporations located in cities of the first class.

(b) For admissions occurring on or after July 1, 1993, the medical assistance disproportionate population adjustment shall comply with federal law and shall be paid to a hospital, excluding regional treatment centers and facilities of the federal Indian Health Service, with a medical assistance inpatient utilization rate in excess of the arithmetic mean. The adjustment must be determined as follows:

(1) for a hospital with a medical assistance inpatient utilization rate above the arithmetic mean for all hospitals excluding regional treatment centers and facilities of the federal Indian Health Service but less than or equal to one standard deviation above the mean, the adjustment must be determined by multiplying the total of the operating and property payment rates by the difference between the hospital's actual medical assistance inpatient utilization rate and the arithmetic mean for all hospitals excluding regional treatment centers and facilities of the federal Indian Health Service; and

(2) for a hospital with a medical assistance inpatient utilization rate above one standard deviation above the mean, the adjustment must be determined by multiplying the adjustment that would be determined under clause (1) for that hospital by 1.1. The commissioner may establish a separate disproportionate population ~~operating~~ payment rate adjustment ~~under the general assistance medical care program. For purposes of this subdivision, medical assistance does not include general assistance medical care for critical access hospitals.~~ The commissioner shall report annually on the number of hospitals likely to receive the adjustment authorized by this paragraph. The commissioner shall specifically report on the adjustments received by public hospitals and public hospital corporations located in cities of the first class; ~~;~~

~~(3) for a hospital that had medical assistance fee-for-service payment volume during calendar year 1991 in excess of 13 percent of total medical assistance fee-for-service payment volume, a medical assistance disproportionate population adjustment shall be paid in addition to any other disproportionate payment due under this subdivision as follows: \$1,515,000 due on the 15th of each month after noon, beginning July 15, 1995. For a hospital that had medical assistance fee-for-service payment volume during calendar year 1991 in excess of eight percent of total medical assistance fee-for-service payment volume and was the primary hospital affiliated with the University of Minnesota, a medical assistance disproportionate population adjustment shall be paid in addition to any other disproportionate payment due under this subdivision as follows: \$505,000 due on the 15th of each month after noon, beginning July 15, 1995; and~~

~~(4) effective August 1, 2005, the payments in paragraph (b), clause (3), shall be reduced to zero.~~

(c) The commissioner shall adjust rates paid to a health maintenance organization under contract with the commissioner to reflect rate increases provided in paragraph (b), clauses (1) and (2), on a nondiscounted hospital-specific basis but shall not adjust those rates to reflect payments provided in clause (3).

~~(d) If federal matching funds are not available for all adjustments under paragraph (b), the commissioner shall reduce payments under paragraph (b), clauses (1) and (2), on a pro rata basis so that all adjustments under paragraph (b) qualify for federal match.~~

~~(e) For purposes of this subdivision, medical assistance does not include general assistance medical care.~~

~~(f) For hospital services occurring on or after July 1, 2005, to June 30, 2007:~~

~~(1) general assistance medical care expenditures for fee-for-service inpatient and outpatient hospital payments made by the department shall be considered Medicaid disproportionate share hospital payments, except as limited below:~~

~~(i) only the portion of Minnesota's disproportionate share hospital allotment under section 1923(f) of the Social Security Act that is not spent on the disproportionate population adjustments in paragraph (b), clauses (1) and (2), may be used for general assistance medical care expenditures;~~

~~(ii) only those general assistance medical care expenditures made to hospitals that qualify for disproportionate share payments under section 1923 of the Social Security Act and the Medicaid state plan may be considered disproportionate share hospital payments;~~

~~(iii) only those general assistance medical care expenditures made to an individual hospital that would not cause the hospital to exceed its individual hospital limits under section 1923 of the Social Security Act may be considered; and~~

~~(iv) general assistance medical care expenditures may be considered only to the extent of Minnesota's aggregate allotment under section 1923 of the Social Security Act.~~

~~All hospitals and prepaid health plans participating in general assistance medical care must provide any necessary expenditure, cost, and revenue information required by the commissioner as necessary for purposes of obtaining federal Medicaid matching funds for general assistance medical care expenditures; and~~

~~(2) (c) Certified public expenditures made by Hennepin County Medical Center shall be considered Medicaid disproportionate share hospital payments. Hennepin County and Hennepin County Medical Center shall report by June 15, 2007, on payments made beginning July 1, 2005, or another date specified by the commissioner, that may qualify for reimbursement under federal law. Based on these reports, the commissioner shall apply for federal matching funds.~~

~~(g) (d) Upon federal approval of the related state plan amendment, paragraph (f) (c) is effective retroactively from July 1, 2005, or the earliest effective date approved by the Centers for Medicare and Medicaid Services.~~

Sec. 20. Minnesota Statutes 2012, section 256.969, subdivision 10, is amended to read:

Subd. 10. **Separate billing by certified registered nurse anesthetists.** Hospitals may must exclude certified registered nurse anesthetist costs from the operating payment rate as ~~allowed by~~ section 256B.0625, subdivision 11. ~~To be eligible, a hospital must notify the commissioner in writing by October 1 of even-numbered years to exclude certified registered nurse anesthetist costs. The hospital must agree that all hospital claims for the cost and charges of certified registered nurse anesthetist services will not be included as part of the rates for inpatient services provided during the rate year. In this case, the operating payment rate shall be adjusted to exclude the cost of certified registered nurse anesthetist services.~~

~~For admissions occurring on or after July 1, 1991, and until the expiration date of section 256.9695, subdivision 3, services of certified registered nurse anesthetists provided on an inpatient basis may be paid as allowed by section 256B.0625, subdivision 11, when the hospital's base year did not include the cost of these services. To be eligible, a hospital must notify the commissioner~~

in writing by July 1, 1991, of the request and must comply with all other requirements of this subdivision.

Sec. 21. Minnesota Statutes 2012, section 256.969, subdivision 12, is amended to read:

Subd. 12. **Rehabilitation hospitals and distinct parts.** (a) Units of hospitals that are recognized as rehabilitation distinct parts by the Medicare program shall have separate provider numbers under the medical assistance program for rate establishment and billing purposes only. These units shall also have operating and property payment rates and the disproportionate population adjustment, if allowed by federal law, established separately from other inpatient hospital services.

(b) The commissioner ~~may~~ shall establish separate relative values under subdivision 2 for rehabilitation hospitals and distinct parts as defined by the Medicare program. Effective for discharges occurring on and after November 1, 2014, the commissioner, to the extent possible, shall replicate the existing payment rate methodology under the new diagnostic classification system. The result must be budget neutral, ensuring that the total aggregate payments under the new system are equal to the total aggregate payments made for the same number and types of services in the base year, calendar year 2012.

(c) For individual hospitals that did not have separate medical assistance rehabilitation provider numbers or rehabilitation distinct parts in the base year, hospitals shall provide the information needed to separate rehabilitation distinct part cost and claims data from other inpatient service data.

Sec. 22. Minnesota Statutes 2012, section 256.969, subdivision 14, is amended to read:

Subd. 14. **Transfers.** ~~Except as provided in subdivisions 11 and 13;~~ (a) Operating and property payment rates for admissions that result in transfers and transfers shall be established on a per day payment system. The per day payment rate shall be the sum of the adjusted operating and property payment rates determined under this subdivision and subdivisions 2, 2b, ~~2c~~, 3a, 4a, 5a, and ~~7~~ 8 to 12, divided by the arithmetic mean length of stay for the diagnostic category. Each admission that results in a transfer and each transfer is considered a separate admission to each hospital, and the total of the admission and transfer payments to each hospital must not exceed the total per admission payment that would otherwise be made to each hospital under this subdivision and subdivisions 2, 2b, ~~2c~~, 3a, 4a, 5a, and ~~7~~ to ~~13~~ 8 to 12.

(b) Effective for transfers occurring on and after November 1, 2014, the commissioner shall establish payment rates for acute transfers that are based on Medicare methodologies.

Sec. 23. Minnesota Statutes 2012, section 256.969, subdivision 17, is amended to read:

Subd. 17. **Out-of-state hospitals in local trade areas.** Out-of-state hospitals that are located within a Minnesota local trade area and that have more than 20 admissions in the base year or years shall have rates established using the same procedures and methods that apply to Minnesota hospitals. For this subdivision and subdivision 18, local trade area means a county contiguous to Minnesota and located in a metropolitan statistical area as determined by Medicare for October 1 prior to the most current rebased rate year. Hospitals that are not required by law to file information in a format necessary to establish rates shall have rates established based on the commissioner's estimates of the information. Relative values of the diagnostic categories shall not be redetermined under this subdivision until required by rule statute. Hospitals affected by this subdivision shall then be included in determining relative values. However, hospitals that have rates established based upon the commissioner's estimates of information shall not be included in determining relative values.

This subdivision is effective for hospital fiscal years beginning on or after July 1, 1988. A hospital shall provide the information necessary to establish rates under this subdivision at least 90 days before the start of the hospital's fiscal year.

Sec. 24. Minnesota Statutes 2012, section 256.969, subdivision 18, is amended to read:

Subd. 18. **Out-of-state hospitals outside local trade areas.** Hospitals that are not located within Minnesota or a Minnesota local trade area shall have ~~operating and property~~ inpatient hospital rates established at the average of statewide and local trade area rates or, at the commissioner's discretion, at an amount negotiated by the commissioner. Relative values shall not include data from hospitals that have rates established under this subdivision. Payments, including third-party and recipient liability, established under this subdivision may not exceed the charges on a claim specific basis for inpatient services that are covered by medical assistance.

Sec. 25. Minnesota Statutes 2012, section 256.969, subdivision 25, is amended to read:

Subd. 25. **Long-term hospital rates.** (a) Long-term hospitals shall be paid on a per diem basis.

(b) For admissions occurring on or after April 1, 1995, a long-term hospital as designated by Medicare that does not have admissions in the base year shall have inpatient rates established at the average of other hospitals with the same designation. For subsequent rate-setting periods in which base years are updated, the hospital's base year shall be the first Medicare cost report filed with the long-term hospital designation and shall remain in effect until it falls within the same period as other hospitals.

Sec. 26. Minnesota Statutes 2012, section 256.969, subdivision 30, is amended to read:

Subd. 30. **Payment rates for births.** (a) For admissions occurring on or after ~~October 1, 2009~~ November 1, 2014, the total operating and property payment rate, excluding disproportionate population adjustment, for the following diagnosis-related groups, as they fall within the diagnostic APR-DRG categories: (1) ~~371 cesarean section without complicating diagnosis~~ 5601, 5602, 5603, 5604 vaginal delivery; and (2) ~~372 vaginal delivery with complicating diagnosis; and (3) 373 vaginal delivery without complicating diagnosis~~ 5401, 5402, 5403, 5404 cesarean section, shall be no greater than \$3,528.

(b) The rates described in this subdivision do not include newborn care.

(c) Payments to managed care and county-based purchasing plans under section 256B.69, 256B.692, or 256L.12 shall be reduced for services provided on or after October 1, 2009, to reflect the adjustments in paragraph (a).

(d) Prior authorization shall not be required before reimbursement is paid for a cesarean section delivery.

Sec. 27. Minnesota Statutes 2012, section 256B.04, is amended by adding a subdivision to read:

Subd. 24. **Medicaid waiver requests and state plan amendments.** Prior to submitting any Medicaid waiver request or Medicaid state plan amendment to the federal government for approval, the commissioner shall publish the text of the waiver request or state plan amendment, and a summary of and explanation of the need for the request, on the agency's Web site and provide a 30-day public comment period. The commissioner shall notify the public of the availability of this information through the agency's electronic subscription service. The commissioner shall consider

public comments when preparing the final waiver request or state plan amendment that is to be submitted to the federal government for approval. The commissioner shall also publish on the agency's Web site notice of any federal decision related to the state request for approval, within 30 days of the decision. This notice must describe any modifications to the state request that have been agreed to by the commissioner as a condition of receiving federal approval.

Sec. 28. Minnesota Statutes 2013 Supplement, section 256B.0625, subdivision 17, is amended to read:

Subd. 17. Transportation costs. (a) "Nonemergency medical transportation service" means motor vehicle transportation provided by a public or private person that serves Minnesota health care program beneficiaries who do not require emergency ambulance service, as defined in section 144E.001, subdivision 3, to obtain covered medical services. Nonemergency medical transportation service includes, but is not limited to, special transportation service, defined in section 174.29, subdivision 1.

(a) (b) Medical assistance covers medical transportation costs incurred solely for obtaining emergency medical care or transportation costs incurred by eligible persons in obtaining emergency or nonemergency medical care when paid directly to an ambulance company, common carrier, or other recognized providers of transportation services. Medical transportation must be provided by:

(1) ~~an ambulance~~ nonemergency medical transportation providers who meet the requirements of this subdivision;

(2) ambulances, as defined in section 144E.001, subdivision 2;

(2) special transportation; or

(3) ~~common carrier including, but not limited to, bus, taxicab, other commercial carrier, or private automobile~~ taxicabs and public transit, as defined in section 174.22, subdivision 7; or

(4) not-for-hire vehicles, including volunteer drivers.

(b) (c) Medical assistance covers special transportation, as defined in Minnesota Rules, part 9505.0315, subpart 1, item F, if the recipient has a physical or mental impairment that would prohibit the recipient from safely accessing and using a bus, taxi, other commercial transportation, or private automobile. nonemergency medical transportation provided by nonemergency medical transportation providers enrolled in the Minnesota health care programs. All nonemergency medical transportation providers must comply with the operating standards for special transportation service as defined in sections 174.29 to 174.30 and Minnesota Rules, chapter 8840, and in consultation with the Minnesota Department of Transportation. All nonemergency medical transportation providers shall bill for nonemergency medical transportation services in accordance with Minnesota health care programs criteria. Publicly operated transit systems, volunteers, and not-for-hire vehicles are exempt from the requirements outlined in this paragraph.

(d) The administrative agency of nonemergency medical transportation must:

(1) adhere to the policies defined by the commissioner in consultation with the Nonemergency Medical Transportation Advisory Committee;

(2) pay nonemergency medical transportation providers for services provided to Minnesota health care programs beneficiaries to obtain covered medical services;

(3) provide data monthly to the commissioner on appeals, complaints, no-shows, canceled trips, and number of trips by mode; and

(4) by July 1, 2016, in accordance with subdivision 18e, utilize a Web-based single administrative structure assessment tool that meets the technical requirements established by the commissioner, reconciles trip information with claims being submitted by providers, and ensures prompt payment for nonemergency medical transportation services.

(e) Until the commissioner implements the single administrative structure and delivery system under subdivision 18e, clients shall obtain their level-of-service certificate from the commissioner or an entity approved by the commissioner that does not dispatch rides for clients using modes under paragraph (h), clauses (4), (5), (6), and (7).

(f) The commissioner may use an order by the recipient's attending physician or a medical or mental health professional to certify that the recipient requires special transportation services nonemergency medical transportation services. Special Nonemergency medical transportation providers shall perform driver-assisted services for eligible individuals, when appropriate. Driver-assisted service includes passenger pickup at and return to the individual's residence or place of business, assistance with admittance of the individual to the medical facility, and assistance in passenger securement or in securing of wheelchairs or stretchers in the vehicle. Special Nonemergency medical transportation providers must obtain written documentation from the health care service provider who is serving the recipient being transported, identifying the time that the recipient arrived. Special have trip logs, which include pickup and drop-off times, signed by the medical provider or client attesting mileage traveled to obtain covered medical services, whichever is deemed most appropriate. Nonemergency medical transportation providers may not bill for separate base rates for the continuation of a trip beyond the original destination. Special Nonemergency medical transportation providers must take recipients clients to the health care provider, using the most direct route, and must not exceed 30 miles for a trip to a primary care provider or 60 miles for a trip to a specialty care provider, unless the recipient client receives authorization from the local agency. The minimum medical assistance reimbursement rates for special transportation services are:

(1)(i) \$17 for the base rate and \$1.35 per mile for special transportation services to eligible persons who need a wheelchair-accessible van;

(ii) \$11.50 for the base rate and \$1.30 per mile for special transportation services to eligible persons who do not need a wheelchair-accessible van; and

(iii) \$60 for the base rate and \$2.40 per mile, and an attendant rate of \$9 per trip, for special transportation services to eligible persons who need a stretcher-accessible vehicle; and

(2) clients requesting client mileage reimbursement must sign the trip log attesting mileage traveled to obtain covered medical services.

(g) The covered modes of nonemergency medical transportation include transportation provided directly by clients or family members of clients with their own transportation, volunteers using their own vehicles, taxicabs, and public transit, or provided to a client who needs a stretcher-accessible vehicle, a lift/ramp equipped vehicle, or a vehicle that is not stretcher-accessible or lift/ramp equipped designed to transport ten or fewer persons. Upon implementation of a new rate structure, a new covered mode of nonemergency medical transportation shall include transportation provided to a client who needs a protected vehicle that is not an ambulance or police car and has safety

locks, a video recorder, and a transparent thermoplastic partition between the passenger and the vehicle driver.

(h) The administrative agency shall use the level of service process established by the commissioner in consultation with the Nonemergency Medical Transportation Advisory Committee to determine the client's most appropriate mode of transportation. If public transit or a certified transportation provider is not available to provide the appropriate service mode for the client, the client may receive a onetime service upgrade. The new modes of transportation, which may not be implemented without a new rate structure, are:

(1) client reimbursement, which includes client mileage reimbursement provided to clients who have their own transportation or family who provides transportation to the client;

(2) volunteer transport, which includes transportation by volunteers using their own vehicle;

(3) unassisted transport, which includes transportation provided to a client by a taxicab or public transit. If a taxicab or publicly operated transit system is not available, the client can receive transportation from another nonemergency medical transportation provider;

(4) assisted transport, which includes transport provided to clients who require assistance by a nonemergency medical transportation provider;

(5) lift-equipped/ramp transport, which includes transport provided to a client who is dependent on a device and requires a nonemergency medical transportation provider with a vehicle containing a lift or ramp;

(6) protected transport, which includes transport to a client who has received a prescreening that has deemed other forms of transportation inappropriate and who requires a provider certified as a protected transport provider; and

(7) stretcher transport, which includes transport for a client in a prone or supine position and requires a nonemergency medical transportation provider with a vehicle that can transport a client in a prone or supine position.

(i) In accordance with subdivision 18e, by July 1, 2016, the local agency shall be the single administrative agency and shall administer and reimburse for modes defined in paragraph (h) according to a new rate structure, once this is adopted.

(j) The commissioner shall:

(1) in consultation with the Nonemergency Medical Transportation Advisory Committee, verify that the mode and use of nonemergency medical transportation is appropriate;

(2) verify that the client is going to an approved medical appointment; and

(3) investigate all complaints and appeals.

(k) The administrative agency shall pay for the services provided in this subdivision and seek reimbursement from the commissioner, if appropriate. As vendors of medical care, local agencies are subject to the provisions in section 256B.041, the sanctions and monetary recovery actions in section 256B.064, and Minnesota Rules parts 9505.2160 to 9505.2245.

(l) The base rates for special transportation services in areas defined under RUCA to be super rural shall be equal to the reimbursement rate established in paragraph (f), clause (1), plus 11.3 percent; and

(3) for special transportation services in areas defined under RUCA to be rural or super rural areas:

(i) for a trip equal to 17 miles or less, mileage reimbursement shall be equal to 125 percent of the respective mileage rate in paragraph (f), clause (1); and

(ii) for a trip between 18 and 50 miles, mileage reimbursement shall be equal to 112.5 percent of the respective mileage rate in paragraph (f), clause (1).

(e) (m) For purposes of reimbursement rates for special transportation services under paragraph (b), the zip code of the recipient's place of residence shall determine whether the urban, rural, or super rural reimbursement rate applies.

(d) (n) For purposes of this subdivision, "rural urban commuting area" or "RUCA" means a census-tract based classification system under which a geographical area is determined to be urban, rural, or super rural.

(e) (o) Effective for services provided on or after September 1, 2011, nonemergency transportation rates, including special transportation, taxi, and other commercial carriers, are reduced 4.5 percent. Payments made to managed care plans and county-based purchasing plans must be reduced for services provided on or after January 1, 2012, to reflect this reduction.

Sec. 29. Minnesota Statutes 2012, section 256B.0625, subdivision 18b, is amended to read:

Subd. 18b. **Broker dispatching prohibition.** Except for establishing level of service process, the commissioner shall not use a broker or coordinator for any purpose related to nonemergency medical transportation services under subdivision 18.

Sec. 30. Minnesota Statutes 2012, section 256B.0625, subdivision 18c, is amended to read:

Subd. 18c. **Nonemergency Medical Transportation Advisory Committee.** (a) The Nonemergency Medical Transportation Advisory Committee shall advise the commissioner on the administration of nonemergency medical transportation covered under medical assistance. The advisory committee shall meet at least quarterly the first year following January 1, 2015, and at least biannually thereafter and may meet more frequently as required by the commissioner. The advisory committee shall annually elect a chair from among its members, who shall work with the commissioner or the commissioner's designee to establish the agenda for each meeting. The commissioner, or the commissioner's designee, shall attend all advisory committee meetings.

(b) The Nonemergency Medical Transportation Advisory Committee shall advise and make recommendations to the commissioner on:

(1) ~~the development of, and periodic updates to, a~~ the nonemergency medical transportation policy manual for nonemergency medical transportation services;

(2) ~~policies and a funding source for reimbursing no-load miles;~~

(3) ~~policies to prevent waste, fraud, and abuse, and to improve the efficiency of the nonemergency medical transportation system;~~

~~(4) other issues identified in the 2011 evaluation report by the Office of the Legislative Auditor on medical nonemergency transportation; and~~

~~(5) (2) other aspects of the nonemergency medical transportation system, as requested by the commissioner; and~~

(3) other aspects of the nonemergency medical transportation system, as requested by:

(i) a committee member, who may request an item to be placed on the agenda for a future meeting. The request may be considered by the committee and voted upon. If the motion carries, the meeting agenda item may be developed for presentation to the committee; and

(ii) a member of the public, who may approach the committee by letter or e-mail requesting that an item be placed on a future meeting agenda. The request may be considered by the committee and voted upon. If the motion carries, the agenda item may be developed for presentation to the committee.

(c) The Nonemergency Medical Transportation Advisory Committee shall coordinate its activities with the Minnesota Council on Transportation Access established under section 174.285. The chair of the advisory committee, or the chair's designee, shall attend all meetings of the Minnesota Council on Transportation Access.

(d) The Nonemergency Medical Transportation Advisory Committee shall expire December 1, ~~2014~~ 2019.

Sec. 31. Minnesota Statutes 2012, section 256B.0625, subdivision 18d, is amended to read:

Subd. 18d. **Advisory committee members.** (a) The Nonemergency Medical Transportation Advisory Committee consists of:

~~(1) two voting members who represent counties, at least one of whom must represent a county or counties other than Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright~~ four voting members who represent counties, utilizing the rural urban commuting area classification system. As defined in subdivision 17, these members shall be designated as follows:

(i) two counties within the 11-county metropolitan area;

(ii) one county representing the rural area of the state; and

(iii) one county representing the super rural area of the state.

The Association of Minnesota Counties shall appoint one county within the 11-county metropolitan area and one county representing the super rural area of the state. The Minnesota Inter-County Association shall appoint one county within the 11-county metropolitan area and one county representing the rural area of the state;

~~(2) four~~ three voting members who represent medical assistance recipients, including persons with physical and developmental disabilities, persons with mental illness, seniors, children, and low-income individuals;

(3) four voting members who represent providers that deliver nonemergency medical transportation services to medical assistance enrollees;

(4) two voting members of the house of representatives, one from the majority party and one from the minority party, appointed by the speaker of the house, and two voting members from the senate, one from the majority party and one from the minority party, appointed by the Subcommittee on Committees of the Committee on Rules and Administration;

(5) one voting member who represents demonstration providers as defined in section 256B.69, subdivision 2;

(6) one voting member who represents an organization that contracts with state or local governments to coordinate transportation services for medical assistance enrollees; ~~and~~

(7) one voting member who represents the Minnesota State Council on Disability;

(8) the commissioner of transportation or the commissioner's designee, who shall serve as a voting member;

(9) one voting member appointed by the Minnesota Ambulance Association; and

(10) one voting member appointed by the Minnesota Hospital Association.

(b) Members of the advisory committee shall not be employed by the Department of Human Services. Members of the advisory committee shall receive no compensation.

Sec. 32. Minnesota Statutes 2013 Supplement, section 256B.0625, subdivision 18e, is amended to read:

Subd. 18e. **Single administrative structure and delivery system.** (a) The commissioner shall implement a single administrative structure and delivery system for nonemergency medical transportation, beginning the latter of the date the single administrative assessment tool required in this paragraph is available for use, as determined by the commissioner or by July 1, 2014 2016. ~~The single administrative structure and delivery system must:~~

~~(1) eliminate the distinction between access transportation services and special transportation services;~~

~~(2) enable all medical assistance recipients to follow the same process to obtain nonemergency medical transportation, regardless of their level of need;~~

~~(3) provide a single oversight framework for all providers of nonemergency medical transportation; and~~

~~(4) provide flexibility in service delivery, recognizing that clients fall along a continuum of needs and resources.~~

~~(b) The commissioner shall present to the legislature, by January 15, 2014, legislation necessary to implement the single administrative structure and delivery system for nonemergency medical transportation.~~

~~(c) In developing the single administrative structure and delivery system and the draft legislation, the commissioner shall consult with the Nonemergency Medical Transportation Advisory Committee. In coordination with the Department of Transportation, the commissioner shall develop and authorize a Web-based single administrative structure and assessment tool, which must operate 24 hours a day, seven days a week, to facilitate the enrollee assessment process for nonemergency medical transportation services. The Web-based tool shall facilitate~~

the transportation eligibility determination process initiated by clients and client advocates; shall include an accessible automated intake and assessment process and real-time identification of level of service eligibility; and shall authorize an appropriate and auditable mode of transportation authorization. The tool shall provide a single framework for reconciling trip information with claiming and collecting complaints regarding inappropriate level of need determinations, inappropriate transportation modes utilized, and interference with accessing nonemergency medical transportation. The Web-based single administrative structure shall operate on a trial basis for one year from implementation and, if approved by the commissioner, shall be permanent thereafter. The commissioner shall seek input from the Nonemergency Medical Transportation Advisory Committee to ensure the software is effective and user-friendly and make recommendations regarding funding of the single administrative system.

Sec. 33. Minnesota Statutes 2012, section 256B.0625, subdivision 18g, is amended to read:

Subd. 18g. **Use of standardized measures.** ~~The commissioner, in consultation with the Nonemergency Medical Transportation Advisory Committee, shall establish performance measures to assess the cost-effectiveness and quality of nonemergency medical transportation. At a minimum, performance measures should include the number of unique participants served by type of transportation provider, number of trips provided by type of transportation provider, and cost per trip by type of transportation provider. The commissioner must also consider the measures identified in the January 2012 Department of Human Services report to the legislature on nonemergency medical transportation. Beginning in calendar year 2013~~ 2015, the commissioner shall collect, audit, and analyze performance data on nonemergency medical transportation annually and report this information on the agency's Web site. The commissioner shall periodically supplement this information with the results of consumer surveys of the quality of services, and shall make these survey findings available to the public on the agency Web site.

Sec. 34. Minnesota Statutes 2012, section 256B.0625, is amended by adding a subdivision to read:

Subd. 18h. **Managed care.** The following subdivisions do not apply to managed care plans and county-based purchasing plans:

- (1) subdivision 17, paragraphs (d) to (k);
- (2) subdivision 18e; and
- (3) subdivision 18g.

Sec. 35. Minnesota Statutes 2012, section 256B.0625, subdivision 30, is amended to read:

Subd. 30. **Other clinic services.** (a) Medical assistance covers rural health clinic services, federally qualified health center services, nonprofit community health clinic services, and public health clinic services. Rural health clinic services and federally qualified health center services mean services defined in United States Code, title 42, section 1396d(a)(2)(B) and (C). Payment for rural health clinic and federally qualified health center services shall be made according to applicable federal law and regulation.

(b) A federally qualified health center that is beginning initial operation shall submit an estimate of budgeted costs and visits for the initial reporting period in the form and detail required by the commissioner. A federally qualified health center that is already in operation shall submit an initial

report using actual costs and visits for the initial reporting period. Within 90 days of the end of its reporting period, a federally qualified health center shall submit, in the form and detail required by the commissioner, a report of its operations, including allowable costs actually incurred for the period and the actual number of visits for services furnished during the period, and other information required by the commissioner. Federally qualified health centers that file Medicare cost reports shall provide the commissioner with a copy of the most recent Medicare cost report filed with the Medicare program intermediary for the reporting year which support the costs claimed on their cost report to the state.

(c) In order to continue cost-based payment under the medical assistance program according to paragraphs (a) and (b), a federally qualified health center or rural health clinic must apply for designation as an essential community provider within six months of final adoption of rules by the Department of Health according to section 62Q.19, subdivision 7. For those federally qualified health centers and rural health clinics that have applied for essential community provider status within the six-month time prescribed, medical assistance payments will continue to be made according to paragraphs (a) and (b) for the first three years after application. For federally qualified health centers and rural health clinics that either do not apply within the time specified above or who have had essential community provider status for three years, medical assistance payments for health services provided by these entities shall be according to the same rates and conditions applicable to the same service provided by health care providers that are not federally qualified health centers or rural health clinics.

(d) Effective July 1, 1999, the provisions of paragraph (c) requiring a federally qualified health center or a rural health clinic to make application for an essential community provider designation in order to have cost-based payments made according to paragraphs (a) and (b) no longer apply.

(e) Effective January 1, 2000, payments made according to paragraphs (a) and (b) shall be limited to the cost phase-out schedule of the Balanced Budget Act of 1997.

(f) Effective January 1, 2001, each federally qualified health center and rural health clinic may elect to be paid either under the prospective payment system established in United States Code, title 42, section 1396a(aa), or under an alternative payment methodology consistent with the requirements of United States Code, title 42, section 1396a(aa), and approved by the Centers for Medicare and Medicaid Services. The alternative payment methodology shall be 100 percent of cost as determined according to Medicare cost principles.

(g) For purposes of this section, "nonprofit community clinic" is a clinic that:

- (1) has nonprofit status as specified in chapter 317A;
- (2) has tax exempt status as provided in Internal Revenue Code, section 501(c)(3);
- (3) is established to provide health services to low-income population groups, uninsured, high-risk and special needs populations, underserved and other special needs populations;
- (4) employs professional staff at least one-half of which are familiar with the cultural background of their clients;
- (5) charges for services on a sliding fee scale designed to provide assistance to low-income clients based on current poverty income guidelines and family size; and

(6) does not restrict access or services because of a client's financial limitations or public assistance status and provides no-cost care as needed.

(h) Effective for services provided on or after January 1, 2015, all claims for payment of clinic services provided by federally qualified health centers and rural health clinics shall be paid by the commissioner. The commissioner shall determine the most feasible method for paying claims from the following options:

(1) federally qualified health centers and rural health clinics submit claims directly to the commissioner for payment, and the commissioner provides claims information for recipients enrolled in a managed care or county-based purchasing plan to the plan, on a regular basis; or

(2) federally qualified health centers and rural health clinics submit claims for recipients enrolled in a managed care or county-based purchasing plan to the plan, and those claims are submitted by the plan to the commissioner for payment to the clinic.

(i) For clinic services provided prior to January 1, 2015, the commissioner shall calculate and pay monthly the proposed managed care supplemental payments to clinics, and clinics shall conduct a timely review of the payment calculation data in order to finalize all supplemental payments in accordance with federal law. Any issues arising from a clinic's review must be reported to the commissioner by January 1, 2017. Upon final agreement between the commissioner and a clinic on issues identified under this subdivision, and in accordance with United States Code, title 42, section 1396a(bb), no supplemental payments for managed care plan or county-based purchasing plan claims for services provided prior to January 1, 2015, shall be made after June 30, 2017. If the commissioner and clinics are unable to resolve issues under this subdivision, the parties shall submit the dispute to the arbitration process under section 14.57.

Sec. 36. Minnesota Statutes 2012, section 256B.0751, is amended by adding a subdivision to read:

Subd. 10. **Health care homes advisory committee.** (a) The commissioners of health and human services shall establish a health care homes advisory committee to advise the commissioners on the ongoing statewide implementation of the health care homes program authorized in this section.

(b) The commissioners shall establish an advisory committee that includes representatives of the health care professions such as primary care providers; mental health providers; nursing and care coordinators; certified health care home clinics with statewide representation; health plan companies; state agencies; employers; academic researchers; consumers; and organizations that work to improve health care quality in Minnesota. At least 25 percent of the committee members must be consumers or patients in health care homes. The commissioners, in making appointments to the committee, shall ensure geographic representation of all regions of the state.

(c) The advisory committee shall advise the commissioners on ongoing implementation of the health care homes program, including, but not limited to, the following activities:

(1) implementation of certified health care homes across the state on performance management and implementation of benchmarking;

(2) implementation of modifications to the health care homes program based on results of the legislatively mandated health care home evaluation;

(3) statewide solutions for engagement of employers and commercial payers;

- (4) potential modifications of the health care home rules or statutes;
 - (5) consumer engagement, including patient and family-centered care, patient activation in health care, and shared decision making;
 - (6) oversight for health care home subject matter task forces or workgroups; and
 - (7) other related issues as requested by the commissioners.
- (d) The advisory committee shall have the ability to establish subcommittees on specific topics. The advisory committee is governed by section 15.059. Notwithstanding section 15.059, the advisory committee does not expire.

Sec. 37. Minnesota Statutes 2012, section 256B.199, is amended to read:

256B.199 PAYMENTS REPORTED BY GOVERNMENTAL ENTITIES.

~~(a) Effective July 1, 2007, The commissioner shall apply for federal matching funds for the expenditures in paragraphs (b) and (c). Effective September 1, 2011, the commissioner shall apply for matching funds for expenditures in paragraph (e).~~

(b) The commissioner shall apply for federal matching funds for certified public expenditures as follows:

(1) Hennepin County, Hennepin County Medical Center, Ramsey County, and Regions Hospital; ~~the University of Minnesota, and Fairview-University Medical Center~~ shall report quarterly to the commissioner beginning June 1, 2007, payments made during the second previous quarter that may qualify for reimbursement under federal law;

(2) based on these reports, the commissioner shall apply for federal matching funds. ~~These funds are appropriated to the commissioner for the payments under section 256.969, subdivision 27; and~~

(3) by May 1 of each year, beginning May 1, 2007, the commissioner shall inform the nonstate entities listed in paragraph (a) of the amount of federal disproportionate share hospital payment money expected to be available in the current federal fiscal year.

~~(c) The commissioner shall apply for federal matching funds for general assistance medical care expenditures as follows:~~

~~(1) for hospital services occurring on or after July 1, 2007, general assistance medical care expenditures for fee-for-service inpatient and outpatient hospital payments made by the department shall be used to apply for federal matching funds, except as limited below:~~

~~(i) only those general assistance medical care expenditures made to an individual hospital that would not cause the hospital to exceed its individual hospital limits under section 1923 of the Social Security Act may be considered; and~~

~~(ii) general assistance medical care expenditures may be considered only to the extent of Minnesota's aggregate allotment under section 1923 of the Social Security Act; and~~

~~(2) all hospitals must provide any necessary expenditure, cost, and revenue information required by the commissioner as necessary for purposes of obtaining federal Medicaid matching funds for general assistance medical care expenditures.~~

~~(d)~~ (c) For the period from April 1, 2009, to September 30, 2010, the commissioner shall apply for additional federal matching funds available as disproportionate share hospital payments under the American Recovery and Reinvestment Act of 2009. These funds shall be made available as the state share of payments ~~under section 256.969, subdivision 28~~. The entities required to report certified public expenditures under paragraph (b), clause (1), shall report additional certified public expenditures as necessary under this paragraph.

~~(e)~~ (d) For services provided on or after September 1, 2011, the commissioner shall apply for additional federal matching funds available as disproportionate share hospital payments under the MinnesotaCare program ~~according to the requirements and conditions of paragraph (e)~~. A hospital may elect on an annual basis to not be a disproportionate share hospital for purposes of this paragraph, if the hospital does not qualify for a payment under section 256.969, subdivision 9, paragraph (b).

Sec. 38. Minnesota Statutes 2012, section 256B.35, subdivision 1, is amended to read:

Subdivision 1. **Personal needs allowance.** (a) Notwithstanding any law to the contrary, welfare allowances for clothing and personal needs for individuals receiving medical assistance while residing in any skilled nursing home, intermediate care facility, or medical institution including recipients of Supplemental Security Income, in this state shall not be less than \$45 per month from all sources. When benefit amounts for Social Security or Supplemental Security Income recipients are increased pursuant to United States Code, title 42, sections 415(i) and 1382f, the commissioner shall, effective in the month in which the increase takes effect, increase by the same percentage to the nearest whole dollar the clothing and personal needs allowance for individuals receiving medical assistance while residing in any skilled nursing home, medical institution, or intermediate care facility. The commissioner shall provide timely notice to local agencies, providers, and recipients of increases under this provision.

(b) The personal needs allowance may be paid as part of the Minnesota supplemental aid program, and payments to recipients of Minnesota supplemental aid may be made once each three months covering liabilities that accrued during the preceding three months.

(c) The personal needs allowance shall be increased to include income garnished for child support under a court order, up to a maximum of \$250 per month but only to the extent that the amount garnished is not deducted as a monthly allowance for children under section 256B.0575, paragraph (a), clause (5).

(d) Solely for the purpose of section 256B.0575, subdivision 1, paragraph (a), clause (1), the personal needs allowance shall be increased to include income garnished for spousal maintenance under a judgment and decree for dissolution of marriage, and any administrative fees garnished for collection efforts.

Sec. 39. Minnesota Statutes 2013 Supplement, section 256B.69, subdivision 34, is amended to read:

Subd. 34. **Supplemental recovery program.** The commissioner shall conduct a supplemental recovery program for third-party liabilities identified through coordination of benefits not recovered by managed care plans and county-based purchasing plans for state public health programs. Any third-party liability identified through coordination of benefits and recovered by the commissioner more than six eight months after the date a managed care plan or county-based purchasing plan receives adjudicates a health care claim shall be retained by the commissioner and deposited

in the general fund. The commissioner shall establish a mechanism, including a reconciliation process, for managed care plans and county-based purchasing plans to coordinate third-party liability collections efforts resulting from coordination of benefits under this subdivision with the commissioner to ensure there is no duplication of efforts. The coordination mechanism must be consistent with the reporting requirements in subdivision 9c. The commissioner shall share accurate and timely third-party liability data with managed care plans and county-based purchasing plans.

Sec. 40. Minnesota Statutes 2013 Supplement, section 256B.766, is amended to read:

256B.766 REIMBURSEMENT FOR BASIC CARE SERVICES.

(a) Effective for services provided on or after July 1, 2009, total payments for basic care services, shall be reduced by three percent, except that for the period July 1, 2009, through June 30, 2011, total payments shall be reduced by 4.5 percent for the medical assistance and general assistance medical care programs, prior to third-party liability and spenddown calculation. Effective July 1, 2010, the commissioner shall classify physical therapy services, occupational therapy services, and speech-language pathology and related services as basic care services. The reduction in this paragraph shall apply to physical therapy services, occupational therapy services, and speech-language pathology and related services provided on or after July 1, 2010.

(b) Payments made to managed care plans and county-based purchasing plans shall be reduced for services provided on or after October 1, 2009, to reflect the reduction effective July 1, 2009, and payments made to the plans shall be reduced effective October 1, 2010, to reflect the reduction effective July 1, 2010.

(c) Effective for services provided on or after September 1, 2011, through June 30, 2013, total payments for outpatient hospital facility fees shall be reduced by five percent from the rates in effect on August 31, 2011.

(d) Effective for services provided on or after September 1, 2011, through June 30, 2013, total payments for ambulatory surgery centers facility fees, medical supplies and durable medical equipment not subject to a volume purchase contract, prosthetics and orthotics, renal dialysis services, laboratory services, public health nursing services, physical therapy services, occupational therapy services, speech therapy services, eyeglasses not subject to a volume purchase contract, hearing aids not subject to a volume purchase contract, and anesthesia services shall be reduced by three percent from the rates in effect on August 31, 2011.

(e) Effective for services provided on or after September 1, 2014, payments for ambulatory surgery centers facility fees, ~~medical supplies and durable medical equipment not subject to a volume purchase contract, prosthetics and orthotics,~~ hospice services, renal dialysis services, laboratory services, public health nursing services, eyeglasses not subject to a volume purchase contract, and hearing aids not subject to a volume purchase contract shall be increased by three percent and payments for outpatient hospital facility fees shall be increased by three percent. Payments made to managed care plans and county-based purchasing plans shall not be adjusted to reflect payments under this paragraph.

(f) Payments for medical supplies and durable medical equipment not subject to a volume purchase contract, prosthetics and orthotics, provided on or after July 1, 2014, through June 30, 2015, shall be decreased by .33 percent. Payments for medical supplies and durable medical equipment not subject to a volume purchase contract, prosthetics and orthotics, provided on or after July 1, 2015, shall be increased by three percent from the rates in effect on June 30, 2014.

(f) (g) This section does not apply to physician and professional services, inpatient hospital services, family planning services, mental health services, dental services, prescription drugs, medical transportation, federally qualified health centers, rural health centers, Indian health services, and Medicare cost-sharing.

Sec. 41. Minnesota Statutes 2013 Supplement, section 256B.767, is amended to read:

256B.767 MEDICARE PAYMENT LIMIT.

(a) Effective for services rendered on or after July 1, 2010, fee-for-service payment rates for physician and professional services under section 256B.76, subdivision 1, and basic care services subject to the rate reduction specified in section 256B.766, shall not exceed the Medicare payment rate for the applicable service, as adjusted for any changes in Medicare payment rates after July 1, 2010. The commissioner shall implement this section after any other rate adjustment that is effective July 1, 2010, and shall reduce rates under this section by first reducing or eliminating provider rate add-ons.

(b) This section does not apply to services provided by advanced practice certified nurse midwives licensed under chapter 148 or traditional midwives licensed under chapter 147D. Notwithstanding this exemption, medical assistance fee-for-service payment rates for advanced practice certified nurse midwives and licensed traditional midwives shall equal and shall not exceed the medical assistance payment rate to physicians for the applicable service.

(c) This section does not apply to mental health services or physician services billed by a psychiatrist or an advanced practice registered nurse with a specialty in mental health.

(d) Effective for durable medical equipment, prosthetics, orthotics, or supplies provided on or after July 1, 2013, through June 30, ~~2014~~ 2015, the payment rate for items that are subject to the rates established under Medicare's National Competitive Bidding Program shall be equal to the rate that applies to the same item when not subject to the rate established under Medicare's National Competitive Bidding Program. This paragraph does not apply to mail-order diabetic supplies and does not apply to items provided to dually eligible recipients when Medicare is the primary payer of the item.

Sec. 42. Laws 2013, chapter 108, article 1, section 24, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective ~~January~~ July 1, 2014.

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

Sec. 43. Laws 2014, chapter 235, section 43, is amended to read:

Sec. 43. **EFFECTIVE DATE.**

Sections 1 to 40, and ~~42~~, are effective January 1, 2015.

Sec. 44. **MEDICAL ASSISTANCE SPENDDOWN REQUIREMENTS.**

The commissioner of human services, in consultation with interested stakeholders, shall review medical assistance spenddown requirements and processes, including those used in other states, for individuals with disabilities and seniors age 65 years of age or older. Based on this review, the commissioner shall recommend alternative medical assistance spenddown payment requirements and processes that:

(1) are practical for current and potential medical assistance recipients, providers, and the Department of Human Services;

(2) improve the medical assistance payment process for providers; and

(3) allow current and potential medical assistance recipients to obtain consistent and affordable medical coverage.

The commissioner shall report these recommendations, along with the projected cost, to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over health and human services policy and finance by February 15, 2015.

Sec. 45. WAIVER APPLICATIONS FOR NONEMERGENCY MEDICAL TRANSPORTATION SERVICE PROVIDERS.

Subdivision 1. **Definitions.** For purposes of this section, the following definitions apply:

(1) "new provider" is a nonemergency medical transportation service provider that has not been enrolled prior to the effective date of this act and is delivering a mode that was not required to comply with special transportation service operating standards before the effective date of this act; and

(2) "commissioner" is the commissioner of human services.

Subd. 2. **Application for and terms of variance.** A new provider may apply to the commissioner, on a form supplied by the commissioner for this purpose, for a variance from special transportation service operating standards. The commissioner may grant or deny the variance application. Variances expire on the earlier of, February 1, 2016, or the date that the commissioner of transportation begins certifying new providers under the terms of this act and successor legislation.

Subd. 3. **Information concerning variances.** The commissioner shall periodically transmit to the Department of Transportation the number of variance applications received and the number granted.

Subd. 4. **Report by commissioner of transportation.** On or before February 1, 2015, the commissioner of transportation shall report to the chairs and ranking minority members of the senate and house of representatives committees and divisions with jurisdiction over transportation and human services concerning implementing the nonemergency medical transportation services provisions. The report must contain recommendations of the commissioner of transportation concerning statutes, session laws, and rules that must be amended, repealed, enacted, or adopted to implement the nonemergency medical transportation services provisions. The recommendations must include, without limitation, the amount of the fee that would be required to cover the costs of Department of Transportation supervision of inspection and certification, as well as any needed statutory rulemaking or other authority to be granted to the commissioner of transportation.

Sec. 46. FEDERAL AUTHORITY; EMERGENCY MEDICAL ASSISTANCE PROGRAM.

The commissioner, in consultation with providers who participate in the emergency medical assistance program and representatives of patients served by the program, shall assess the program's covered services, care plan requirements, conditions of eligibility for covered services, and other

program requirements to identify potential changes to program requirements that are likely to reduce the use of more costly services, including emergency and inpatient hospital services. The commissioner shall report any changes to program requirements that produce credible savings to the cost of federally funded services provided to eligible individuals, including the estimated fiscal effect of these changes to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over health and human services policy and finance by January 15, 2015. If additional resources are required to establish cost savings, the report shall identify the necessary resources and anticipated costs associated with the analysis.

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

Sec. 47. **ORAL HEALTH DELIVERY AND REIMBURSEMENT SYSTEM.**

(a) The commissioner of human services, in consultation with the commissioner of health, shall convene a work group to develop a new delivery and reimbursement system for oral health and dental services that are provided to enrollees of the state public health care programs. The new system must ensure cost-effective delivery and an increase in access to services.

(b) The commissioner shall consult with dental providers enrolled in the state public health programs, including providers who serve substantial numbers of low-income and uninsured patients and are currently receiving critical access dental payments; private practicing dentists; nonprofit community clinics; managed care and county-based purchasing plans; and health plan companies that provide either directly or through contracts with providers dental services to enrollees of state public health care programs.

(c) The commissioner shall submit a report containing the proposed delivery and reimbursement system, including draft legislation to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over health and human services policy and finance by January 15, 2015.

Sec. 48. **REPEALER.**

(a) Minnesota Statutes 2012, sections 256.969, subdivisions 2c, 8b, 9a, 9b, 11, 13, 20, 21, 22, 26, 27, and 28; and 256.9695, subdivisions 3 and 4, are repealed effective November 1, 2014.

(b) Minnesota Statutes 2013 Supplement, section 256B.0625, subdivision 18f, is repealed.

ARTICLE 25

CHILDREN, FAMILIES, AND NORTHSTAR CARE FOR CHILDREN

Section 1. Minnesota Statutes 2012, section 119B.09, subdivision 9a, is amended to read:

Subd. 9a. **Child care centers; assistance.** (a) For the purposes of this subdivision, "qualifying child" means a child who satisfies both of the following:

- ~~(1) is not a child or dependent of an employee of the child care provider; and~~
- ~~(2) does not reside with an employee of the child care provider.~~

(b) Funds distributed under this chapter must not be paid for child care services that are provided for a child by a child care provider who employs either the parent of the child or a person who resides with the child, or dependent of an employee under paragraph (a) unless at all times at least

50 percent of the children for whom the child care provider is providing care are qualifying children under paragraph (a).

(c) If a child care provider satisfies the requirements for payment under paragraph (b), but the percentage of qualifying children under paragraph (a) for whom the provider is providing care falls below 50 percent, the provider shall have four weeks to raise the percentage of qualifying children for whom the provider is providing care to at least 50 percent before payments to the provider are discontinued for child care services provided for a child who is not a qualifying child.

(d) This subdivision shall be implemented as follows:

(1) no later than August 1, 2014, the commissioner shall issue a notice to providers who have been identified as ineligible for funds distributed under this chapter as described in paragraph (b); and

(2) no later than January 5, 2015, payments to providers who do not comply with paragraph (c) will be discontinued for child care services provided for children who are not qualifying children.

(e) If a child's authorization for child care assistance is terminated under this subdivision, the county shall send a notice of adverse action to the provider and to the child's parent or guardian, including information on the right to appeal, under Minnesota Rules, part 3400.0185.

(f) Funds paid to providers during the period of time between the issuance of a notice under paragraph (d), clause (1), and discontinuation of payments under paragraph (d), clause (2), must not be treated as overpayments under section 119B.11, subdivision 2a, due to noncompliance with this subdivision.

(g) Nothing in this subdivision precludes the commissioner from conducting fraud investigations relating to child care assistance, imposing sanctions, and obtaining monetary recovery as otherwise provided by law.

Sec. 2. Minnesota Statutes 2012, section 245A.03, subdivision 2c, is amended to read:

Subd. 2c. **School-age child care licensing moratorium.** A school-age program whose sole purpose is to provide only services to school-age children during out-of-school times is exempt from the human services licensing requirements in this chapter until July 1, ~~2014~~ 2015. Nothing in this section prohibits an already licensed school-age-only program from continuing its license or a school-age program from seeking licensure.

Sec. 3. Minnesota Statutes 2012, section 245C.05, subdivision 5, is amended to read:

Subd. 5. **Fingerprints.** (a) Except as provided in paragraph (c), for any background study completed under this chapter, when the commissioner has reasonable cause to believe that further pertinent information may exist on the subject of the background study, the subject shall provide the commissioner with a set of classifiable fingerprints obtained from an authorized agency.

(b) For purposes of requiring fingerprints, the commissioner has reasonable cause when, but not limited to, the:

(1) information from the Bureau of Criminal Apprehension indicates that the subject is a multistate offender;

(2) information from the Bureau of Criminal Apprehension indicates that multistate offender status is undetermined; or

(3) commissioner has received a report from the subject or a third party indicating that the subject has a criminal history in a jurisdiction other than Minnesota.

(c) Except as specified under section 245C.04, subdivision 1, paragraph (d), for background studies conducted by the commissioner for child foster care ~~or~~, adoptions, or a transfer of permanent legal and physical custody of a child, the subject of the background study, who is 18 years of age or older, shall provide the commissioner with a set of classifiable fingerprints obtained from an authorized agency.

Sec. 4. Minnesota Statutes 2013 Supplement, section 245C.08, subdivision 1, is amended to read:

Subdivision 1. **Background studies conducted by Department of Human Services.** (a) For a background study conducted by the Department of Human Services, the commissioner shall review:

(1) information related to names of substantiated perpetrators of maltreatment of vulnerable adults that has been received by the commissioner as required under section 626.557, subdivision 9c, paragraph (j);

(2) the commissioner's records relating to the maltreatment of minors in licensed programs, and from findings of maltreatment of minors as indicated through the social service information system;

(3) information from juvenile courts as required in subdivision 4 for individuals listed in section 245C.03, subdivision 1, paragraph (a), when there is reasonable cause;

(4) information from the Bureau of Criminal Apprehension, including information regarding a background study subject's registration in Minnesota as a predatory offender under section 243.166;

(5) except as provided in clause (6), information from the national crime information system when the commissioner has reasonable cause as defined under section 245C.05, subdivision 5; and

(6) for a background study related to a child foster care application for licensure, a transfer of permanent legal and physical custody of a child under sections 260C.503 to 260C.515, or adoptions, the commissioner shall also review:

(i) information from the child abuse and neglect registry for any state in which the background study subject has resided for the past five years; and

(ii) information from national crime information databases, when the background study subject is 18 years of age or older.

(b) Notwithstanding expungement by a court, the commissioner may consider information obtained under paragraph (a), clauses (3) and (4), unless the commissioner received notice of the petition for expungement and the court order for expungement is directed specifically to the commissioner.

(c) The commissioner shall also review criminal case information received according to section 245C.04, subdivision 4a, from the Minnesota court information system that relates to individuals who have already been studied under this chapter and who remain affiliated with the agency that initiated the background study.

Sec. 5. Minnesota Statutes 2012, section 245C.33, subdivision 1, is amended to read:

Subdivision 1. **Adoption and transfer of permanent legal and physical custody; Background studies conducted by commissioner study requirements.** (a) Before placement of a child for purposes of adoption, the commissioner shall conduct a background study on individuals listed in section sections 259.41, subdivision 3, and 260C.611, for county agencies and private agencies licensed to place children for adoption. When a prospective adoptive parent is seeking to adopt a child who is currently placed in the prospective adoptive parent's home and is under the guardianship of the commissioner according to section 260C.325, subdivision 1, paragraph (b), and the prospective adoptive parent holds a child foster care license, a new background study is not required when:

(1) a background study was completed on persons required to be studied under section 245C.03 in connection with the application for child foster care licensure after July 1, 2007;

(2) the background study included a review of the information in section 245C.08, subdivisions 1, 3, and 4; and

(3) as a result of the background study, the individual was either not disqualified or, if disqualified, the disqualification was set aside under section 245C.22, or a variance was issued under section 245C.30.

(b) Before the kinship placement agreement is signed for the purpose of transferring permanent legal and physical custody to a relative under sections 260C.503 to 260C.515, the commissioner shall conduct a background study on each person age 13 or older living in the home. When a prospective relative custodian has a child foster care license, a new background study is not required when:

(1) a background study was completed on persons required to be studied under section 245C.03 in connection with the application for child foster care licensure after July 1, 2007;

(2) the background study included a review of the information in section 245C.08, subdivisions 1, 3, and 4; and

(3) as a result of the background study, the individual was either not disqualified or, if disqualified, the disqualification was set aside under section 245C.22, or a variance was issued under section 245C.30. The commissioner and the county agency shall expedite any request for a set-aside or variance for a background study required under chapter 256N.

Sec. 6. Minnesota Statutes 2012, section 245C.33, subdivision 4, is amended to read:

Subd. 4. **Information commissioner reviews.** (a) The commissioner shall review the following information regarding the background study subject:

(1) the information under section 245C.08, subdivisions 1, 3, and 4;

(2) information from the child abuse and neglect registry for any state in which the subject has resided for the past five years; and

(3) information from national crime information databases, when required under section 245C.08.

(b) The commissioner shall provide any information collected under this subdivision to the county or private agency that initiated the background study. The commissioner shall also provide the agency:

(1) notice whether the information collected shows that the subject of the background study has a conviction listed in United States Code, title 42, section 671(a)(20)(A); and

(2) for background studies conducted under subdivision 1, paragraph (a), the date of all adoption-related background studies completed on the subject by the commissioner after June 30, 2007, and the name of the county or private agency that initiated the adoption-related background study.

Sec. 7. Minnesota Statutes 2013 Supplement, section 256B.055, subdivision 1, is amended to read:

Subdivision 1. **Children eligible for subsidized adoption assistance.** Medical assistance may be paid for a child eligible for or receiving adoption assistance payments under title IV-E of the Social Security Act, United States Code, title 42, sections 670 to 676, and to any child who is not title IV-E eligible but who was determined eligible for adoption assistance under chapter 256N or section 259A.10, subdivision 2, and has a special need for medical or rehabilitative care.

Sec. 8. Minnesota Statutes 2012, section 256J.49, subdivision 13, is amended to read:

Subd. 13. **Work activity.** (a) "Work activity" means any activity in a participant's approved employment plan that leads to employment. For purposes of the MFIP program, this includes activities that meet the definition of work activity under the participation requirements of TANF. Work activity includes:

(1) unsubsidized employment, including work study and paid apprenticeships or internships;

(2) subsidized private sector or public sector employment, including grant diversion as specified in section 256J.69, on-the-job training as specified in section 256J.66, paid work experience, and supported work when a wage subsidy is provided;

(3) unpaid work experience, including community service, volunteer work, the community work experience program as specified in section 256J.67, unpaid apprenticeships or internships, and supported work when a wage subsidy is not provided. Unpaid work experience is only an option if the participant has been unable to obtain or maintain paid employment in the competitive labor market, and no paid work experience programs are available to the participant. Prior to placing a participant in unpaid work, the county must inform the participant that the participant will be notified if a paid work experience or supported work position becomes available. Unless a participant consents in writing to participate in unpaid work experience, the participant's employment plan may only include unpaid work experience if including the unpaid work experience in the plan will meet the following criteria:

(i) the unpaid work experience will provide the participant specific skills or experience that cannot be obtained through other work activity options where the participant resides or is willing to reside; and

(ii) the skills or experience gained through the unpaid work experience will result in higher wages for the participant than the participant could earn without the unpaid work experience;

(4) job search including job readiness assistance, job clubs, job placement, job-related counseling, and job retention services;

(5) job readiness education, including English as a second language (ESL) or functional work literacy classes as limited by the provisions of section 256J.531, subdivision 2, general educational development (GED) or adult high school diploma course work, high school completion, and adult basic education as limited by the provisions of section 256J.531, subdivision 1;

(6) job skills training directly related to employment, including postsecondary education and training that can reasonably be expected to lead to employment, as limited by the provisions of section 256J.53;

(7) providing child care services to a participant who is working in a community service program;

(8) activities included in the employment plan that is developed under section 256J.521, subdivision 3; and

(9) preemployment activities including chemical and mental health assessments, treatment, and services; learning disabilities services; child protective services; family stabilization services; or other programs designed to enhance employability.

(b) "Work activity" does not include activities done for political purposes as defined in section 211B.01, subdivision 6.

Sec. 9. Minnesota Statutes 2012, section 256J.53, subdivision 1, is amended to read:

Subdivision 1. **Length of program.** (a) In order for a postsecondary education or training program to be an approved work activity as defined in section 256J.49, subdivision 13, clause (6), it must be a program lasting 24 months four years or less, and the participant must meet the requirements of subdivisions 2, 3, and 5.

(b) Participants with a high school diploma, general educational development (GED) credential, or an adult high school diploma must be informed of the opportunity to participate in postsecondary education or training while in the Minnesota family investment program.

Sec. 10. Minnesota Statutes 2012, section 256J.53, subdivision 2, is amended to read:

Subd. 2. **Approval of Postsecondary education or training.** (a) ~~In order for a postsecondary education or training program to be an approved activity in an employment plan, the plan must include additional work activities if the education and training activities do not meet the minimum hours required to meet the federal work participation rate under Code of Federal Regulations, title 45, sections 261.31 and 261.35.~~

~~(b) Participants seeking approval of a postsecondary education or training plan must provide documentation that:~~

~~(1) the employment goal can only be met with the additional education or training; Participants who are interested in participating in postsecondary education or training as part of their employment plan must discuss their education plans with their job counselor. Job counselors will work with participants to evaluate the options by:~~

~~(2) (1) advising whether there are suitable employment opportunities that require the specific education or training in the area in which the participant resides or is willing to reside;~~

~~(3) the education or training will result in significantly higher wages for the participant than the participant could earn without the education or training;~~

~~(4) (2) assisting the participant in exploring whether the participant can meet the requirements for admission into the program; and~~

~~(5) there is a reasonable expectation that the participant will complete the training program based on such factors as (3) discussing the participant's strengths and challenges based on the participant's MFIP assessment, previous education, training, and work history; current motivation; and changes in previous circumstances.~~

(b) The requirements of this subdivision do not apply to participants who are in:

(1) a recognized career pathway program that leads to stackable credentials;

(2) a training program lasting 12 weeks or fewer; or

(3) the final year of a multiyear postsecondary education or training program.

Sec. 11. Minnesota Statutes 2012, section 256J.53, subdivision 5, is amended to read:

Subd. 5. **Requirements after postsecondary education or training.** Upon completion of an approved education or training program, a participant who does not meet the participation requirements in section 256J.55, subdivision 1, through unsubsidized employment must participate in job search. If, after six 12 weeks of job search, the participant does not find a full-time job consistent with the employment goal, the participant must accept any offer of full-time suitable employment, or meet with the job counselor to revise the employment plan to include additional work activities necessary to meet hourly requirements.

Sec. 12. Minnesota Statutes 2012, section 256J.531, is amended to read:

256J.531 BASIC EDUCATION; ENGLISH AS A SECOND LANGUAGE.

Subdivision 1. **Approval of adult basic education.** ~~With the exception of classes related to obtaining a general educational development credential (GED), a participant must have reading or mathematics proficiency below a ninth grade level in order for adult basic education classes to be an~~ A participant who lacks a high school diploma, general educational development (GED) credential, or an adult high school diploma must be allowed to pursue these credentials as an approved work activity, provided that the participant is making satisfactory progress. Participants eligible to pursue a general educational development (GED) credential or adult high school diploma under this subdivision must be informed of the opportunity to participate while in the Minnesota family investment program. The employment plan must also specify that the participant fulfill no more than one-half of the participation requirements in section 256J.55, subdivision 1, through attending adult basic education or general educational development classes.

Subd. 2. **Approval of English as a second language.** In order for English as a second language (ESL) classes to be an approved work activity in an employment plan, a participant must be below a spoken language proficiency level of SPL6 or its equivalent, as measured by a nationally recognized test. In approving ESL as a work activity, the job counselor must give preference to enrollment in a functional work literacy program, if one is available, over a regular ESL program. ~~A participant may not be approved for more than a combined total of 24 months of ESL classes while participating in the diversionary work program and the employment and training services~~

~~component of MFIP. The employment plan must also specify that the participant fulfill no more than one-half of the participation requirements in section 256J.55, subdivision 1, through attending ESL classes. For participants enrolled in functional work literacy classes, no more than two-thirds of the participation requirements in section 256J.55, subdivision 1, may be met through attending functional work literacy classes.~~

Sec. 13. Minnesota Statutes 2013 Supplement, section 256N.02, is amended by adding a subdivision to read:

Subd. 14a. **Licensed child foster parent.** "Licensed child foster parent" means a person who is licensed for child foster care under Minnesota Rules, parts 2960.3000 to 2960.3340, or licensed by a Minnesota tribe in accordance with tribal standards.

Sec. 14. Minnesota Statutes 2013 Supplement, section 256N.21, subdivision 2, is amended to read:

Subd. 2. **Placement in foster care.** To be eligible for foster care benefits under this section, the child must be in placement away from the child's legal parent or, guardian, or Indian custodian as defined in section 260.755, subdivision 10, and all of the following criteria must be met must meet one of the criteria in clause (1) and either clause (2) or (3):

~~(1) the legally responsible agency must have placement authority and care responsibility, including for a child 18 years old or older and under age 21, who maintains eligibility for foster care consistent with section 260C.451;~~

~~(2) (1) the legally responsible agency must have placement authority to place the child with: (i) a voluntary placement agreement or a court order, consistent with sections 260B.198, 260C.001, and 260D.01, or continued eligibility consistent with section 260C.451 for a child 18 years old or older and under age 21 who maintains eligibility for foster care; or (ii) a voluntary placement agreement or court order by a Minnesota tribe that is consistent with United States Code, title 42, section 672(a)(2); and~~

~~(3) (2) the child must be is placed in an emergency relative placement under section 245A.035, with a licensed foster family setting, foster residence setting, or treatment foster care setting licensed under Minnesota Rules, parts 2960.3000 to 2960.3340, a family foster home licensed or approved by a tribal agency or, for a child 18 years old or older and under age 21, child foster parent; or~~

(3) the child is placed in one of the following unlicensed child foster care settings:

(i) an emergency relative placement under tribal licensing regulations or section 245A.035, with the legally responsible agency ensuring the relative completes the required child foster care application process;

(ii) a licensed adult foster home with an approved age variance under section 245A.16 for no more than six months;

(iii) for a child 18 years old or older and under age 21 who is eligible for extended foster care under section 260C.451, an unlicensed supervised independent living setting approved by the agency responsible for the youth's child's care; or

(iv) a preadoptive placement in a home specified in section 245A.03, subdivision 2, paragraph (a), clause (9), with an approved adoption home study and signed adoption placement agreement.

Sec. 15. Minnesota Statutes 2013 Supplement, section 256N.21, is amended by adding a subdivision to read:

Subd. 7. **Background study.** (a) A county or private agency conducting a background study for purposes of child foster care licensing or approval must conduct the study in accordance with chapter 245C and must meet the requirements in United States Code, title 42, section 671(a)(20).

(b) A Minnesota tribe conducting a background study for purposes of child foster care licensing or approval must conduct the study in accordance with the requirements in United States Code, title 42, section 671(a)(20), when applicable.

Sec. 16. Minnesota Statutes 2013 Supplement, section 256N.22, subdivision 1, is amended to read:

Subdivision 1. **General eligibility requirements.** (a) To be eligible for guardianship assistance under this section, there must be a judicial determination under section 260C.515, subdivision 4, that a transfer of permanent legal and physical custody to a relative is in the child's best interest. For a child under jurisdiction of a tribal court, a judicial determination under a similar provision in tribal code indicating that a relative will assume the duty and authority to provide care, control, and protection of a child who is residing in foster care, and to make decisions regarding the child's education, health care, and general welfare until adulthood, and that this is in the child's best interest is considered equivalent. Additionally, a child must:

(1) have been removed from the child's home pursuant to a voluntary placement agreement or court order;

(2)(i) have resided in with the prospective relative custodian who has been a licensed child foster care parent for at least six consecutive months in the home of the prospective relative custodian; or

(ii) have received from the commissioner an exemption from the requirement in item (i) from the court that the prospective relative custodian has been a licensed child foster parent for at least six consecutive months, based on a determination that:

(A) an expedited move to permanency is in the child's best interest;

(B) expedited permanency cannot be completed without provision of guardianship assistance;
and

(C) the prospective relative custodian is uniquely qualified to meet the child's needs, as defined in section 260C.212, subdivision 2, on a permanent basis;

(D) the child and prospective relative custodian meet the eligibility requirements of this section;
and

(E) efforts were made by the legally responsible agency to place the child with the prospective relative custodian as a licensed child foster parent for six consecutive months before permanency, or an explanation why these efforts were not in the child's best interests;

(3) meet the agency determinations regarding permanency requirements in subdivision 2;

(4) meet the applicable citizenship and immigration requirements in subdivision 3;

(5) have been consulted regarding the proposed transfer of permanent legal and physical custody to a relative, if the child is at least 14 years of age or is expected to attain 14 years of age prior to the transfer of permanent legal and physical custody; and

(6) have a written, binding agreement under section 256N.25 among the caregiver or caregivers, the financially responsible agency, and the commissioner established prior to transfer of permanent legal and physical custody.

(b) In addition to the requirements in paragraph (a), the child's prospective relative custodian or custodians must meet the applicable background study requirements in subdivision 4.

(c) To be eligible for title IV-E guardianship assistance, a child must also meet any additional criteria in section 473(d) of the Social Security Act. The sibling of a child who meets the criteria for title IV-E guardianship assistance in section 473(d) of the Social Security Act is eligible for title IV-E guardianship assistance if the child and sibling are placed with the same prospective relative custodian or custodians, and the legally responsible agency, relatives, and commissioner agree on the appropriateness of the arrangement for the sibling. A child who meets all eligibility criteria except those specific to title IV-E guardianship assistance is entitled to guardianship assistance paid through funds other than title IV-E.

Sec. 17. Minnesota Statutes 2013 Supplement, section 256N.22, subdivision 2, is amended to read:

Subd. 2. **Agency determinations regarding permanency.** (a) To be eligible for guardianship assistance, the legally responsible agency must complete the following determinations regarding permanency for the child prior to the transfer of permanent legal and physical custody:

(1) a determination that reunification and adoption are not appropriate permanency options for the child; and

(2) a determination that the child demonstrates a strong attachment to the prospective relative custodian and the prospective relative custodian has a strong commitment to caring permanently for the child.

(b) The legally responsible agency shall document the determinations in paragraph (a) and the eligibility requirements in this section that comply with United States Code, title 42, sections 673(d) and 675(1)(F). These determinations must be documented in a kinship placement agreement, which must be in the format prescribed by the commissioner and must be signed by the prospective relative custodian and the legally responsible agency. In the case of a Minnesota tribe, the determinations and eligibility requirements in this section may be provided in an alternative format approved by the commissioner. Supporting information for completing each determination must be documented in the legally responsible agency's case file and make them available for review as requested by the financially responsible agency and the commissioner during the guardianship assistance eligibility determination process.

Sec. 18. Minnesota Statutes 2013 Supplement, section 256N.22, subdivision 4, is amended to read:

Subd. 4. **Background study.** (a) A background study ~~under section 245C.33~~ must be completed on each prospective relative custodian and any other adult residing in the home of the prospective relative custodian. The background study must meet the requirements of United States Code, title 42,

section 671(a)(20). A study completed under section 245C.33 meets this requirement. A background study on the prospective relative custodian or adult residing in the household previously completed under ~~section 245C.04~~ chapter 245C for the purposes of child foster care licensure ~~may~~ under chapter 245A or licensure by a Minnesota tribe, shall be used for the purposes of this section, provided that the background study ~~is current~~ meets the requirements of this subdivision and the prospective relative custodian is a licensed child foster parent at the time of the application for guardianship assistance.

(b) If the background study reveals:

(1) a felony conviction at any time for:

(i) child abuse or neglect;

(ii) spousal abuse;

(iii) a crime against a child, including child pornography; or

(iv) a crime involving violence, including rape, sexual assault, or homicide, but not including other physical assault or battery; or

(2) a felony conviction within the past five years for:

(i) physical assault;

(ii) battery; or

(iii) a drug-related offense;

the prospective relative custodian is prohibited from receiving guardianship assistance on behalf of an otherwise eligible child.

Sec. 19. Minnesota Statutes 2013 Supplement, section 256N.22, subdivision 6, is amended to read:

Subd. 6. **Exclusions.** (a) A child with a guardianship assistance agreement under Northstar Care for Children is not eligible for the Minnesota family investment program child-only grant under chapter 256J.

(b) The commissioner shall not enter into a guardianship assistance agreement with:

(1) a child's biological parent or stepparent;

(2) an individual assuming permanent legal and physical custody of a child or the equivalent under tribal code without involvement of the child welfare system; or

(3) an individual assuming permanent legal and physical custody of a child who was placed in Minnesota by another state or a tribe outside of Minnesota.

Sec. 20. Minnesota Statutes 2013 Supplement, section 256N.23, subdivision 1, is amended to read:

Subdivision 1. **General eligibility requirements.** (a) To be eligible for Northstar adoption assistance under this section, a child must:

(1) be determined to be a child with special needs under subdivision 2;

(2) meet the applicable citizenship and immigration requirements in subdivision 3;

(3)(i) meet the criteria in section 473 of the Social Security Act; or

(ii) have had foster care payments paid on the child's behalf while in out-of-home placement through the county social service agency or tribe and be either under the tribal social service agency prior to the issuance of a court order transferring the child's guardianship of to the commissioner or under the jurisdiction of a Minnesota tribe and adoption, according to tribal law, is in the child's documented permanency plan making the child a ward of the tribe; and

(4) have a written, binding agreement under section 256N.25 among the adoptive parent, the financially responsible agency, or, if there is no financially responsible agency, the agency designated by the commissioner, and the commissioner established prior to finalization of the adoption.

(b) In addition to the requirements in paragraph (a), an eligible child's adoptive parent or parents must meet the applicable background study requirements in subdivision 4.

(c) A child who meets all eligibility criteria except those specific to title IV-E adoption assistance shall receive adoption assistance paid through funds other than title IV-E.

(d) A child receiving Northstar kinship assistance payments under section 256N.22 is eligible for Northstar adoption assistance when the criteria in paragraph (a) are met and the child's legal custodian is adopting the child.

Sec. 21. Minnesota Statutes 2013 Supplement, section 256N.23, subdivision 4, is amended to read:

Subd. 4. **Background study.** (a) A background study under section 259.41 must be completed on each prospective adoptive parent and all other adults residing in the home. A background study must meet the requirements of United States Code, title 42, section 671(a)(20). A study completed under section 245C.33 meets this requirement. If the prospective adoptive parent is a licensed child foster parent licensed under chapter 245A or by a Minnesota tribe, the background study previously completed for the purposes of child foster care licensure shall be used for the purpose of this section, provided that the background study meets all other requirements of this subdivision and the prospective adoptive parent is a licensed child foster parent at the time of the application for adoption assistance.

(b) If the background study reveals:

(1) a felony conviction at any time for:

(i) child abuse or neglect;

(ii) spousal abuse;

(iii) a crime against a child, including child pornography; or

(iv) a crime involving violence, including rape, sexual assault, or homicide, but not including other physical assault or battery; or

(2) a felony conviction within the past five years for:

(i) physical assault;

(ii) battery; or

(iii) a drug-related offense;

the adoptive parent is prohibited from receiving adoption assistance on behalf of an otherwise eligible child.

Sec. 22. Minnesota Statutes 2013 Supplement, section 256N.24, subdivision 9, is amended to read:

Subd. 9. **Timing of and requests for reassessments.** Reassessments for an eligible child must be completed within 30 days of any of the following events:

(1) for a child in continuous foster care, when six months have elapsed since ~~completion of the last assessment~~ the initial assessment, and annually thereafter;

(2) for a child in continuous foster care, change of placement location;

(3) for a child in foster care, at the request of the financially responsible agency or legally responsible agency;

(4) at the request of the commissioner; or

(5) at the request of the caregiver under subdivision ~~9~~ 10.

Sec. 23. Minnesota Statutes 2013 Supplement, section 256N.24, subdivision 10, is amended to read:

Subd. 10. **Caregiver requests for reassessments.** (a) A caregiver may initiate a reassessment request for an eligible child in writing to the financially responsible agency or, if there is no financially responsible agency, the agency designated by the commissioner. The written request must include the reason for the request and the name, address, and contact information of the caregivers. ~~For an eligible child with a guardianship assistance or adoption assistance agreement,~~ The caregiver may request a reassessment if at least six months have elapsed since any ~~previously requested review~~ previous assessment or reassessment. For an eligible foster child, a foster parent may request reassessment in less than six months with written documentation that there have been significant changes in the child's needs that necessitate an earlier reassessment.

(b) A caregiver may request a reassessment of an at-risk child for whom ~~a guardianship assistance or an~~ adoption assistance agreement has been executed if the caregiver has satisfied the commissioner with written documentation from a qualified expert that the potential disability upon which eligibility for the agreement was based has manifested itself, consistent with section 256N.25, subdivision 3, paragraph (b).

(c) If the reassessment cannot be completed within 30 days of the caregiver's request, the agency responsible for reassessment must notify the caregiver of the reason for the delay and a reasonable estimate of when the reassessment can be completed.

(d) Notwithstanding any provision to the contrary in paragraph (a) or subdivision 9, when a Northstar kinship assistance agreement or adoption assistance agreement under section 256N.25 has been signed by all parties, no reassessment may be requested or conducted until the court finalizes the transfer of permanent legal and physical custody or finalizes the adoption, or the assistance agreement expires according to section 256N.25, subdivision 1.

Sec. 24. Minnesota Statutes 2013 Supplement, section 256N.25, subdivision 2, is amended to read:

Subd. 2. **Negotiation of agreement.** (a) When a child is determined to be eligible for guardianship assistance or adoption assistance, the financially responsible agency, or, if there is no financially responsible agency, the agency designated by the commissioner, must negotiate with the caregiver to develop an agreement under subdivision 1. If and when the caregiver and agency reach concurrence as to the terms of the agreement, both parties shall sign the agreement. The agency must submit the agreement, along with the eligibility determination outlined in sections 256N.22, subdivision 7, and 256N.23, subdivision 7, to the commissioner for final review, approval, and signature according to subdivision 1.

(b) A monthly payment is provided as part of the adoption assistance or guardianship assistance agreement to support the care of children unless the child is eligible for adoption assistance and determined to be an at-risk child, in which case the special at-risk monthly payment under section 256N.26, subdivision 7, must no payment will be made unless and until the caregiver obtains written documentation from a qualified expert that the potential disability upon which eligibility for the agreement was based has manifested itself.

(1) The amount of the payment made on behalf of a child eligible for guardianship assistance or adoption assistance is determined through agreement between the prospective relative custodian or the adoptive parent and the financially responsible agency, or, if there is no financially responsible agency, the agency designated by the commissioner, using the assessment tool established by the commissioner in section 256N.24, subdivision 2, and the associated benefit and payments outlined in section 256N.26. Except as provided under section 256N.24, subdivision 1, paragraph (c), the assessment tool establishes the monthly benefit level for a child under foster care. The monthly payment under a guardianship assistance agreement or adoption assistance agreement may be negotiated up to the monthly benefit level under foster care. In no case may the amount of the payment under a guardianship assistance agreement or adoption assistance agreement exceed the foster care maintenance payment which would have been paid during the month if the child with respect to whom the guardianship assistance or adoption assistance payment is made had been in a foster family home in the state.

(2) The rate schedule for the agreement is determined based on the age of the child on the date that the prospective adoptive parent or parents or relative custodian or custodians sign the agreement.

(3) The income of the relative custodian or custodians or adoptive parent or parents must not be taken into consideration when determining eligibility for guardianship assistance or adoption assistance or the amount of the payments under section 256N.26.

(4) With the concurrence of the relative custodian or adoptive parent, the amount of the payment may be adjusted periodically using the assessment tool established by the commissioner in section 256N.24, subdivision 2, and the agreement renegotiated under subdivision 3 when there is a change in the child's needs or the family's circumstances.

~~(5) The guardianship assistance or adoption assistance agreement of a child who is identified as at-risk receives the special at-risk monthly payment under section 256N.26, subdivision 7, unless and until the potential disability manifests itself, as documented by an appropriate professional, and the commissioner authorizes commencement of payment by modifying the agreement accordingly. A relative custodian or An~~ adoptive parent of an at-risk child with a guardianship assistance or

an adoption assistance agreement may request a reassessment of the child under section 256N.24, subdivision 9 10, and renegotiation of the ~~guardianship assistance or~~ adoption assistance agreement under subdivision 3 to include a monthly payment, if the caregiver has written documentation from a qualified expert that the potential disability upon which eligibility for the agreement was based has manifested itself. Documentation of the disability must be limited to evidence deemed appropriate by the commissioner.

(c) For guardianship assistance agreements:

(1) the initial amount of the monthly guardianship assistance payment must be equivalent to the foster care rate in effect at the time that the agreement is signed less any offsets under section 256N.26, subdivision 11, or a lesser negotiated amount if agreed to by the prospective relative custodian and specified in that agreement, unless ~~the child is identified as at-risk or~~ the guardianship assistance agreement is entered into when a child is under the age of six; and

~~(2) an at-risk child must be assigned level A as outlined in section 256N.26 and receive the special at-risk monthly payment under section 256N.26, subdivision 7, unless and until the potential disability manifests itself, as documented by a qualified expert, and the commissioner authorizes commencement of payment by modifying the agreement accordingly; and~~

~~(3) (2) the amount of the monthly payment for a guardianship assistance agreement for a child; other than an at-risk child; who is under the age of six must be as specified in section 256N.26, subdivision 5.~~

(d) For adoption assistance agreements:

(1) for a child in foster care with the prospective adoptive parent immediately prior to adoptive placement, the initial amount of the monthly adoption assistance payment must be equivalent to the foster care rate in effect at the time that the agreement is signed less any offsets in section 256N.26, subdivision 11, or a lesser negotiated amount if agreed to by the prospective adoptive parents and specified in that agreement, unless the child is identified as at-risk or the adoption assistance agreement is entered into when a child is under the age of six;

~~(2) for an at-risk child who must be assigned level A as outlined in section 256N.26 and receive the special at-risk monthly payment under section 256N.26, subdivision 7, no payment will be made unless and until the potential disability manifests itself, as documented by an appropriate professional, and the commissioner authorizes commencement of payment by modifying the agreement accordingly;~~

(3) the amount of the monthly payment for an adoption assistance agreement for a child under the age of six, other than an at-risk child, must be as specified in section 256N.26, subdivision 5;

(4) for a child who is in the guardianship assistance program immediately prior to adoptive placement, the initial amount of the adoption assistance payment must be equivalent to the guardianship assistance payment in effect at the time that the adoption assistance agreement is signed or a lesser amount if agreed to by the prospective adoptive parent and specified in that agreement, unless the child is identified as an at-risk child; and

(5) for a child who is not in foster care placement or the guardianship assistance program immediately prior to adoptive placement or negotiation of the adoption assistance agreement, the

initial amount of the adoption assistance agreement must be determined using the assessment tool and process in this section and the corresponding payment amount outlined in section 256N.26.

Sec. 25. Minnesota Statutes 2013 Supplement, section 256N.25, subdivision 3, is amended to read:

Subd. 3. **Renegotiation of agreement.** (a) A relative custodian or adoptive parent of a child with a guardianship assistance or adoption assistance agreement may request renegotiation of the agreement when there is a change in the needs of the child or in the family's circumstances. When a relative custodian or adoptive parent requests renegotiation of the agreement, a reassessment of the child must be completed consistent with section 256N.24, subdivisions 9 and 10. If the reassessment indicates that the child's level has changed, the financially responsible agency or, if there is no financially responsible agency, the agency designated by the commissioner or the commissioner's designee, and the caregiver must renegotiate the agreement to include a payment with the level determined through the reassessment process. The agreement must not be renegotiated unless the commissioner, the financially responsible agency, and the caregiver mutually agree to the changes. The effective date of any renegotiated agreement must be determined by the commissioner.

(b) ~~A relative custodian or~~ An adoptive parent of an at-risk child with a ~~guardianship assistance or an~~ adoption assistance agreement may request renegotiation of the agreement to include a monthly payment ~~higher than the special at-risk monthly payment under section 256N.26, subdivision 7,~~ if the caregiver has written documentation from a qualified expert that the potential disability upon which eligibility for the agreement was based has manifested itself. Documentation of the disability must be limited to evidence deemed appropriate by the commissioner. Prior to renegotiating the agreement, a reassessment of the child must be conducted as outlined in section 256N.24, subdivision 9. The reassessment must be used to renegotiate the agreement to include an appropriate monthly payment. The agreement must not be renegotiated unless the commissioner, the financially responsible agency, and the caregiver mutually agree to the changes. The effective date of any renegotiated agreement must be determined by the commissioner.

(c) Renegotiation of a guardianship assistance or adoption assistance agreement is required when one of the circumstances outlined in section 256N.26, subdivision 13, occurs.

Sec. 26. Minnesota Statutes 2013 Supplement, section 256N.26, subdivision 1, is amended to read:

Subdivision 1. **Benefits.** (a) There are three benefits under Northstar Care for Children: medical assistance, basic payment, and supplemental difficulty of care payment.

(b) A child is eligible for medical assistance under subdivision 2.

(c) A child is eligible for the basic payment under subdivision 3, except for a child assigned level A under section 256N.24, subdivision 1, because the child is determined to be an at-risk child receiving ~~guardianship assistance or~~ adoption assistance.

(d) A child, including a foster child age 18 to 21, is eligible for an additional supplemental difficulty of care payment under subdivision 4, as determined by the assessment under section 256N.24.

(e) An eligible child entering guardianship assistance or adoption assistance under the age of six receives a basic payment and supplemental difficulty of care payment as specified in subdivision 5.

(f) A child transitioning in from a pre-Northstar Care for Children program under section 256N.28, subdivision 7, shall receive basic and difficulty of care supplemental payments according to those provisions.

Sec. 27. Minnesota Statutes 2013 Supplement, section 256N.27, subdivision 4, is amended to read:

Subd. 4. **Nonfederal share.** (a) The commissioner shall establish a percentage share of the maintenance payments, reduced by federal reimbursements under title IV-E of the Social Security Act, to be paid by the state and to be paid by the financially responsible agency.

(b) These state and local shares must initially be calculated based on the ratio of the average appropriate expenditures made by the state and all financially responsible agencies during calendar years 2011, 2012, 2013, and 2014. For purposes of this calculation, appropriate expenditures for the financially responsible agencies must include basic and difficulty of care payments for foster care reduced by federal reimbursements, but not including any initial clothing allowance, administrative payments to child care agencies specified in section 317A.907, child care, or other support or ancillary expenditures. For purposes of this calculation, appropriate expenditures for the state shall include adoption assistance and relative custody assistance, reduced by federal reimbursements.

(c) For each of the periods January 1, 2015, to June 30, 2016, and fiscal years 2017, 2018, and 2019, the commissioner shall adjust this initial percentage of state and local shares to reflect the relative expenditure trends during calendar years 2011, 2012, 2013, and 2014, taking into account appropriations for Northstar Care for Children and the turnover rates of the components. In making these adjustments, the commissioner's goal shall be to make these state and local expenditures other than the appropriations for Northstar Care for Children to be the same as they would have been had Northstar Care for Children not been implemented, or if that is not possible, proportionally higher or lower, as appropriate. Except for adjustments so that the costs of the phase-in are borne by the state, the state and local share percentages for fiscal year 2019 must be used for all subsequent years.

Sec. 28. Minnesota Statutes 2012, section 257.85, subdivision 11, is amended to read:

Subd. 11. **Financial considerations.** (a) Payment of relative custody assistance under a relative custody assistance agreement is subject to the availability of state funds and payments may be reduced or suspended on order of the commissioner if insufficient funds are available.

(b) ~~Upon receipt from a local agency of a claim for reimbursement, the commissioner shall reimburse the local agency in an amount equal to 100 percent of the relative custody assistance payments provided to relative custodians. The A local agency may not seek and the commissioner shall not provide reimbursement for the administrative costs associated with performing the duties described in subdivision 4.~~

(c) For the purposes of determining eligibility or payment amounts under MFIP, relative custody assistance payments shall be excluded in determining the family's available income.

(d) For expenditures made on or before December 31, 2014, upon receipt from a local agency of a claim for reimbursement, the commissioner shall reimburse the local agency in an amount equal to 100 percent of the relative custody assistance payments provided to relative custodians.

(e) For expenditures made on or after January 1, 2015, upon receipt from a local agency of a claim for reimbursement, the commissioner shall reimburse the local agency as part of the Northstar Care for Children fiscal reconciliation process under section 256N.27.

Sec. 29. Minnesota Statutes 2012, section 260C.212, subdivision 1, is amended to read:

Subdivision 1. **Out-of-home placement; plan.** (a) An out-of-home placement plan shall be prepared within 30 days after any child is placed in foster care by court order or a voluntary placement agreement between the responsible social services agency and the child's parent pursuant to section 260C.227 or chapter 260D.

(b) An out-of-home placement plan means a written document which is prepared by the responsible social services agency jointly with the parent or parents or guardian of the child and in consultation with the child's guardian ad litem, the child's tribe, if the child is an Indian child, the child's foster parent or representative of the foster care facility, and, where appropriate, the child. For a child in voluntary foster care for treatment under chapter 260D, preparation of the out-of-home placement plan shall additionally include the child's mental health treatment provider. As appropriate, the plan shall be:

(1) submitted to the court for approval under section 260C.178, subdivision 7;

(2) ordered by the court, either as presented or modified after hearing, under section 260C.178, subdivision 7, or 260C.201, subdivision 6; and

(3) signed by the parent or parents or guardian of the child, the child's guardian ad litem, a representative of the child's tribe, the responsible social services agency, and, if possible, the child.

(c) The out-of-home placement plan shall be explained to all persons involved in its implementation, including the child who has signed the plan, and shall set forth:

(1) a description of the foster care home or facility selected, including how the out-of-home placement plan is designed to achieve a safe placement for the child in the least restrictive, most family-like, setting available which is in close proximity to the home of the parent or parents or guardian of the child when the case plan goal is reunification, and how the placement is consistent with the best interests and special needs of the child according to the factors under subdivision 2, paragraph (b);

(2) the specific reasons for the placement of the child in foster care, and when reunification is the plan, a description of the problems or conditions in the home of the parent or parents which necessitated removal of the child from home and the changes the parent or parents must make in order for the child to safely return home;

(3) a description of the services offered and provided to prevent removal of the child from the home and to reunify the family including:

(i) the specific actions to be taken by the parent or parents of the child to eliminate or correct the problems or conditions identified in clause (2), and the time period during which the actions are to be taken; and

(ii) the reasonable efforts, or in the case of an Indian child, active efforts to be made to achieve a safe and stable home for the child including social and other supportive services to be provided or

offered to the parent or parents or guardian of the child, the child, and the residential facility during the period the child is in the residential facility;

(4) a description of any services or resources that were requested by the child or the child's parent, guardian, foster parent, or custodian since the date of the child's placement in the residential facility, and whether those services or resources were provided and if not, the basis for the denial of the services or resources;

(5) the visitation plan for the parent or parents or guardian, other relatives as defined in section 260C.007, subdivision 27, and siblings of the child if the siblings are not placed together in foster care, and whether visitation is consistent with the best interest of the child, during the period the child is in foster care;

(6) when a child cannot return to or be in the care of either parent, documentation of steps to finalize the permanency plan for the child, including:

(i) reasonable efforts to place the child for adoption or legal guardianship of the child if the court has issued an order terminating the rights of both parents of the child or of the only known, living parent of the child. At a minimum, the documentation must include consideration of whether adoption is in the best interests of the child, child-specific recruitment efforts such as relative search and the use of state, regional, and national adoption exchanges to facilitate orderly and timely placements in and outside of the state. A copy of this documentation shall be provided to the court in the review required under section 260C.317, subdivision 3, paragraph (b); and

(ii) documentation necessary to support the requirements of the kinship placement agreement under section 256N.22 when adoption is determined not to be in the child's best interests;

(7) efforts to ensure the child's educational stability while in foster care, including:

(i) efforts to ensure that the child remains in the same school in which the child was enrolled prior to placement or upon the child's move from one placement to another, including efforts to work with the local education authorities to ensure the child's educational stability; or

(ii) if it is not in the child's best interest to remain in the same school that the child was enrolled in prior to placement or move from one placement to another, efforts to ensure immediate and appropriate enrollment for the child in a new school;

(8) the educational records of the child including the most recent information available regarding:

(i) the names and addresses of the child's educational providers;

(ii) the child's grade level performance;

(iii) the child's school record;

(iv) a statement about how the child's placement in foster care takes into account proximity to the school in which the child is enrolled at the time of placement; and

(v) any other relevant educational information;

(9) the efforts by the local agency to ensure the oversight and continuity of health care services for the foster child, including:

- (i) the plan to schedule the child's initial health screens;
 - (ii) how the child's known medical problems and identified needs from the screens, including any known communicable diseases, as defined in section 144.4172, subdivision 2, will be monitored and treated while the child is in foster care;
 - (iii) how the child's medical information will be updated and shared, including the child's immunizations;
 - (iv) who is responsible to coordinate and respond to the child's health care needs, including the role of the parent, the agency, and the foster parent;
 - (v) who is responsible for oversight of the child's prescription medications;
 - (vi) how physicians or other appropriate medical and nonmedical professionals will be consulted and involved in assessing the health and well-being of the child and determine the appropriate medical treatment for the child; and
 - (vii) the responsibility to ensure that the child has access to medical care through either medical insurance or medical assistance;
- (10) the health records of the child including information available regarding:
- (i) the names and addresses of the child's health care and dental care providers;
 - (ii) a record of the child's immunizations;
 - (iii) the child's known medical problems, including any known communicable diseases as defined in section 144.4172, subdivision 2;
 - (iv) the child's medications; and
 - (v) any other relevant health care information such as the child's eligibility for medical insurance or medical assistance;
- (11) an independent living plan for a child age 16 or older. The plan should include, but not be limited to, the following objectives:
- (i) educational, vocational, or employment planning;
 - (ii) health care planning and medical coverage;
 - (iii) transportation including, where appropriate, assisting the child in obtaining a driver's license;
 - (iv) money management, including the responsibility of the agency to ensure that the youth annually receives, at no cost to the youth, a consumer report as defined under section 13C.001 and assistance in interpreting and resolving any inaccuracies in the report;
 - (v) planning for housing;
 - (vi) social and recreational skills; and
 - (vii) establishing and maintaining connections with the child's family and community; and

(12) for a child in voluntary foster care for treatment under chapter 260D, diagnostic and assessment information, specific services relating to meeting the mental health care needs of the child, and treatment outcomes.

(d) The parent or parents or guardian and the child each shall have the right to legal counsel in the preparation of the case plan and shall be informed of the right at the time of placement of the child. The child shall also have the right to a guardian ad litem. If unable to employ counsel from their own resources, the court shall appoint counsel upon the request of the parent or parents or the child or the child's legal guardian. The parent or parents may also receive assistance from any person or social services agency in preparation of the case plan.

After the plan has been agreed upon by the parties involved or approved or ordered by the court, the foster parents shall be fully informed of the provisions of the case plan and shall be provided a copy of the plan.

Upon discharge from foster care, the parent, adoptive parent, or permanent legal and physical custodian, as appropriate, and the child, if appropriate, must be provided with a current copy of the child's health and education record.

Sec. 30. Minnesota Statutes 2012, section 260C.515, subdivision 4, is amended to read:

Subd. 4. **Custody to relative.** The court may order permanent legal and physical custody to a fit and willing relative in the best interests of the child according to the following ~~conditions~~ requirements:

(1) an order for transfer of permanent legal and physical custody to a relative shall only be made after the court has reviewed the suitability of the prospective legal and physical custodian;

(2) in transferring permanent legal and physical custody to a relative, the juvenile court shall follow the standards applicable under this chapter and chapter 260, and the procedures in the Minnesota Rules of Juvenile Protection Procedure;

(3) a transfer of legal and physical custody includes responsibility for the protection, education, care, and control of the child and decision making on behalf of the child;

(4) a permanent legal and physical custodian may not return a child to the permanent care of a parent from whom the court removed custody without the court's approval and without notice to the responsible social services agency;

(5) the social services agency may file a petition naming a fit and willing relative as a proposed permanent legal and physical custodian. A petition for transfer of permanent legal and physical custody to a relative who is not a parent shall be accompanied by a kinship placement agreement under section 256N.22, subdivision 2, between the agency and proposed permanent legal and physical custodian;

(6) another party to the permanency proceeding regarding the child may file a petition to transfer permanent legal and physical custody to a relative, ~~but the~~. The petition must include facts upon which the court can make the determination required under clause (7) and must be filed not later than the date for the required admit-deny hearing under section 260C.507; or if the agency's petition is filed under section 260C.503, subdivision 2, the petition must be filed not later than 30 days prior to the trial required under section 260C.509; and

(7) where a petition is for transfer of permanent legal and physical custody to a relative who is not a parent, the court must find that:

(i) transfer of permanent legal and physical custody and receipt of Northstar kinship assistance under chapter 256N, when requested and the child is eligible, is in the child's best interests;

(ii) adoption is not in the child's best interests based on the determinations in the kinship placement agreement required under section 256N.22, subdivision 2;

(iii) the agency made efforts to discuss adoption with the child's parent or parents, or the agency did not make efforts to discuss adoption and the reasons why efforts were not made; and

(iv) there are reasons to separate siblings during placement, if applicable;

(8) the court may defer finalization of an order transferring permanent legal and physical custody to a relative when deferring finalization is necessary to determine eligibility for Northstar kinship assistance under chapter 256N;

(9) the court may finalize a permanent transfer of physical and legal custody to a relative regardless of eligibility for Northstar kinship assistance under chapter 256N; and

(7) (10) the juvenile court may maintain jurisdiction over the responsible social services agency, the parents or guardian of the child, the child, and the permanent legal and physical custodian for purposes of ensuring appropriate services are delivered to the child and permanent legal custodian for the purpose of ensuring conditions ordered by the court related to the care and custody of the child are met.

Sec. 31. Minnesota Statutes 2012, section 260C.611, is amended to read:

260C.611 ADOPTION STUDY REQUIRED.

(a) An adoption study under section 259.41 approving placement of the child in the home of the prospective adoptive parent shall be completed before placing any child under the guardianship of the commissioner in a home for adoption. If a prospective adoptive parent has a current child foster care license under chapter 245A and is seeking to adopt a foster child who is placed in the prospective adoptive parent's home and is under the guardianship of the commissioner according to section 260C.325, subdivision 1, the child foster care home study meets the requirements of this section for an approved adoption home study if:

(1) the written home study on which the foster care license was based is completed in the commissioner's designated format, consistent with the requirements in sections 259.41, subdivision 2; and 260C.215, subdivision 4, clause (5); and Minnesota Rules, part 2960.3060, subpart 4;

(2) the background studies on each prospective adoptive parent and all required household members were completed according to section 245C.33;

(3) the commissioner has not issued, within the last three years, a sanction on the license under section 245A.07 or an order of a conditional license under section 245A.06; and

(4) the legally responsible agency determines that the individual needs of the child are being met by the prospective adoptive parent through an assessment under section 256N.24, subdivision 2, or a documented placement decision consistent with section 260C.212, subdivision 2.

(b) If a prospective adoptive parent has previously held a foster care license or adoptive home study, any update necessary to the foster care license, or updated or new adoptive home study, if not completed by the licensing authority responsible for the previous license or home study, shall include collateral information from the previous licensing or approving agency, if available.

Sec. 32. PARENT AWARE QUALITY RATING AND IMPROVEMENT SYSTEM ACCESSIBILITY REPORT.

Subdivision 1. **Recommendations.** The commissioner of human services, in consultation with representatives from the child care and early childhood advocacy community, child care provider organizations, child care providers, organizations administering Parent Aware, the Departments of Education and Health, counties, and parents, shall make recommendations to the members of the legislative committees having jurisdiction over health and human services provisions and funding on increasing statewide accessibility for child care providers to the Parent Aware quality rating and improvement system and for increasing access to Parent Aware-rated programs for families with children. The recommendations must address the following factors impacting accessibility:

(1) availability of rated and nonrated programs by child care provider type, within rural and underserved areas, and for different cultural and non-English-speaking groups;

(2) time and resources necessary for child care providers to participate in Parent Aware at various rating levels, including cultural and linguistic considerations;

(3) federal child care development fund regulations; and

(4) other factors as determined by the commissioner.

Subd. 2. **Report.** By February 15, 2015, the commissioner of human services shall report to the legislative committees with jurisdiction over the child care assistance programs and the Parent Aware quality rating and improvement system with recommendations to increase access for families and child care providers to Parent Aware, including benchmarks for achieving the maximum participation in Parent Aware-rated child care programs by families receiving child care assistance.

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

Sec. 33. RECOMMENDATIONS FOR CULTURALLY APPROPRIATE OUTREACH.

The Cultural and Ethnic Communities Leadership Council under Laws 2013, chapter 107, article 2, section 1, shall review with the commissioner of human services the department's existing competencies and strategies and provide recommendations on improving internal competencies for culturally appropriate outreach to New American community providers impacted by Minnesota Statutes, section 119B.09, subdivision 9a.

Sec. 34. REVISOR'S INSTRUCTION.

The revisor of statutes shall change the term "guardianship assistance" to "Northstar kinship assistance" wherever it appears in Minnesota Statutes and Minnesota Rules to refer to the program components related to Northstar Care for Children under Minnesota Statutes, chapter 256N.

Sec. 35. REPEALER.

Minnesota Statutes 2013 Supplement, section 256N.26, subdivision 7, is repealed.

ARTICLE 26**COMMUNITY FIRST SERVICES AND SUPPORTS**

Section 1. Minnesota Statutes 2012, section 245C.03, is amended by adding a subdivision to read:

Subd. 8. **Community first services and supports organizations.** The commissioner shall conduct background studies on any individual required under section 256B.85 to have a background study completed under this chapter.

Sec. 2. Minnesota Statutes 2012, section 245C.04, is amended by adding a subdivision to read:

Subd. 7. **Community first services and supports organizations.** (a) The commissioner shall conduct a background study of an individual required to be studied under section 245C.03, subdivision 8, at least upon application for initial enrollment under section 256B.85.

(b) Before an individual described in section 245C.03, subdivision 8, begins a position allowing direct contact with a person served by an organization required to initiate a background study under section 256B.85, the organization must receive a notice from the commissioner that the support worker is:

(1) not disqualified under section 245C.14; or

(2) disqualified, but the individual has received a set-aside of the disqualification under section 245C.22.

Sec. 3. Minnesota Statutes 2012, section 245C.10, is amended by adding a subdivision to read:

Subd. 10. **Community first services and supports organizations.** The commissioner shall recover the cost of background studies initiated by an agency-provider delivering services under section 256B.85, subdivision 11, or a financial management services contractor providing service functions under section 256B.85, subdivision 13, through a fee of no more than \$20 per study, charged to the organization responsible for submitting the background study form. The fees collected under this subdivision are appropriated to the commissioner for the purpose of conducting background studies.

Sec. 4. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For the purposes of this section, the terms defined in this subdivision have the meanings given.

(b) "Activities of daily living" or "ADLs" means eating, toileting, grooming, dressing, bathing, mobility, positioning, and transferring.

(c) "Agency-provider model" means a method of CFSS under which a qualified agency provides services and supports through the agency's own employees and policies. The agency must allow the participant to have a significant role in the selection and dismissal of support workers of their choice for the delivery of their specific services and supports.

(d) "Behavior" means a description of a need for services and supports used to determine the home care rating and additional service units. The presence of Level I behavior is used to determine the home care rating. "Level I behavior" means physical aggression towards self or others or

destruction of property that requires the immediate response of another person. If qualified for a home care rating as described in subdivision 8, additional service units can be added as described in subdivision 8, paragraph (f), for the following behaviors:

- (1) Level I behavior;
- (2) increased vulnerability due to cognitive deficits or socially inappropriate behavior; or
- (3) increased need for assistance for recipients participants who are verbally aggressive or resistive to care so that time needed to perform activities of daily living is increased.

(e) "Budget model" means a service delivery method of CFSS that allows the use of a service budget and assistance from a financial management services (FMS) contractor for a participant to directly employ support workers and purchase supports and goods.

~~(e)~~ (f) "Complex health-related needs" means an intervention listed in clauses (1) to (8) that has been ordered by a physician, and is specified in a community support plan, including:

- (1) tube feedings requiring:
 - (i) a gastrojejunostomy tube; or
 - (ii) continuous tube feeding lasting longer than 12 hours per day;
- (2) wounds described as:
 - (i) stage III or stage IV;
 - (ii) multiple wounds;
 - (iii) requiring sterile or clean dressing changes or a wound vac; or
 - (iv) open lesions such as burns, fistulas, tube sites, or ostomy sites that require specialized care;
- (3) parenteral therapy described as:
 - (i) IV therapy more than two times per week lasting longer than four hours for each treatment;or
 - (ii) total parenteral nutrition (TPN) daily;
- (4) respiratory interventions, including:
 - (i) oxygen required more than eight hours per day;
 - (ii) respiratory vest more than one time per day;
 - (iii) bronchial drainage treatments more than two times per day;
 - (iv) sterile or clean suctioning more than six times per day;
 - (v) dependence on another to apply respiratory ventilation augmentation devices such as BiPAP and CPAP; and
 - (vi) ventilator dependence under section 256B.0652;
- (5) insertion and maintenance of catheter, including:

- (i) sterile catheter changes more than one time per month;
 - (ii) clean intermittent catheterization, and including self-catheterization more than six times per day; or
 - (iii) bladder irrigations;
- (6) bowel program more than two times per week requiring more than 30 minutes to perform each time;
- (7) neurological intervention, including:
- (i) seizures more than two times per week and requiring significant physical assistance to maintain safety; or
 - (ii) swallowing disorders diagnosed by a physician and requiring specialized assistance from another on a daily basis; and
- (8) other congenital or acquired diseases creating a need for significantly increased direct hands-on assistance and interventions in six to eight activities of daily living.

~~(f)~~ (g) "Community first services and supports" or "CFSS" means the assistance and supports program under this section needed for accomplishing activities of daily living, instrumental activities of daily living, and health-related tasks through hands-on assistance to accomplish the task or constant supervision and cueing to accomplish the task, or the purchase of goods as defined in subdivision 7, ~~paragraph (a)~~, clause (3), that replace the need for human assistance.

~~(g)~~ (h) "Community first services and supports service delivery plan" or "service delivery plan" means a written ~~summary of~~ document detailing the services and supports chosen by the participant to meet assessed needs that is are within the approved CFSS service authorization amount. Services and supports are based on the community support plan identified in section 256B.0911 and coordinated services and support plan and budget identified in section 256B.0915, subdivision 6, if applicable, that is determined by the participant to meet the assessed needs, using a person-centered planning process.

(i) "Consultation services" means a Minnesota health care program enrolled provider organization that is under contract with the department and has the knowledge, skills, and ability to assist CFSS participants in using either the agency-provider model under subdivision 11 or the budget model under subdivision 13.

~~(h)~~ (j) "Critical activities of daily living" means transferring, mobility, eating, and toileting.

~~(i)~~ (k) "Dependency" in activities of daily living means a person requires hands-on assistance or constant supervision and cueing to accomplish one or more of the activities of daily living every day or on the days during the week that the activity is performed; however, a child may not be found to be dependent in an activity of daily living if, because of the child's age, an adult would either perform the activity for the child or assist the child with the activity and the assistance needed is the assistance appropriate for a typical child of the same age.

~~(j)~~ (l) "Extended CFSS" means CFSS services and supports ~~under the agency-provider model~~ included in a service plan through one of the home and community-based services waivers and as approved and authorized under sections 256B.0915; 256B.092, subdivision 5; and 256B.49, which exceed the amount, duration, and frequency of the state plan CFSS services for participants.

~~(k)~~ (m) "Financial management services contractor or vendor" or "FMS contractor" means a qualified organization having required for participants using the budget model under subdivision 13 that has a written contract with the department to provide vendor fiscal/employer agent financial management services necessary to use the budget model under subdivision 13 that (FMS). Services include but are not limited to: participant education and technical assistance; CFSS service delivery planning and budgeting; filing and payment of federal and state payroll taxes on behalf of the participant; initiating criminal background checks; billing, making payments, and for approved CFSS services with authorized funds; monitoring of spending expenditures; accounting for and disbursing CFSS funds; providing assistance in obtaining and filing for liability, workers' compensation, and unemployment coverage; and assisting providing participant instruction and technical assistance to the participant in fulfilling employer-related requirements in accordance with Section 3504 of the Internal Revenue Code and the Internal Revenue Service Revenue Procedure 70-6 related regulations and interpretations, including Code of Federal Regulations, title 26, section 31.3504-1.

~~(l)~~ "Budget model" means a service delivery method of CFSS that allows the use of an individualized CFSS service delivery plan and service budget and provides assistance from the financial management services contractor to facilitate participant employment of support workers and the acquisition of supports and goods.

~~(m)~~ (n) "Health-related procedures and tasks" means procedures and tasks related to the specific needs of an individual that can be delegated taught or assigned by a state-licensed healthcare or mental health professional and performed by a support worker.

~~(n)~~ (o) "Instrumental activities of daily living" means activities related to living independently in the community, including but not limited to: meal planning, preparation, and cooking; shopping for food, clothing, or other essential items; laundry; housecleaning; assistance with medications; managing finances; communicating needs and preferences during activities; arranging supports; and assistance with traveling around and participating in the community.

~~(o)~~ (p) "Legal representative" means parent of a minor, a court-appointed guardian, or another representative with legal authority to make decisions about services and supports for the participant. Other representatives with legal authority to make decisions include but are not limited to a health care agent or an attorney-in-fact authorized through a health care directive or power of attorney.

~~(p)~~ (q) "Medication assistance" means providing verbal or visual reminders to take regularly scheduled medication, and includes any of the following supports listed in clauses (1) to (3) and other types of assistance, except that a support worker may not determine medication dose or time for medication or inject medications into veins, muscles, or skin:

(1) under the direction of the participant or the participant's representative, bringing medications to the participant including medications given through a nebulizer, opening a container of previously set-up medications, emptying the container into the participant's hand, opening and giving the medication in the original container to the participant, or bringing to the participant liquids or food to accompany the medication;

(2) organizing medications as directed by the participant or the participant's representative; and

(3) providing verbal or visual reminders to perform regularly scheduled medications.

~~(q)~~ (r) "Participant's representative" means a parent, family member, advocate, or other adult authorized by the participant to serve as a representative in connection with the provision of CFSS. This authorization must be in writing or by another method that clearly indicates the participant's free choice. The participant's representative must have no financial interest in the provision of any services included in the participant's service delivery plan and must be capable of providing the support necessary to assist the participant in the use of CFSS. If through the assessment process described in subdivision 5 a participant is determined to be in need of a participant's representative, one must be selected. If the participant is unable to assist in the selection of a participant's representative, the legal representative shall appoint one. Two persons may be designated as a participant's representative for reasons such as divided households and court-ordered custodies. Duties of a participant's representatives may include:

(1) being available while ~~care is~~ services are provided in a method agreed upon by the participant or the participant's legal representative and documented in the participant's CFSS service delivery plan;

(2) monitoring CFSS services to ensure the participant's CFSS service delivery plan is being followed; and

(3) reviewing and signing CFSS time sheets after services are provided to provide verification of the CFSS services.

~~(r)~~ (s) "Person-centered planning process" means a process that is directed by the participant to plan for services and supports. The person-centered planning process must:

(1) include people chosen by the participant;

(2) provide necessary information and support to ensure that the participant directs the process to the maximum extent possible, and is enabled to make informed choices and decisions;

(3) be timely and occur at time and locations of convenience to the participant;

(4) reflect cultural considerations of the participant;

(5) include strategies for solving conflict or disagreement within the process, including clear conflict-of-interest guidelines for all planning;

(6) provide the participant choices of the services and supports they receive and the staff providing those services and supports;

(7) include a method for the participant to request updates to the plan; and

(8) record the alternative home and community-based settings that were considered by the participant.

~~(s)~~ (t) "Shared services" means the provision of CFSS services by the same CFSS support worker to two or three participants who voluntarily enter into an agreement to receive services at the same time and in the same setting by the same ~~provider~~ employer.

~~(t)~~ "Support specialist" means a professional with the skills and ability to assist the participant using either the agency-provider model under subdivision 11 or the flexible spending model under subdivision 13, in services including but not limited to assistance regarding:

~~(1) the development, implementation, and evaluation of the CFSS service delivery plan under subdivision 6;~~

~~(2) recruitment, training, or supervision, including supervision of health-related tasks or behavioral supports appropriately delegated or assigned by a health care professional, and evaluation of support workers; and~~

~~(3) facilitating the use of informal and community supports, goods, or resources.~~

~~(u) "Support worker" means an a qualified and trained employee of the agency-provider agency-provider or of the participant employer under the budget model who has direct contact with the participant and provides services as specified within the participant's service delivery plan.~~

~~(v) "Wages and benefits" means the hourly wages and salaries, the employer's share of FICA taxes, Medicare taxes, state and federal unemployment taxes, workers' compensation, mileage reimbursement, health and dental insurance, life insurance, disability insurance, long-term care insurance, uniform allowance, contributions to employee retirement accounts, or other forms of employee compensation and benefits.~~

~~(w) "Worker training and development" means services for developing workers' skills as required by the participant's individual CFSS delivery plan that are arranged for or provided by the agency-provider or purchased by the participant employer. These services include training, education, direct observation and supervision, and evaluation and coaching of job skills and tasks, including supervision of health-related tasks or behavioral supports.~~

Sec. 5. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 3, is amended to read:

Subd. 3. **Eligibility.** (a) CFSS is available to a person who meets one of the following:

(1) is ~~a recipient~~ an enrollee of medical assistance as determined under section 256B.055, 256B.056, or 256B.057, subdivisions 5 and 9;

(2) is a recipient of participant in the alternative care program under section 256B.0913;

(3) is a waiver recipient participant as defined under section 256B.0915, 256B.092, 256B.093, or 256B.49; or

(4) has medical services identified in a participant's individualized education program and is eligible for services as determined in section 256B.0625, subdivision 26.

(b) In addition to meeting the eligibility criteria in paragraph (a), a person must also meet all of the following:

(1) require assistance and be determined dependent in one activity of daily living or Level I behavior based on assessment under section 256B.0911; and

(2) is not a recipient of participant under a family support grant under section 252.32~~;~~

(3) lives in the person's own apartment or home including a family foster care setting licensed under chapter 245A, but not in corporate foster care under chapter 245A; or a noncertified boarding care home or a boarding and lodging establishment under chapter 157.

Sec. 6. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 5, is amended to read:

Subd. 5. **Assessment requirements.** (a) The assessment of functional need must:

(1) be conducted by a certified assessor according to the criteria established in section 256B.0911, subdivision 3a;

(2) be conducted face-to-face, initially and at least annually thereafter, or when there is a significant change in the participant's condition or a change in the need for services and supports, or at the request of the participant when the participant experiences a change in condition or needs a change in the services or supports; and

(3) be completed using the format established by the commissioner.

~~(b) A participant who is residing in a facility may be assessed and choose CFSS for the purpose of using CFSS to return to the community as described in subdivisions 3 and 7, paragraph (a), clause (5).~~

~~(e) (b)~~ The results of the assessment and any recommendations and authorizations for CFSS must be determined and communicated in writing by the lead agency's certified assessor as defined in section 256B.0911 to the participant and the agency-provider or ~~financial management services provider~~ FMS contractor chosen by the participant within 40 calendar days and must include the participant's right to appeal under section 256.045, subdivision 3.

~~(d) (c)~~ The lead agency assessor may ~~request~~ authorize a temporary authorization for CFSS services to be provided under the agency-provider model. Authorization for a temporary level of CFSS services under the agency-provider model is limited to the time specified by the commissioner, but shall not exceed 45 days. The level of services authorized under this ~~provision~~ paragraph shall have no bearing on a future authorization. Participants approved for a temporary authorization shall access the consultation service to complete their orientation and selection of a service model.

Sec. 7. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 6, is amended to read:

Subd. 6. **Community first services and support service delivery plan.** (a) The CFSS service delivery plan must be developed, ~~implemented,~~ and evaluated through a person-centered planning process by the participant, or the participant's representative or legal representative who may be assisted by a ~~support specialist~~ consultation services provider. The CFSS service delivery plan must reflect the services and supports that are important to the participant and for the participant to meet the needs assessed by the certified assessor and identified in the community support plan under section 256B.0911, subdivision 3, or the coordinated services and support plan identified in section 256B.0915, subdivision 6, if applicable. The CFSS service delivery plan must be reviewed by the participant, the consultation services provider, and the agency-provider or ~~financial management services~~ FMS contractor prior to starting services and at least annually upon reassessment, or when there is a significant change in the participant's condition, or a change in the need for services and supports.

(b) The commissioner shall establish the format and criteria for the CFSS service delivery plan.

(c) The CFSS service delivery plan must be person-centered and:

(1) specify the consultation services provider, agency-provider, or financial management services FMS contractor selected by the participant;

(2) reflect the setting in which the participant resides that is chosen by the participant;

(3) reflect the participant's strengths and preferences;

(4) include the means to address the clinical and support needs as identified through an assessment of functional needs;

(5) include individually identified goals and desired outcomes;

(6) reflect the services and supports, paid and unpaid, that will assist the participant to achieve identified goals, including the costs of the services and supports, and the providers of those services and supports, including natural supports;

(7) identify the amount and frequency of face-to-face supports and amount and frequency of remote supports and technology that will be used;

(8) identify risk factors and measures in place to minimize them, including individualized backup plans;

(9) be understandable to the participant and the individuals providing support;

(10) identify the individual or entity responsible for monitoring the plan;

(11) be finalized and agreed to in writing by the participant and signed by all individuals and providers responsible for its implementation;

(12) be distributed to the participant and other people involved in the plan; and

(13) prevent the provision of unnecessary or inappropriate care;;

(14) include a detailed budget for expenditures for budget model participants or participants under the agency-provider model if purchasing goods; and

(15) include a plan for worker training and development detailing what service components will be used, when the service components will be used, how they will be provided, and how these service components relate to the participant's individual needs and CFSS support worker services.

(d) The total units of agency-provider services or the service budget allocation amount for the budget model include both annual totals and a monthly average amount that cover the number of months of the service authorization. The amount used each month may vary, but additional funds must not be provided above the annual service authorization amount unless a change in condition is assessed and authorized by the certified assessor and documented in the community support plan, coordinated services and supports plan, and CFSS service delivery plan.

(e) In assisting with the development or modification of the plan during the authorization time period, the consultation services provider shall:

(1) consult with the FMS contractor on the spending budget when applicable; and

(2) consult with the participant or participant's representative, agency-provider, and case manager/care coordinator.

(f) The service plan must be approved by the consultation services provider for participants without a case manager/care coordinator. A case manager/care coordinator must approve the plan for a waiver or alternative care program participant.

Sec. 8. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 7, is amended to read:

Subd. 7. **Community first services and supports; covered services.** Within the service unit authorization or service budget allocation amount, services and supports covered under CFSS include:

(1) assistance to accomplish activities of daily living (ADLs), instrumental activities of daily living (IADLs), and health-related procedures and tasks through hands-on assistance to accomplish the task or constant supervision and cueing to accomplish the task;

(2) assistance to acquire, maintain, or enhance the skills necessary for the participant to accomplish activities of daily living, instrumental activities of daily living, or health-related tasks;

(3) expenditures for items, services, supports, environmental modifications, or goods, including assistive technology. These expenditures must:

(i) relate to a need identified in a participant's CFSS service delivery plan;

(ii) increase independence or substitute for human assistance to the extent that expenditures would otherwise be made for human assistance for the participant's assessed needs;

(4) observation and redirection for behavior or symptoms where there is a need for assistance. An assessment of behaviors must meet the criteria in this clause. A recipient participant qualifies as having a need for assistance due to behaviors if the recipient's participant's behavior requires assistance at least four times per week and shows one or more of the following behaviors:

(i) physical aggression towards self or others, or destruction of property that requires the immediate response of another person;

(ii) increased vulnerability due to cognitive deficits or socially inappropriate behavior; or

(iii) increased need for assistance for recipients participants who are verbally aggressive or resistive to care so that time needed to perform activities of daily living is increased;

(5) back-up systems or mechanisms, such as the use of pagers or other electronic devices, to ensure continuity of the participant's services and supports;

~~(6) transition costs, including:~~

~~(i) deposits for rent and utilities;~~

~~(ii) first month's rent and utilities;~~

~~(iii) bedding;~~

~~(iv) basic kitchen supplies;~~

~~(v) other necessities, to the extent that these necessities are not otherwise covered under any other funding that the participant is eligible to receive; and~~

~~(vi) other required necessities for an individual to make the transition from a nursing facility, institution for mental diseases, or intermediate care facility for persons with developmental disabilities to a community-based home setting where the participant resides; and~~

~~(7) (6) services provided by a support specialist consultation services provider under contract with the department and enrolled as a Minnesota health care program provider as defined under subdivision 2 that are chosen by the participant. 17;~~

~~(7) services provided by an FMS contractor under contract with the department as defined under subdivision 13;~~

~~(8) CFSS services provided by a qualified support worker who is a parent, stepparent, or legal guardian of a participant under age 18, or who is the participant's spouse. These support workers shall not provide any medical assistance home and community-based services in excess of 40 hours per seven-day period regardless of the number of parents, combination of parents and spouses, or number of children who receive medical assistance services; and~~

~~(9) worker training and development services as defined in subdivision 2, paragraph (w), and described in subdivision 18a.~~

Sec. 9. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 8, is amended to read:

Subd. 8. Determination of CFSS service methodology. (a) All community first services and supports must be authorized by the commissioner or the commissioner's designee before services begin, except for the assessments established in section 256B.0911. The authorization for CFSS must be completed as soon as possible following an assessment but no later than 40 calendar days from the date of the assessment.

(b) The amount of CFSS authorized must be based on the recipient's participant's home care rating described in paragraphs (d) and (e) and any additional service units for which the person participant qualifies as described in paragraph (f).

(c) The home care rating shall be determined by the commissioner or the commissioner's designee based on information submitted to the commissioner identifying the following for a recipient participant:

(1) the total number of dependencies of activities of daily living as defined in subdivision 2, paragraph (b);

(2) the presence of complex health-related needs as defined in subdivision 2, paragraph (e); and

(3) the presence of Level I behavior as defined in subdivision 2, paragraph (d), ~~clause (1).~~

(d) The methodology to determine the total service units for CFSS for each home care rating is based on the median paid units per day for each home care rating from fiscal year 2007 data for the PCA program.

(e) Each home care rating is designated by the letters P through Z and EN and has the following base number of service units assigned:

(1) P home care rating requires Level I behavior or one to three dependencies in ADLs and qualifies one for five service units;

(2) Q home care rating requires Level I behavior and one to three dependencies in ADLs and qualifies one for six service units;

(3) R home care rating requires a complex health-related need and one to three dependencies in ADLs and qualifies one for seven service units;

(4) S home care rating requires four to six dependencies in ADLs and qualifies one for ten service units;

(5) T home care rating requires four to six dependencies in ADLs and Level I behavior and qualifies one for 11 service units;

(6) U home care rating requires four to six dependencies in ADLs and a complex health-related need and qualifies one for 14 service units;

(7) V home care rating requires seven to eight dependencies in ADLs and qualifies one for 17 service units;

(8) W home care rating requires seven to eight dependencies in ADLs and Level I behavior and qualifies one for 20 service units;

(9) Z home care rating requires seven to eight dependencies in ADLs and a complex health-related need and qualifies one for 30 service units; and

(10) EN home care rating includes ventilator dependency as defined in section 256B.0651, subdivision 1, paragraph (g). Recipients Participants who meet the definition of ventilator-dependent and the EN home care rating and utilize a combination of CFSS and other home care services are limited to a total of 96 service units per day for those services in combination. Additional units may be authorized when a recipient's participant's assessment indicates a need for two staff to perform activities. Additional time is limited to 16 service units per day.

(f) Additional service units are provided through the assessment and identification of the following:

(1) 30 additional minutes per day for a dependency in each critical activity of daily living as defined in subdivision 2, paragraph ~~(h)~~ (j);

(2) 30 additional minutes per day for each complex health-related function as defined in subdivision 2, paragraph ~~(e)~~ (f); and

(3) 30 additional minutes per day for each behavior issue as defined in subdivision 2, paragraph (d).

(g) The service budget for budget model participants shall be based on:

(1) assessed units as determined by the home care rating; and

(2) an adjustment needed for administrative expenses.

Sec. 10. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 9, is amended to read:

Subd. 9. **Noncovered services.** (a) Services or supports that are not eligible for payment under this section include those that:

- (1) are not authorized by the certified assessor or included in the written service delivery plan;
- (2) are provided prior to the authorization of services and the approval of the written CFSS service delivery plan;
- (3) are duplicative of other paid services in the written service delivery plan;
- (4) supplant natural unpaid supports that appropriately meet a need in the service plan, are provided voluntarily to the participant, and are selected by the participant in lieu of other services and supports;
- (5) are not effective means to meet the participant's needs; and
- (6) are available through other funding sources, including, but not limited to, funding through title IV-E of the Social Security Act.

(b) Additional services, goods, or supports that are not covered include:

- (1) those that are not for the direct benefit of the participant, except that services for caregivers such as training to improve the ability to provide CFSS are considered to directly benefit the participant if chosen by the participant and approved in the support plan;
- (2) any fees incurred by the participant, such as Minnesota health care programs fees and co-pays, legal fees, or costs related to advocate agencies;
- (3) insurance, except for insurance costs related to employee coverage;
- (4) room and board costs for the participant ~~with the exception of allowable transition costs in subdivision 7, clause (6);~~
- (5) services, supports, or goods that are not related to the assessed needs;
- (6) special education and related services provided under the Individuals with Disabilities Education Act and vocational rehabilitation services provided under the Rehabilitation Act of 1973;
- (7) assistive technology devices and assistive technology services other than those for back-up systems or mechanisms to ensure continuity of service and supports listed in subdivision 7;
- (8) medical supplies and equipment covered under medical assistance;
- (9) environmental modifications, except as specified in subdivision 7;
- (10) expenses for travel, lodging, or meals related to training the participant; ~~or the participant's representative; or legal representative; or paid or unpaid caregivers that exceed \$500 in a 12-month period;~~
- (11) experimental treatments;
- (12) any service or good covered by other medical assistance state plan services, including prescription and over-the-counter medications, compounds, and solutions and related fees, including premiums and co-payments;
- (13) membership dues or costs, except when the service is necessary and appropriate to treat a physical health condition or to improve or maintain the participant's physical health condition. The

condition must be identified in the participant's CFSS plan and monitored by a ~~physician enrolled in a Minnesota health care program~~ enrolled physician;

- (14) vacation expenses other than the cost of direct services;
- (15) vehicle maintenance or modifications not related to the disability, health condition, or physical need; ~~and~~
- (16) tickets and related costs to attend sporting or other recreational or entertainment events;
- (17) services provided and billed by a provider who is not an enrolled CFSS provider;
- (18) CFSS provided by a participant's representative or paid legal guardian;
- (19) services that are used solely as a child care or babysitting service;
- (20) services that are the responsibility or in the daily rate of a residential or program license holder under the terms of a service agreement and administrative rules;
- (21) sterile procedures;
- (22) giving of injections into veins, muscles, or skin;
- (23) homemaker services that are not an integral part of the assessed CFSS service;
- (24) home maintenance or chore services;
- (25) home care services, including hospice services if elected by the participant, covered by Medicare or any other insurance held by the participant;
- (26) services to other members of the participant's household;
- (27) services not specified as covered under medical assistance as CFSS;
- (28) application of restraints or implementation of deprivation procedures;
- (29) assessments by CFSS provider organizations or by independently enrolled registered nurses;
- (30) services provided in lieu of legally required staffing in a residential or child care setting; ~~and~~
- (31) services provided by the residential or program license holder in a residence for more than four persons.

Sec. 11. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 10, is amended to read:

Subd. 10. **Provider Agency-provider and FMS contractor qualifications and, general requirements, and duties.** (a) Agency-providers delivering services under the agency-provider model under subdivision 11 or ~~financial management service (FMS)~~ FMS contractors under subdivision 13 shall:

- (1) enroll as a medical assistance Minnesota health care programs provider and meet all applicable provider standards and requirements;
- (2) ~~comply with medical assistance provider enrollment requirements~~;

~~(3)~~ (2) demonstrate compliance with ~~law~~ federal and state laws and policies ~~of~~ for CFSS as determined by the commissioner;

~~(4)~~ (3) comply with background study requirements under chapter 245C and maintain documentation of background study requests and results;

~~(5)~~ (4) verify and maintain records of all services and expenditures by the participant, including hours worked by support workers ~~and support specialists;~~

~~(6)~~ (5) not engage in any agency-initiated direct contact or marketing in person, by telephone, or other electronic means to potential participants, guardians, family members, or participants' representatives;

(6) directly provide services and not use a subcontractor or reporting agent;

(7) meet the financial requirements established by the commissioner for financial solvency;

(8) have never had a lead agency contract or provider agreement discontinued due to fraud, or have never had an owner, board member, or manager fail a state or FBI-based criminal background check while enrolled or seeking enrollment as a Minnesota health care programs provider;

(9) have established business practices that include written policies and procedures, internal controls, and a system that demonstrates the organization's ability to deliver quality CFSS; and

(10) have an office located in Minnesota.

(b) In conducting general duties, agency-providers and FMS contractors shall:

~~(7)~~ (1) pay support workers ~~and support specialists~~ based upon actual hours of services provided;

(2) pay for worker training and development services based upon actual hours of services provided or the unit cost of the training session purchased;

~~(8)~~ (3) withhold and pay all applicable federal and state payroll taxes;

~~(9)~~ (4) make arrangements and pay unemployment insurance, taxes, workers' compensation, liability insurance, and other benefits, if any;

~~(10)~~ (5) enter into a written agreement with the participant, participant's representative, or legal representative that assigns roles and responsibilities to be performed before services, supports, or goods are provided using a format established by the commissioner;

~~(11)~~ (6) report maltreatment as required under sections 626.556 and 626.557; ~~and~~

~~(12)~~ (7) provide the participant with a copy of the service-related rights under subdivision 20 at the start of services and supports; ~~and~~

(8) comply with any data requests from the department consistent with the Minnesota Government Data Practices Act under chapter 13.

Sec. 12. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 11, is amended to read:

Subd. 11. **Agency-provider model.** (a) The agency-provider model ~~is limited to the~~ includes services provided by support workers and ~~support specialists~~ staff providing worker training and

development services who are employed by an agency-provider that is licensed according to chapter 245A or meets other criteria established by the commissioner, including required training.

(b) The agency-provider shall allow the participant to have a significant role in the selection and dismissal of the support workers for the delivery of the services and supports specified in the participant's service delivery plan.

(c) A participant may use authorized units of CFSS services as needed within a service authorization that is not greater than 12 months. Using authorized units in a flexible manner in either the agency-provider model or the budget model does not increase the total amount of services and supports authorized for a participant or included in the participant's service delivery plan.

(d) A participant may share CFSS services. Two or three CFSS participants may share services at the same time provided by the same support worker.

(e) The agency-provider must use a minimum of 72.5 percent of the revenue generated by the medical assistance payment for CFSS for support worker wages and benefits. The agency-provider must document how this requirement is being met. The revenue generated by the support specialist worker training and development services and the reasonable costs associated with the support specialist worker training and development services must not be used in making this calculation.

(f) The agency-provider model must be used by individuals who have been restricted by the Minnesota restricted recipient program under Minnesota Rules, parts 9505.2160 to 9505.2245.

(g) Participants purchasing goods under this model, along with support worker services, must:

(1) specify the goods in the service delivery plan and detailed budget for expenditures that must be approved by the consultation services provider or the case manager/care coordinator; and

(2) use the FMS contractor for the billing and payment of such goods.

Sec. 13. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 12, is amended to read:

Subd. 12. **Requirements for enrollment of CFSS provider agency-provider agencies.** (a) All CFSS ~~provider agencies~~ agency-providers must provide, at the time of enrollment, reenrollment, and revalidation as a ~~CFSS provider agency~~ agency-provider in a format determined by the commissioner, information and documentation that includes, but is not limited to, the following:

(1) the CFSS ~~provider agency's~~ agency-provider's current contact information including address, telephone number, and e-mail address;

(2) proof of surety bond coverage. Upon new enrollment, or if the ~~provider agency's~~ agency-provider's Medicaid revenue in the previous calendar year is less than or equal to \$300,000, the ~~provider agency~~ agency-provider must purchase a performance bond of \$50,000. If the ~~provider agency's~~ agency-provider's Medicaid revenue in the previous calendar year is greater than \$300,000, the ~~provider agency~~ agency-provider must purchase a performance bond of \$100,000. The performance bond must be in a form approved by the commissioner, must be renewed annually, and must allow for recovery of costs and fees in pursuing a claim on the bond;

(3) proof of fidelity bond coverage in the amount of \$20,000;

(4) proof of workers' compensation insurance coverage;

(5) proof of liability insurance;

(6) a description of the CFSS ~~provider agency's~~ agency-provider's organization identifying the names of all owners, managing employees, staff, board of directors, and the affiliations of the directors; and owners; ~~or staff to other service providers;~~

(7) a copy of the CFSS ~~provider agency's~~ agency-provider's written policies and procedures including: hiring of employees; training requirements; service delivery; and employee and consumer safety including process for notification and resolution of consumer grievances, identification and prevention of communicable diseases, and employee misconduct;

(8) copies of all other forms the CFSS ~~provider agency~~ agency-provider uses in the course of daily business including, but not limited to:

(i) a copy of the CFSS ~~provider agency's~~ agency-provider's time sheet if the time sheet varies from the standard time sheet for CFSS services approved by the commissioner, and a letter requesting approval of the CFSS ~~provider agency's~~ agency-provider's nonstandard time sheet; and

(ii) ~~the a copy of the participant's individual CFSS provider agency's template for the CFSS care service delivery plan;~~

(9) a list of all training and classes that the CFSS ~~provider agency~~ agency-provider requires of its staff providing CFSS services;

(10) documentation that the CFSS ~~provider agency~~ agency-provider and staff have successfully completed all the training required by this section;

(11) documentation of the ~~agency's~~ agency-provider's marketing practices;

(12) disclosure of ownership, leasing, or management of all residential properties that are used or could be used for providing home care services;

(13) documentation that the ~~agency~~ agency-provider will use at least the following percentages of revenue generated from the medical assistance rate paid for CFSS services for ~~employee personal care assistant~~ CFSS support worker wages and benefits: 72.5 percent of revenue from CFSS providers. The revenue generated by the ~~support specialist worker training and development services~~ and the reasonable costs associated with the ~~support specialist worker training and development services~~ shall not be used in making this calculation; and

(14) documentation that the ~~agency~~ agency-provider does not burden ~~recipients'~~ participants' free exercise of their right to choose service providers by requiring ~~personal care assistants~~ CFSS support workers to sign an agreement not to work with any particular CFSS ~~recipient participant~~ or for another CFSS ~~provider agency~~ agency-provider after leaving the agency and that the agency is not taking action on any such agreements or requirements regardless of the date signed.

(b) CFSS ~~provider agencies~~ agency-providers shall provide to the commissioner the information specified in paragraph (a).

(c) All CFSS ~~provider agencies~~ agency-providers shall require all employees in management and supervisory positions and owners of the agency who are active in the day-to-day management and operations of the agency to complete mandatory training as determined by the commissioner. Employees in management and supervisory positions and owners who are active in the day-to-day operations of an agency who have completed the required training as an employee with a CFSS

~~provider agency~~ agency-provider do not need to repeat the required training if they are hired by another agency, if they have completed the training within the past three years. CFSS ~~provider agency~~ agency-provider billing staff shall complete training about CFSS program financial management. Any new owners or employees in management and supervisory positions involved in the day-to-day operations are required to complete mandatory training as a requisite of working for the agency. ~~CFSS provider agencies certified for participation in Medicare as home health agencies are exempt from the training required in this subdivision.~~

(d) The commissioner shall send annual review notifications to agency-providers 30 days prior to renewal. The notification must:

- (1) list the materials and information the agency-provider is required to submit;
- (2) provide instructions on submitting information to the commissioner; and
- (3) provide a due date by which the commissioner must receive the requested information.

Agency-providers shall submit the required documentation for annual review within 30 days of notification from the commissioner. If no documentation is submitted, the agency-provider enrollment number must be terminated or suspended.

Sec. 14. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 13, is amended to read:

Subd. 13. **Budget model.** (a) Under the budget model participants ~~can~~ may exercise ~~more~~ responsibility and control over the services and supports described and budgeted within the CFSS service delivery plan. Participants must use services provided by an FMS contractor as defined in subdivision 2, paragraph (m). Under this model, participants may use their approved service budget allocation to:

- (1) directly employ support workers, and pay wages, federal and state payroll taxes, and premiums for workers' compensation, liability, and health insurance coverage; and
- (2) obtain supports and goods as defined in subdivision 7; and
- (3) choose a range of support assistance services from the financial management services (FMS) contractor related to:
 - (i) assistance in managing the budget to meet the service delivery plan needs, consistent with federal and state laws and regulations;
 - (ii) the employment, training, supervision, and evaluation of workers by the participant;
 - (iii) acquisition and payment for supports and goods; and
 - (iv) evaluation of individual service outcomes as needed for the scope of the participant's degree of control and responsibility.

(b) Participants who are unable to fulfill any of the functions listed in paragraph (a) may authorize a legal representative or participant's representative to do so on their behalf.

(c) The commissioner shall disenroll or exclude participants from the budget model and transfer them to the agency-provider model under, but not limited to, the following circumstances:

(1) when a participant has been restricted by the Minnesota restricted recipient program, in which case the participant may be excluded for a specified time period under Minnesota Rules, parts 9505.2160 to 9505.2245;

(2) when a participant exits the budget model during the participant's service plan year. Upon transfer, the participant shall not access the budget model for the remainder of that service plan year; or

(3) when the department determines that the participant or participant's representative or legal representative cannot manage participant responsibilities under the budget model. The commissioner must develop policies for determining if a participant is unable to manage responsibilities under the budget model.

(d) A participant may appeal in writing to the department under section 256.045, subdivision 3, to contest the department's decision under paragraph (c), clause (3), to disenroll or exclude the participant from the budget model.

(e) (e) The FMS contractor shall not provide CFSS services and supports under the agency-provider service model.

(f) The FMS contractor shall provide service functions as determined by the commissioner for budget model participants that include but are not limited to:

~~(1) information and consultation about CFSS;~~

(2) (1) assistance with the development of the detailed budget for expenditures portion of the service delivery plan and budget model as requested by the consultation services provider or participant;

~~(3) (2) billing and making payments for budget model expenditures;~~

(4) (3) assisting participants in fulfilling employer-related requirements according to Internal Revenue Service Revenue Procedure 70-6, section 3504, Agency Employer Tax Liability, regulation 137036-08 section 3504 of the Internal Revenue Code and related regulations and interpretations, including Code of Federal Regulations, title 26, section 31.3504-1, which includes assistance with filing and paying payroll taxes, and obtaining worker compensation coverage;

~~(5) (4) data recording and reporting of participant spending; and~~

(6) (5) other duties established in the contract with the department, including with respect to providing assistance to the participant, participant's representative, or legal representative in performing their employer responsibilities regarding support workers. The support worker shall not be considered the employee of the financial management services FMS contractor; and

(6) billing, payment, and accounting of approved expenditures for goods for agency-provider participants.

~~(d) A participant who requests to purchase goods and supports along with support worker services under the agency-provider model must use the budget model with a service delivery plan that specifies the amount of services to be authorized to the agency-provider and the expenditures to be paid by the FMS contractor.~~

(e) (g) The FMS contractor shall:

(1) not limit or restrict the participant's choice of service or support providers or service delivery models consistent with any applicable state and federal requirements;

(2) provide the participant, consultation services provider, and the targeted case manager or care coordinator, if applicable, with a monthly written summary of the spending for services and supports that were billed against the spending budget;

(3) be knowledgeable of state and federal employment regulations, including those under the Fair Labor Standards Act of 1938, and comply with the requirements under ~~the Internal Revenue Service Revenue Procedure 70-6, Section 3504,~~ section 3504 of the Internal Revenue Code and related regulations and interpretations, including Code of Federal Regulations, title 26, section 31.3504-1, regarding agency employer tax liability for vendor or fiscal employer agent, and any requirements necessary to process employer and employee deductions, provide appropriate and timely submission of employer tax liabilities, and maintain documentation to support medical assistance claims;

(4) have current and adequate liability insurance and bonding and sufficient cash flow as determined by the commissioner and have on staff or under contract a certified public accountant or an individual with a baccalaureate degree in accounting;

(5) assume fiscal accountability for state funds designated for the program and be held liable for any overpayments or violations of applicable statutes or rules, including but not limited to the Minnesota False Claims Act, chapter 15C; and

(6) maintain documentation of receipts, invoices, and bills to track all services and supports expenditures for any goods purchased and maintain time records of support workers. The documentation and time records must be maintained for a minimum of five years from the claim date and be available for audit or review upon request by the commissioner. Claims submitted by the FMS contractor to the commissioner for payment must correspond with services, amounts, and time periods as authorized in the participant's spending service budget and service plan and must contain specific identifying information as determined by the commissioner.

~~(f)~~ (h) The commissioner of human services shall:

(1) establish rates and payment methodology for the FMS contractor;

(2) identify a process to ensure quality and performance standards for the FMS contractor and ensure statewide access to FMS contractors; and

(3) establish a uniform protocol for delivering and administering CFSS services to be used by eligible FMS contractors.

~~(g) The commissioner of human services shall disenroll or exclude participants from the budget model and transfer them to the agency-provider model under the following circumstances that include but are not limited to:~~

~~(1) when a participant has been restricted by the Minnesota restricted recipient program, the participant may be excluded for a specified time period under Minnesota Rules, parts 9505.2160 to 9505.2245;~~

~~(2) when a participant exits the budget model during the participant's service plan year. Upon transfer, the participant shall not access the budget model for the remainder of that service plan year;~~
or

~~(3) when the department determines that the participant or participant's representative or legal representative cannot manage participant responsibilities under the budget model. The commissioner must develop policies for determining if a participant is unable to manage responsibilities under a budget model.~~

~~(h) A participant may appeal under section 256.045, subdivision 3, in writing to the department to contest the department's decision under paragraph (c), clause (3), to remove or exclude the participant from the budget model.~~

Sec. 15. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 15, is amended to read:

Subd. 15. **Documentation of support services provided.** (a) Support services provided to a participant by a support worker employed by either an agency-provider or the participant acting as the employer must be documented daily by each support worker, on a time sheet form approved by the commissioner. All documentation may be Web-based, electronic, or paper documentation. The completed form must be submitted on a monthly regular basis to the provider or the participant and the FMS contractor selected by the participant to provide assistance with meeting the participant's employer obligations and kept in the recipient's health participant's record.

(b) The activity documentation must correspond to the written service delivery plan and be reviewed by the agency-provider or the participant and the FMS contractor when the participant is ~~acting as~~ the employer of the support worker.

(c) The time sheet must be on a form approved by the commissioner documenting time the support worker provides services ~~in the home~~ to the participant. The following criteria must be included in the time sheet:

- (1) full name of the support worker and individual provider number;
- (2) ~~provider~~ agency-provider name and telephone numbers, if ~~an agency-provider~~ is responsible for delivery services under the written service plan;
- (3) full name of the participant;
- (4) consecutive dates, including month, day, and year, and arrival and departure times with a.m. or p.m. notations;
- (5) signatures of the participant or the participant's representative;
- (6) personal signature of the support worker;
- (7) any shared care provided, if applicable;
- (8) a statement that it is a federal crime to provide false information on CFSS billings for medical assistance payments; and
- (9) dates and location of recipient participant stays in a hospital, care facility, or incarceration.

Sec. 16. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 16, is amended to read:

Subd. 16. **Support workers requirements.** (a) Support workers shall:

(1) enroll with the department as a support worker after a background study under chapter 245C has been completed and the support worker has received a notice from the commissioner that:

(i) the support worker is not disqualified under section 245C.14; or

(ii) is disqualified, but the support worker has received a set-aside of the disqualification under section 245C.22;

(2) have the ability to effectively communicate with the participant or the participant's representative;

(3) have the skills and ability to provide the services and supports according to the person's participant's CFSS service delivery plan and respond appropriately to the participant's needs;

(4) not be a participant of CFSS, unless the support services provided by the support worker differ from those provided to the support worker;

(5) complete the basic standardized training as determined by the commissioner before completing enrollment. The training must be available in languages other than English and to those who need accommodations due to disabilities. Support worker training must include successful completion of the following training components: basic first aid, vulnerable adult, child maltreatment, OSHA universal precautions, basic roles and responsibilities of support workers including information about basic body mechanics, emergency preparedness, orientation to positive behavioral practices, orientation to responding to a mental health crisis, fraud issues, time cards and documentation, and an overview of person-centered planning and self-direction. Upon completion of the training components, the support worker must pass the certification test to provide assistance to participants;

(6) complete training and orientation on the participant's individual needs; and

(7) maintain the privacy and confidentiality of the participant, and not independently determine the medication dose or time for medications for the participant.

(b) The commissioner may deny or terminate a support worker's provider enrollment and provider number if the support worker:

(1) lacks the skills, knowledge, or ability to adequately or safely perform the required work;

(2) fails to provide the authorized services required by the participant employer;

(3) has been intoxicated by alcohol or drugs while providing authorized services to the participant or while in the participant's home;

(4) has manufactured or distributed drugs while providing authorized services to the participant or while in the participant's home; or

(5) has been excluded as a provider by the commissioner of human services, or the United States Department of Health and Human Services, Office of Inspector General, from participation in Medicaid, Medicare, or any other federal health care program.

(c) A support worker may appeal in writing to the commissioner to contest the decision to terminate the support worker's provider enrollment and provider number.

(d) A support worker must not provide or be paid for more than 275 hours of CFSS per month, regardless of the number of participants the support worker serves or the number of agency-providers or participant employers by which the support worker is employed. The department shall not disallow the number of hours per day a support worker works unless it violates other law.

Sec. 17. Minnesota Statutes 2013 Supplement, section 256B.85, is amended by adding a subdivision to read:

Subd. 16a. **Exception to support worker requirements for continuity of services.** The support worker for a participant may be allowed to enroll with a different CFSS agency-provider or FMS contractor upon initiation, rather than completion, of a new background study according to chapter 245C, if the following conditions are met:

(1) the commissioner determines that the support worker's change in enrollment or affiliation is needed to ensure continuity of services and protect the health and safety of the participant;

(2) the chosen agency-provider or FMS contractor has been continuously enrolled as a CFSS agency-provider or FMS contractor for at least two years or since the inception of the CFSS program, whichever is shorter;

(3) the participant served by the support worker chooses to transfer to the CFSS agency-provider or the FMS contractor to which the support worker is transferring;

(4) the support worker has been continuously enrolled with the former CFSS agency-provider or FMS contractor since the support worker's last background study was completed; and

(5) the support worker continues to meet requirements of subdivision 16, excluding paragraph (a), clause (1).

Sec. 18. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 17, is amended to read:

Subd. 17. **Support specialist requirements and payments Consultation services description and duties.** The commissioner shall develop qualifications, scope of functions, and payment rates and service limits for a support specialist that may provide additional or specialized assistance necessary to plan, implement, arrange, augment, or evaluate services and supports:

(a) Consultation services means providing assistance to the participant in making informed choices regarding CFSS services in general, and self-directed tasks in particular, and in developing a person-centered service delivery plan to achieve quality service outcomes.

(b) Consultation services is a required service that may include but is not limited to:

(1) an initial and annual orientation to CFSS information and policies, including selecting a service model;

(2) assistance with the development, implementation, management, and evaluation of the person-centered service delivery plan;

(3) consultation on recruiting, selecting, training, managing, directing, evaluating, and supervising support workers;

(4) reviewing the use of and access to informal and community supports, goods, or resources;

(5) assistance with fulfilling responsibilities and requirements of CFSS, including modifying service delivery plans and changing service models; and

(6) assistance with accessing FMS contractors or agency-providers.

(c) Duties of a consultation services provider shall include but are not limited to:

(1) review and finalization of the CFSS service delivery plan by the consultation services provider organization;

(2) distribution of copies of the final service delivery plan to the participant and to the agency-provider or FMS contractor, case manager/care coordinator, and other designated parties;

(3) an evaluation of services upon receiving information from an FMS contractor indicating spending or participant employer concerns;

(4) a semiannual review of services if the participant does not have a case manager/care coordinator and when the support worker is a paid parent of a minor participant or the participant's spouse;

(5) collection and reporting of data as required by the department; and

(6) providing the participant with a copy of the service-related rights under subdivision 20 at the start of consultation services.

Sec. 19. Minnesota Statutes 2013 Supplement, section 256B.85, is amended by adding a subdivision to read:

Subd. 17a. **Consultation services provider qualifications and requirements.** The commissioner shall develop the qualifications and requirements for providers of consultation services under subdivision 17. These providers must satisfy at least the following qualifications and requirements:

(1) are under contract with the department;

(2) are not the FMS contractor as defined in subdivision 2, paragraph (m), the CFSS or home and community-based services waiver agency-provider or vendor to the participant, or a lead agency;

(3) meet the service standards as established by the commissioner;

(4) employ lead professional staff with a minimum of three years of experience in providing support planning, support broker, or consultation services and consumer education to participants using a self-directed program using FMS under medical assistance;

(5) are knowledgeable about CFSS roles and responsibilities including those of the certified assessor, FMS contractor, agency-provider, and case manager/care coordinator;

(6) comply with medical assistance provider requirements;

(7) understand the CFSS program and its policies;

(8) are knowledgeable about self-directed principles and the application of the person-centered planning process;

(9) have general knowledge of the FMS contractor duties and participant employment model, including all applicable federal, state, and local laws and regulations regarding tax, labor, employment, and liability and workers' compensation coverage for household workers; and

(10) have all employees, including lead professional staff, staff in management and supervisory positions, and owners of the agency who are active in the day-to-day management and operations of the agency, complete training as specified in the contract with the department.

Sec. 20. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 18, is amended to read:

Subd. 18. **Service unit and budget allocation requirements and limits.** (a) For the agency-provider model, services will be authorized in units of service. The total service unit amount must be established based upon the assessed need for CFSS services, and must not exceed the maximum number of units available as determined under subdivision 8.

(b) For the budget model, the service budget allocation allowed for services and supports is established by multiplying the number of units authorized under subdivision 8 by the payment rate established by the commissioner defined in subdivision 8, paragraph (g).

Sec. 21. Minnesota Statutes 2013 Supplement, section 256B.85, is amended by adding a subdivision to read:

Subd. 18a. **Worker training and development services.** (a) The commissioner shall develop the scope of tasks and functions, service standards, and service limits for worker training and development services.

(b) Worker training and development services are in addition to the participant's assessed service units or service budget. Services provided according to this subdivision must:

(1) help support workers obtain and expand the skills and knowledge necessary to ensure competency in providing quality services as needed and defined in the participant's service delivery plan;

(2) be provided or arranged for by the agency-provider under subdivision 11 or purchased by the participant employer under the budget model under subdivision 13; and

(3) be described in the participant's CFSS service delivery plan and documented in the participant's file.

(c) Services covered under worker training and development shall include:

(1) support worker training on the participant's individual assessed needs, condition, or both, provided individually or in a group setting by a skilled and knowledgeable trainer beyond any training the participant or participant's representative provides;

(2) tuition for professional classes and workshops for the participant's support workers that relate to the participant's assessed needs, condition, or both;

(3) direct observation, monitoring, coaching, and documentation of support worker job skills and tasks, beyond any training the participant or participant's representative provides, including supervision of health-related tasks or behavioral supports that is conducted by an appropriate professional based on the participant's assessed needs. These services must be provided within 14

days of the start of services or the start of a new support worker except as provided in paragraph (d) and must be specified in the participant's service delivery plan; and

(4) reporting service and support concerns to the appropriate provider.

(d) The services in paragraph (c), clause (3), are not required to be provided for a new support worker providing services for a participant due to staffing failures, unless the support worker is expected to provide ongoing backup staffing coverage.

(e) Worker training and development services shall not include:

(1) general agency training, worker orientation, or training on CFSS self-directed models;

(2) payment for preparation or development time for the trainer or presenter;

(3) payment of the support worker's salary or compensation during the training;

(4) training or supervision provided by the participant, the participant's support worker, or the participant's informal supports, including the participant's representative; or

(5) services in excess of 96 units per annual service authorization, unless approved by the department.

Sec. 22. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 23, is amended to read:

Subd. 23. **Commissioner's access.** When the commissioner is investigating a possible overpayment of Medicaid funds, the commissioner must be given immediate access without prior notice to the ~~agency provider~~ agency-provider or FMS contractor's office during regular business hours and to documentation and records related to services provided and submission of claims for services provided. Denying the commissioner access to records is cause for immediate suspension of payment and terminating the agency provider's enrollment according to section 256B.064 or terminating the FMS contract.

Sec. 23. Minnesota Statutes 2013 Supplement, section 256B.85, subdivision 24, is amended to read:

Subd. 24. **CFSS agency-providers; background studies.** CFSS agency-providers enrolled to provide ~~personal care assistance~~ CFSS services under the medical assistance program shall comply with the following:

(1) owners who have a five percent interest or more and all managing employees are subject to a background study as provided in chapter 245C. This applies to currently enrolled CFSS agency-providers and those agencies seeking enrollment as a CFSS agency-provider. "Managing employee" has the same meaning as Code of Federal Regulations, title 42, section 455. An organization is barred from enrollment if:

(i) the organization has not initiated background studies on owners managing employees; or

(ii) the organization has initiated background studies on owners and managing employees, but the commissioner has sent the organization a notice that an owner or managing employee of the organization has been disqualified under section 245C.14, and the owner or managing employee has not received a set-aside of the disqualification under section 245C.22;

(2) a background study must be initiated and completed for all support specialists staff who will have direct contact with the participant to provide worker training and development; and

(3) a background study must be initiated and completed for all support workers.

Sec. 24. Laws 2013, chapter 108, article 7, section 49, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective upon federal approval but no earlier than April 1, 2014. The service will begin 90 days after federal approval ~~or April 1, 2014, whichever is later.~~ The commissioner of human services shall notify the revisor of statutes when this occurs.

ARTICLE 27

CONTINUING CARE

Section 1. Minnesota Statutes 2012, section 13.46, subdivision 4, is amended to read:

Subd. 4. **Licensing data.** (a) As used in this subdivision:

(1) "licensing data" are all data collected, maintained, used, or disseminated by the welfare system pertaining to persons licensed or registered or who apply for licensure or registration or who formerly were licensed or registered under the authority of the commissioner of human services;

(2) "client" means a person who is receiving services from a licensee or from an applicant for licensure; and

(3) "personal and personal financial data" are Social Security numbers, identity of and letters of reference, insurance information, reports from the Bureau of Criminal Apprehension, health examination reports, and social/home studies.

(b)(1)(i) Except as provided in paragraph (c), the following data on applicants, license holders, and former licensees are public: name, address, telephone number of licensees, date of receipt of a completed application, dates of licensure, licensed capacity, type of client preferred, variances granted, record of training and education in child care and child development, type of dwelling, name and relationship of other family members, previous license history, class of license, the existence and status of complaints, and the number of serious injuries to or deaths of individuals in the licensed program as reported to the commissioner of human services, the local social services agency, or any other county welfare agency. For purposes of this clause, a serious injury is one that is treated by a physician.

(ii) When a correction order, an order to forfeit a fine, an order of license suspension, an order of temporary immediate suspension, an order of license revocation, an order of license denial, or an order of conditional license has been issued, or a complaint is resolved, the following data on current and former licensees and applicants are public: the substance and investigative findings of the licensing or maltreatment complaint, licensing violation, or substantiated maltreatment; the record of informal resolution of a licensing violation; orders of hearing; findings of fact; conclusions of law; specifications of the final correction order, fine, suspension, temporary immediate suspension, revocation, denial, or conditional license contained in the record of licensing action; whether a fine has been paid; and the status of any appeal of these actions.

(iii) When a license denial under section 245A.05 or a sanction under section 245A.07 is based on a determination that the license holder or applicant is responsible for maltreatment under section

626.556 or 626.557, the identity of the applicant or license holder as the individual responsible for maltreatment is public data at the time of the issuance of the license denial or sanction.

(iv) When a license denial under section 245A.05 or a sanction under section 245A.07 is based on a determination that the license holder or applicant is disqualified under chapter 245C, the identity of the license holder or applicant as the disqualified individual and the reason for the disqualification are public data at the time of the issuance of the licensing sanction or denial. If the applicant or license holder requests reconsideration of the disqualification and the disqualification is affirmed, the reason for the disqualification and the reason to not set aside the disqualification are public data.

(2) Notwithstanding sections 626.556, subdivision 11, and 626.557, subdivision 12b, when any person subject to disqualification under section 245C.14 in connection with a license to provide family day care for children, child care center services, foster care for children in the provider's home, or foster care or day care services for adults in the provider's home is a substantiated perpetrator of maltreatment, and the substantiated maltreatment is a reason for a licensing action, the identity of the substantiated perpetrator of maltreatment is public data. For purposes of this clause, a person is a substantiated perpetrator if the maltreatment determination has been upheld under section 256.045; 626.556, subdivision 10i; 626.557, subdivision 9d; or chapter 14, or if an individual or facility has not timely exercised appeal rights under these sections, except as provided under clause (1).

(3) For applicants who withdraw their application prior to licensure or denial of a license, the following data are public: the name of the applicant, the city and county in which the applicant was seeking licensure, the dates of the commissioner's receipt of the initial application and completed application, the type of license sought, and the date of withdrawal of the application.

(4) For applicants who are denied a license, the following data are public: the name and address of the applicant, the city and county in which the applicant was seeking licensure, the dates of the commissioner's receipt of the initial application and completed application, the type of license sought, the date of denial of the application, the nature of the basis for the denial, the record of informal resolution of a denial, orders of hearings, findings of fact, conclusions of law, specifications of the final order of denial, and the status of any appeal of the denial.

(5) The following data on persons subject to disqualification under section 245C.14 in connection with a license to provide family day care for children, child care center services, foster care for children in the provider's home, or foster care or day care services for adults in the provider's home, are public: the nature of any disqualification set aside under section 245C.22, subdivisions 2 and 4, and the reasons for setting aside the disqualification; the nature of any disqualification for which a variance was granted under sections 245A.04, subdivision 9; and 245C.30, and the reasons for granting any variance under section 245A.04, subdivision 9; and, if applicable, the disclosure that any person subject to a background study under section 245C.03, subdivision 1, has successfully passed a background study. If a licensing sanction under section 245A.07, or a license denial under section 245A.05, is based on a determination that an individual subject to disqualification under chapter 245C is disqualified, the disqualification as a basis for the licensing sanction or denial is public data. As specified in clause (1), item (iv), if the disqualified individual is the license holder or applicant, the identity of the license holder or applicant and the reason for the disqualification are public data; and, if the license holder or applicant requested reconsideration of the disqualification and the disqualification is affirmed, the reason for the disqualification and the reason to not set aside the disqualification are public data. If the disqualified

individual is an individual other than the license holder or applicant, the identity of the disqualified individual shall remain private data.

(6) When maltreatment is substantiated under section 626.556 or 626.557 and the victim and the substantiated perpetrator are affiliated with a program licensed under chapter 245A, the commissioner of human services, local social services agency, or county welfare agency may inform the license holder where the maltreatment occurred of the identity of the substantiated perpetrator and the victim.

(7) Notwithstanding clause (1), for child foster care, only the name of the license holder and the status of the license are public if the county attorney has requested that data otherwise classified as public data under clause (1) be considered private data based on the best interests of a child in placement in a licensed program.

(c) The following are private data on individuals under section 13.02, subdivision 12, or nonpublic data under section 13.02, subdivision 9: personal and personal financial data on family day care program and family foster care program applicants and licensees and their family members who provide services under the license.

(d) The following are private data on individuals: the identity of persons who have made reports concerning licensees or applicants that appear in inactive investigative data, and the records of clients or employees of the licensee or applicant for licensure whose records are received by the licensing agency for purposes of review or in anticipation of a contested matter. The names of reporters of complaints or alleged violations of licensing standards under chapters 245A, 245B, 245C, and 245D, and applicable rules and alleged maltreatment under sections 626.556 and 626.557, are confidential data and may be disclosed only as provided in section 626.556, subdivision 11, or 626.557, subdivision 12b.

(e) Data classified as private, confidential, nonpublic, or protected nonpublic under this subdivision become public data if submitted to a court or administrative law judge as part of a disciplinary proceeding in which there is a public hearing concerning a license which has been suspended, immediately suspended, revoked, or denied.

(f) Data generated in the course of licensing investigations that relate to an alleged violation of law are investigative data under subdivision 3.

(g) Data that are not public data collected, maintained, used, or disseminated under this subdivision that relate to or are derived from a report as defined in section 626.556, subdivision 2, or 626.5572, subdivision 18, are subject to the destruction provisions of sections 626.556, subdivision 11c, and 626.557, subdivision 12b.

(h) Upon request, not public data collected, maintained, used, or disseminated under this subdivision that relate to or are derived from a report of substantiated maltreatment as defined in section 626.556 or 626.557 may be exchanged with the Department of Health for purposes of completing background studies pursuant to section 144.057 and with the Department of Corrections for purposes of completing background studies pursuant to section 241.021.

(i) Data on individuals collected according to licensing activities under chapters 245A and 245C, data on individuals collected by the commissioner of human services according to investigations under chapters 245A, 245B, and 245C, and 245D, and sections 626.556 and 626.557 may be shared with the Department of Human Rights, the Department of Health, the Department of Corrections,

the ombudsman for mental health and developmental disabilities, and the individual's professional regulatory board when there is reason to believe that laws or standards under the jurisdiction of those agencies may have been violated or the information may otherwise be relevant to the board's regulatory jurisdiction. Background study data on an individual who is the subject of a background study under chapter 245C for a licensed service for which the commissioner of human services is the license holder may be shared with the commissioner and the commissioner's delegate by the licensing division. Unless otherwise specified in this chapter, the identity of a reporter of alleged maltreatment or licensing violations may not be disclosed.

(j) In addition to the notice of determinations required under section 626.556, subdivision 10f, if the commissioner or the local social services agency has determined that an individual is a substantiated perpetrator of maltreatment of a child based on sexual abuse, as defined in section 626.556, subdivision 2, and the commissioner or local social services agency knows that the individual is a person responsible for a child's care in another facility, the commissioner or local social services agency shall notify the head of that facility of this determination. The notification must include an explanation of the individual's available appeal rights and the status of any appeal. If a notice is given under this paragraph, the government entity making the notification shall provide a copy of the notice to the individual who is the subject of the notice.

(k) All not public data collected, maintained, used, or disseminated under this subdivision and subdivision 3 may be exchanged between the Department of Human Services, Licensing Division, and the Department of Corrections for purposes of regulating services for which the Department of Human Services and the Department of Corrections have regulatory authority.

Sec. 2. Minnesota Statutes 2012, section 144.0724, as amended by Laws 2014, chapter 147, section 1, is amended to read:

144.0724 RESIDENT REIMBURSEMENT CLASSIFICATION.

Subdivision 1. **Resident reimbursement case mix classifications.** The commissioner of health shall establish resident reimbursement classifications based upon the assessments of residents of nursing homes and boarding care homes conducted under this section and according to section 256B.438.

Subd. 2. **Definitions.** For purposes of this section, the following terms have the meanings given.

(a) "Assessment reference date" or "ARD" means the specific end point for look-back periods in the MDS assessment process. This look-back period is also called the observation or assessment period.

(b) "Case mix index" means the weighting factors assigned to the RUG-IV classifications.

(c) "Index maximization" means classifying a resident who could be assigned to more than one category, to the category with the highest case mix index.

(d) "Minimum data set" or "MDS" means a core set of screening, clinical assessment, and functional status elements, that include common definitions and coding categories specified by the Centers for Medicare and Medicaid Services and designated by the Minnesota Department of Health.

(e) "Representative" means a person who is the resident's guardian or conservator, the person authorized to pay the nursing home expenses of the resident, a representative of the Office of

Ombudsman for Long-Term Care whose assistance has been requested, or any other individual designated by the resident.

(f) "Resource utilization groups" or "RUG" means the system for grouping a nursing facility's residents according to their clinical and functional status identified in data supplied by the facility's minimum data set.

(g) "Activities of daily living" means grooming, dressing, bathing, transferring, mobility, positioning, eating, and toileting.

(h) "Nursing facility level of care determination" means the assessment process that results in a determination of a resident's or prospective resident's need for nursing facility level of care as established in subdivision 11 for purposes of medical assistance payment of long-term care services for:

- (1) nursing facility services under section 256B.434 or 256B.441;
- (2) elderly waiver services under section 256B.0915;
- (3) CADI and BI waiver services under section 256B.49; and
- (4) state payment of alternative care services under section 256B.0913.

Subd. 3a. Resident reimbursement classifications beginning January 1, 2012. (a) Beginning January 1, 2012, resident reimbursement classifications shall be based on the minimum data set, version 3.0 assessment instrument, or its successor version mandated by the Centers for Medicare and Medicaid Services that nursing facilities are required to complete for all residents. The commissioner of health shall establish resident classifications according to the RUG-IV, 48 group, resource utilization groups. Resident classification must be established based on the individual items on the minimum data set, which must be completed according to the Long Term Care Facility Resident Assessment Instrument User's Manual Version 3.0 or its successor issued by the Centers for Medicare and Medicaid Services.

(b) Each resident must be classified based on the information from the minimum data set according to general categories as defined in the Case Mix Classification Manual for Nursing Facilities issued by the Minnesota Department of Health.

Subd. 4. Resident assessment schedule. (a) A facility must conduct and electronically submit to the commissioner of health MDS assessments that conform with the assessment schedule defined by Code of Federal Regulations, title 42, section 483.20, and published by the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services, in the Long Term Care Assessment Instrument User's Manual, version 3.0, and subsequent updates when issued by the Centers for Medicare and Medicaid Services. The commissioner of health may substitute successor manuals or question and answer documents published by the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services, to replace or supplement the current version of the manual or document.

(b) The assessments used to determine a case mix classification for reimbursement include the following:

- (1) a new admission assessment;

(2) an annual assessment which must have an assessment reference date (ARD) within 92 days of the previous assessment and within 366 days of the ARD of the previous comprehensive assessment;

(3) a significant change in status assessment must be completed within 14 days of the identification of a significant change;

(4) all quarterly assessments must have an assessment reference date (ARD) within 92 days of the ARD of the previous assessment;

(5) any significant correction to a prior comprehensive assessment, if the assessment being corrected is the current one being used for RUG classification; and

(6) any significant correction to a prior quarterly assessment, if the assessment being corrected is the current one being used for RUG classification.

(c) In addition to the assessments listed in paragraph (b), the assessments used to determine nursing facility level of care include the following:

(1) preadmission screening completed under section 256B.0911, subdivision 4a, ~~by a county, tribe, or managed care organization under contract with the Department of Human Services;~~ and

(2) a face-to-face long-term care consultation assessment completed under section ~~256B.0911, subdivision 3a, 3b, or 4d~~ 256.975, subdivisions 7a to 7c, by a county, tribe, or managed care organization under contract with the Department of Human Services.

Subd. 5. **Short stays.** (a) A facility must submit to the commissioner of health an admission assessment for all residents who stay in the facility 14 days or less.

(b) Notwithstanding the admission assessment requirements of paragraph (a), a facility may elect to accept a short stay rate with a case mix index of 1.0 for all facility residents who stay 14 days or less in lieu of submitting an admission assessment. Facilities shall make this election annually.

(c) Nursing facilities must elect one of the options described in paragraphs (a) and (b) by reporting to the commissioner of health, as prescribed by the commissioner. The election is effective on July 1 each year.

Subd. 6. **Penalties for late or nonsubmission.** (a) A facility that fails to complete or submit an assessment according to subdivisions 4 and 5 for a RUG-IV classification within seven days of the time requirements listed in the Long-Term Care Facility Resident Assessment Instrument User's Manual is subject to a reduced rate for that resident. The reduced rate shall be the lowest rate for that facility. The reduced rate is effective on the day of admission for new admission assessments, on the ARD for significant change in status assessments, or on the day that the assessment was due for all other assessments and continues in effect until the first day of the month following the date of submission and acceptance of the resident's assessment.

(b) If loss of revenue due to penalties incurred by a facility for any period of 92 days are equal to or greater than 1.0 percent of the total operating costs on the facility's most recent annual statistical and cost report, a facility may apply to the commissioner of human services for a reduction in the total penalty amount. The commissioner of human services, in consultation with the commissioner of health, may, at the sole discretion of the commissioner of human services, limit the penalty for residents covered by medical assistance to 15 days.

Subd. 7. **Notice of resident reimbursement classification.** (a) The commissioner of health shall provide to a nursing facility a notice for each resident of the reimbursement classification established under subdivision 1. The notice must inform the resident of the classification that was assigned, the opportunity to review the documentation supporting the classification, the opportunity to obtain clarification from the commissioner, and the opportunity to request a reconsideration of the classification and the address and telephone number of the Office of Ombudsman for Long-Term Care. The commissioner must transmit the notice of resident classification by electronic means to the nursing facility. A nursing facility is responsible for the distribution of the notice to each resident, to the person responsible for the payment of the resident's nursing home expenses, or to another person designated by the resident. This notice must be distributed within three working days after the facility's receipt of the electronic file of notice of case mix classifications from the commissioner of health.

(b) If a facility submits a modification to the most recent assessment used to establish a case mix classification conducted under subdivision 3 that results in a change in case mix classification, the facility shall give written notice to the resident or the resident's representative about the item that was modified and the reason for the modification. The notice of modified assessment may be provided at the same time that the resident or resident's representative is provided the resident's modified notice of classification.

Subd. 8. **Request for reconsideration of resident classifications.** (a) The resident, or resident's representative, or the nursing facility or boarding care home may request that the commissioner of health reconsider the assigned reimbursement classification. The request for reconsideration must be submitted in writing to the commissioner within 30 days of the day the resident or the resident's representative receives the resident classification notice. The request for reconsideration must include the name of the resident, the name and address of the facility in which the resident resides, the reasons for the reconsideration, and documentation supporting the request. The documentation accompanying the reconsideration request is limited to a copy of the MDS that determined the classification and other documents that would support or change the MDS findings.

(b) Upon request, the nursing facility must give the resident or the resident's representative a copy of the assessment form and the other documentation that was given to the commissioner of health to support the assessment findings. The nursing facility shall also provide access to and a copy of other information from the resident's record that has been requested by or on behalf of the resident to support a resident's reconsideration request. A copy of any requested material must be provided within three working days of receipt of a written request for the information. Notwithstanding any law to the contrary, the facility may not charge a fee for providing copies of the requested documentation. If a facility fails to provide the material within this time, it is subject to the issuance of a correction order and penalty assessment under sections 144.653 and 144A.10. Notwithstanding those sections, any correction order issued under this subdivision must require that the nursing facility immediately comply with the request for information and that as of the date of the issuance of the correction order, the facility shall forfeit to the state a \$100 fine for the first day of noncompliance, and an increase in the \$100 fine by \$50 increments for each day the noncompliance continues.

(c) In addition to the information required under paragraphs (a) and (b), a reconsideration request from a nursing facility must contain the following information: (i) the date the reimbursement classification notices were received by the facility; (ii) the date the classification notices were distributed to the resident or the resident's representative; and (iii) a copy of a notice sent to the

resident or to the resident's representative. This notice must inform the resident or the resident's representative that a reconsideration of the resident's classification is being requested, the reason for the request, that the resident's rate will change if the request is approved by the commissioner, the extent of the change, that copies of the facility's request and supporting documentation are available for review, and that the resident also has the right to request a reconsideration. If the facility fails to provide the required information listed in item (iii) with the reconsideration request, the commissioner may request that the facility provide the information within 14 calendar days. The reconsideration request must be denied if the information is then not provided, and the facility may not make further reconsideration requests on that specific reimbursement classification.

(d) Reconsideration by the commissioner must be made by individuals not involved in reviewing the assessment, audit, or reconsideration that established the disputed classification. The reconsideration must be based upon the assessment that determined the classification and upon the information provided to the commissioner under paragraphs (a) and (b). If necessary for evaluating the reconsideration request, the commissioner may conduct on-site reviews. Within 15 working days of receiving the request for reconsideration, the commissioner shall affirm or modify the original resident classification. The original classification must be modified if the commissioner determines that the assessment resulting in the classification did not accurately reflect characteristics of the resident at the time of the assessment. The resident and the nursing facility or boarding care home shall be notified within five working days after the decision is made. A decision by the commissioner under this subdivision is the final administrative decision of the agency for the party requesting reconsideration.

(e) The resident classification established by the commissioner shall be the classification that applies to the resident while the request for reconsideration is pending. If a request for reconsideration applies to an assessment used to determine nursing facility level of care under subdivision 4, paragraph (c), the resident shall continue to be eligible for nursing facility level of care while the request for reconsideration is pending.

(f) The commissioner may request additional documentation regarding a reconsideration necessary to make an accurate reconsideration determination.

Subd. 9. Audit authority. (a) The commissioner shall audit the accuracy of resident assessments performed under section 256B.438 through any of the following: desk audits; on-site review of residents and their records; and interviews with staff, residents, or residents' families. The commissioner shall reclassify a resident if the commissioner determines that the resident was incorrectly classified.

(b) The commissioner is authorized to conduct on-site audits on an unannounced basis.

(c) A facility must grant the commissioner access to examine the medical records relating to the resident assessments selected for audit under this subdivision. The commissioner may also observe and speak to facility staff and residents.

(d) The commissioner shall consider documentation under the time frames for coding items on the minimum data set as set out in the Long-Term Care Facility Resident Assessment Instrument User's Manual published by the Centers for Medicare and Medicaid Services.

(e) The commissioner shall develop an audit selection procedure that includes the following factors:

(1) Each facility shall be audited annually. If a facility has two successive audits in which the percentage of change is five percent or less and the facility has not been the subject of a special audit in the past 36 months, the facility may be audited biannually. A stratified sample of 15 percent, with a minimum of ten assessments, of the most current assessments shall be selected for audit. If more than 20 percent of the RUG-IV classifications are changed as a result of the audit, the audit shall be expanded to a second 15 percent sample, with a minimum of ten assessments. If the total change between the first and second samples is 35 percent or greater, the commissioner may expand the audit to all of the remaining assessments.

(2) If a facility qualifies for an expanded audit, the commissioner may audit the facility again within six months. If a facility has two expanded audits within a 24-month period, that facility will be audited at least every six months for the next 18 months.

(3) The commissioner may conduct special audits if the commissioner determines that circumstances exist that could alter or affect the validity of case mix classifications of residents. These circumstances include, but are not limited to, the following:

- (i) frequent changes in the administration or management of the facility;
- (ii) an unusually high percentage of residents in a specific case mix classification;
- (iii) a high frequency in the number of reconsideration requests received from a facility;
- (iv) frequent adjustments of case mix classifications as the result of reconsiderations or audits;
- (v) a criminal indictment alleging provider fraud;
- (vi) other similar factors that relate to a facility's ability to conduct accurate assessments;
- (vii) an atypical pattern of scoring minimum data set items;
- (viii) nonsubmission of assessments;
- (ix) late submission of assessments; or
- (x) a previous history of audit changes of 35 percent or greater.

(f) Within 15 working days of completing the audit process, the commissioner shall make available electronically the results of the audit to the facility. If the results of the audit reflect a change in the resident's case mix classification, a case mix classification notice will be made available electronically to the facility, using the procedure in subdivision 7, paragraph (a). The notice must contain the resident's classification and a statement informing the resident, the resident's authorized representative, and the facility of their right to review the commissioner's documents supporting the classification and to request a reconsideration of the classification. This notice must also include the address and telephone number of the Office of Ombudsman for Long-Term Care.

Subd. 10. **Transition.** After implementation of this section, reconsiderations requested for classifications made under section 144.0722, subdivision 1, shall be determined under section 144.0722, subdivision 3.

Subd. 11. **Nursing facility level of care.** (a) For purposes of medical assistance payment of long-term care services, a recipient must be determined, using assessments defined in subdivision 4, to meet one of the following nursing facility level of care criteria:

- (1) the person requires formal clinical monitoring at least once per day;
 - (2) the person needs the assistance of another person or constant supervision to begin and complete at least four of the following activities of living: bathing, bed mobility, dressing, eating, grooming, toileting, transferring, and walking;
 - (3) the person needs the assistance of another person or constant supervision to begin and complete toileting, transferring, or positioning and the assistance cannot be scheduled;
 - (4) the person has significant difficulty with memory, using information, daily decision making, or behavioral needs that require intervention;
 - (5) the person has had a qualifying nursing facility stay of at least 90 days;
 - (6) the person meets the nursing facility level of care criteria determined 90 days after admission or on the first quarterly assessment after admission, whichever is later; or
 - (7) the person is determined to be at risk for nursing facility admission or readmission through a face-to-face long-term care consultation assessment as specified in section 256B.0911, subdivision 3a, 3b, or 4d, by a county, tribe, or managed care organization under contract with the Department of Human Services. The person is considered at risk under this clause if the person currently lives alone or will live alone upon discharge or be homeless without the person's current housing and also meets one of the following criteria:
 - (i) the person has experienced a fall resulting in a fracture;
 - (ii) the person has been determined to be at risk of maltreatment or neglect, including self-neglect; or
 - (iii) the person has a sensory impairment that substantially impacts functional ability and maintenance of a community residence.
- (b) The assessment used to establish medical assistance payment for nursing facility services must be the most recent assessment performed under subdivision 4, paragraph (b), that occurred no more than 90 calendar days before the effective date of medical assistance eligibility for payment of long-term care services. In no case shall medical assistance payment for long-term care services occur prior to the date of the determination of nursing facility level of care.
- (c) The assessment used to establish medical assistance payment for long-term care services provided under sections 256B.0915 and 256B.49 and alternative care payment for services provided under section 256B.0913 must be the most recent face-to-face assessment performed under section 256B.0911, subdivision 3a, 3b, or 4d, that occurred no more than 60 calendar days before the effective date of medical assistance eligibility for payment of long-term care services.
- Subd. 12. Appeal of nursing facility level of care determination.** (a) A resident or prospective resident whose level of care determination results in a denial of long-term care services can appeal the determination as outlined in section 256B.0911, subdivision 3a, paragraph (h), clause (9).
- (b) The commissioner of human services shall ensure that notice of changes in eligibility due to a nursing facility level of care determination is provided to each affected recipient or the recipient's guardian at least 30 days before the effective date of the change. The notice shall include the following information:

- (1) how to obtain further information on the changes;
- (2) how to receive assistance in obtaining other services;
- (3) a list of community resources; and
- (4) appeal rights.

A recipient who meets the criteria in section 256B.0922, subdivision 2, paragraph (a), clauses (1) and (2), may request continued services pending appeal within the time period allowed to request an appeal under section 256.045, subdivision 3, paragraph (h). This paragraph is in effect for appeals filed between January 1, 2015, and December 31, 2016.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 3. Minnesota Statutes 2012, section 144A.073, is amended by adding a subdivision to read:

Subd. 14. **Moratorium exception funding.** In fiscal year 2015, the commissioner of health may approve moratorium exception projects under this section for which the full annualized state share of medical assistance costs does not exceed \$1,000,000.

Sec. 4. Minnesota Statutes 2012, section 144A.33, subdivision 2, is amended to read:

Subd. 2. **Providing educational services.** The Minnesota Board on Aging shall provide a grant-in-aid to a statewide, independent, nonprofit, consumer-sponsored agency to provide educational services to councils.

Sec. 5. Minnesota Statutes 2013 Supplement, section 245.8251, is amended to read:

245.8251 RULES FOR POSITIVE SUPPORT STRATEGIES AND EMERGENCY MANUAL RESTRAINT PROHIBITIONS AND LIMITS ON RESTRICTIVE INTERVENTIONS; LICENSED FACILITIES AND PROGRAMS.

Subdivision 1. **Rules governing the use of positive support strategies and restrictive interventions.** The commissioner of human services shall, ~~within 24 months of May 23, 2013~~ by August 31, 2015, adopt rules governing to govern the use of positive support strategies, ~~safety interventions~~, and ensure the applicability of chapter 245D prohibitions and limits on the emergency use of manual restraint ~~in~~ and on the use of restrictive interventions to facilities and services governed by the rules. The rules apply to all facilities and services licensed under chapter 245D-, and all licensed facilities and licensed services serving persons with a developmental disability or related condition. For the purposes of this section, "developmental disability or related condition" has the meaning given in Minnesota Rules, part 9525.0016, subpart 2, items A to E.

Subd. 2. **Data collection.** (a) The commissioner shall, with stakeholder input, ~~develop~~ identify data ~~collection~~ elements specific to incidents of emergency use of manual restraint and positive support transition plans for persons receiving services from ~~providers governed~~ licensed facilities and licensed services under chapter 245D and in licensed facilities and licensed services serving persons with a developmental disability or related condition as defined in Minnesota Rules, part 9525.0016, subpart 2, effective January 1, 2014. ~~Providers~~ Licensed facilities and licensed services shall report the data in a format and at a frequency determined by the commissioner of human services. ~~Providers shall submit the data to the commissioner and the Office of the Ombudsman for Mental Health and Developmental Disabilities.~~

(b) Beginning July 1, 2013, ~~providers~~ licensed facilities and licensed services regulated under Minnesota Rules, parts 9525.2700 to 9525.2810, shall submit data regarding the use of all controlled procedures identified in Minnesota Rules, part 9525.2740, in a format and at a frequency determined by the commissioner. ~~Providers shall submit the data to the commissioner and the Office of the Ombudsman for Mental Health and Developmental Disabilities.~~

Subd. 3. **External program review committee.** Rules adopted according to this section shall establish requirements for an external program review committee appointed by the commissioner to monitor the implementation of the rules and make recommendations to the commissioner about any needed policy changes after adoption of the rules.

Subd. 4. **Interim review panel.** (a) The commissioner shall establish an interim review panel by August 15, 2014, for the purpose of reviewing requests for emergency use of procedures that have been part of an approved positive support transition plan when necessary to protect a person from imminent risk of serious injury as defined in section 245.91, subdivision 6, due to self-injurious behavior. The panel must make recommendations to the commissioner to approve or deny these requests based on criteria to be established by the interim review panel. The interim review panel shall operate until the external program review committee is established as required under subdivision 3.

(b) Members of the interim review panel shall be selected based on their expertise and knowledge related to the use of positive support strategies as alternatives to the use of restrictive interventions. The commissioner shall seek input and recommendations in establishing the interim review panel. Members of the interim review panel shall include the following representatives:

- (1) an expert in positive supports;
- (2) a mental health professional, as defined in section 245.462;
- (3) a licensed health professional as defined in section 245D.02, subdivision 14; and
- (4) a representative of the Department of Health.

Sec. 6. Minnesota Statutes 2013 Supplement, section 245A.03, subdivision 7, is amended to read:

Subd. 7. Licensing moratorium. (a) The commissioner shall not issue an initial license for child foster care licensed under Minnesota Rules, parts 2960.3000 to 2960.3340, or adult foster care licensed under Minnesota Rules, parts 9555.5105 to 9555.6265, under this chapter for a physical location that will not be the primary residence of the license holder for the entire period of licensure. If a license is issued during this moratorium, and the license holder changes the license holder's primary residence away from the physical location of the foster care license, the commissioner shall revoke the license according to section 245A.07. The commissioner shall not issue an initial license for a community residential setting licensed under chapter 245D. Exceptions to the moratorium include:

- (1) foster care settings that are required to be registered under chapter 144D;
- (2) foster care licenses replacing foster care licenses in existence on May 15, 2009, or community residential setting licenses replacing adult foster care licenses in existence on December 31, 2013, and determined to be needed by the commissioner under paragraph (b);

(3) new foster care licenses or community residential setting licenses determined to be needed by the commissioner under paragraph (b) for the closure of a nursing facility, ICF/DD, or regional treatment center; restructuring of state-operated services that limits the capacity of state-operated facilities; or allowing movement to the community for people who no longer require the level of care provided in state-operated facilities as provided under section 256B.092, subdivision 13, or 256B.49, subdivision 24;

(4) new foster care licenses or community residential setting licenses determined to be needed by the commissioner under paragraph (b) for persons requiring hospital level care; or

(5) new foster care licenses or community residential setting licenses determined to be needed by the commissioner for the transition of people from personal care assistance to the home and community-based services.

(b) The commissioner shall determine the need for newly licensed foster care homes or community residential settings as defined under this subdivision. As part of the determination, the commissioner shall consider the availability of foster care capacity in the area in which the licensee seeks to operate, and the recommendation of the local county board. The determination by the commissioner must be final. A determination of need is not required for a change in ownership at the same address.

(c) When an adult resident served by the program moves out of a foster home that is not the primary residence of the license holder according to section 256B.49, subdivision 15, paragraph (f), or the adult community residential setting, the county shall immediately inform the Department of Human Services Licensing Division. The department shall decrease the statewide licensed capacity for adult foster care settings where the physical location is not the primary residence of the license holder, or for adult community residential settings, if the voluntary changes described in paragraph (e) are not sufficient to meet the savings required by reductions in licensed bed capacity under Laws 2011, First Special Session chapter 9, article 7, sections 1 and 40, paragraph (f), and maintain statewide long-term care residential services capacity within budgetary limits. Implementation of the statewide licensed capacity reduction shall begin on July 1, 2013. The commissioner shall delicense up to 128 beds by June 30, 2014, using the needs determination process. Prior to any involuntary reduction of licensed capacity, the commissioner shall consult with lead agencies and license holders to determine which adult foster care settings, where the physical location is not the primary residence of the license holder, or community residential settings, are licensed for up to five beds, but have operated at less than full capacity for 12 or more months as of March 1, 2014. The settings that meet these criteria must be the first to be considered for an involuntary decrease in statewide licensed capacity, up to a maximum of 35 beds. If more than 35 beds are identified that meet these criteria, the commissioner shall prioritize the selection of those beds to be closed based on the length of time the beds have been vacant. The longer a bed has been vacant, the higher priority it must be given for closure. Under this paragraph, the commissioner has the authority to reduce unused licensed capacity of a current foster care program, or the community residential settings, to accomplish the consolidation or closure of settings. Under this paragraph, the commissioner has the authority to manage statewide capacity, including adjusting the capacity available to each county and adjusting statewide available capacity, to meet the statewide needs identified through the process in paragraph (e). A decreased licensed capacity according to this paragraph is not subject to appeal under this chapter.

(d) Residential settings that would otherwise be subject to the decreased license capacity established in paragraph (c) shall be exempt under the following circumstances:

(1) until August 1, 2013, the license holder's beds occupied by residents whose primary diagnosis is mental illness and the license holder is:

(i) a provider of assertive community treatment (ACT) or adult rehabilitative mental health services (ARMHS) as defined in section 256B.0623;

(ii) a mental health center certified under Minnesota Rules, parts 9520.0750 to 9520.0870;

(iii) a mental health clinic certified under Minnesota Rules, parts 9520.0750 to 9520.0870; or

(iv) a provider of intensive residential treatment services (IRTS) licensed under Minnesota Rules, parts 9520.0500 to 9520.0670; or

(2) the license holder's beds occupied by residents whose primary diagnosis is mental illness and the license holder is certified under the requirements in subdivision 6a or section 245D.33.

(e) A resource need determination process, managed at the state level, using the available reports required by section 144A.351, and other data and information shall be used to determine where the reduced capacity required under paragraph (c) will be implemented. The commissioner shall consult with the stakeholders described in section 144A.351, and employ a variety of methods to improve the state's capacity to meet long-term care service needs within budgetary limits, including seeking proposals from service providers or lead agencies to change service type, capacity, or location to improve services, increase the independence of residents, and better meet needs identified by the long-term care services reports and statewide data and information. By February 1, 2013, and August 1, 2014, and each following year, the commissioner shall provide information and data on the overall capacity of licensed long-term care services, actions taken under this subdivision to manage statewide long-term care services and supports resources, and any recommendations for change to the legislative committees with jurisdiction over health and human services budget.

(f) At the time of application and reapplication for licensure, the applicant and the license holder that are subject to the moratorium or an exclusion established in paragraph (a) are required to inform the commissioner whether the physical location where the foster care will be provided is or will be the primary residence of the license holder for the entire period of licensure. If the primary residence of the applicant or license holder changes, the applicant or license holder must notify the commissioner immediately. The commissioner shall print on the foster care license certificate whether or not the physical location is the primary residence of the license holder.

(g) License holders of foster care homes identified under paragraph (f) that are not the primary residence of the license holder and that also provide services in the foster care home that are covered by a federally approved home and community-based services waiver, as authorized under section 256B.0915, 256B.092, or 256B.49, must inform the human services licensing division that the license holder provides or intends to provide these waiver-funded services.

Sec. 7. Minnesota Statutes 2013 Supplement, section 245A.042, subdivision 3, is amended to read:

Subd. 3. **Implementation.** (a) The commissioner shall implement the responsibilities of this chapter according to the timelines in paragraphs (b) and (c) only within the limits of available appropriations or other administrative cost recovery methodology.

(b) The licensure of home and community-based services according to this section shall be implemented January 1, 2014. License applications shall be received and processed on a phased-in schedule as determined by the commissioner beginning July 1, 2013. Licenses will be issued thereafter upon the commissioner's determination that the application is complete according to section 245A.04.

(c) Within the limits of available appropriations or other administrative cost recovery methodology, implementation of compliance monitoring must be phased in after January 1, 2014.

(1) Applicants who do not currently hold a license issued under chapter 245B must receive an initial compliance monitoring visit after 12 months of the effective date of the initial license for the purpose of providing technical assistance on how to achieve and maintain compliance with the applicable law or rules governing the provision of home and community-based services under chapter 245D. If during the review the commissioner finds that the license holder has failed to achieve compliance with an applicable law or rule and this failure does not imminently endanger the health, safety, or rights of the persons served by the program, the commissioner may issue a licensing review report with recommendations for achieving and maintaining compliance.

(2) Applicants who do currently hold a license issued under this chapter must receive a compliance monitoring visit after 24 months of the effective date of the initial license.

(d) Nothing in this subdivision shall be construed to limit the commissioner's authority to suspend or revoke a license or issue a fine at any time under section 245A.07, or issue correction orders and make a license conditional for failure to comply with applicable laws or rules under section 245A.06, based on the nature, chronicity, or severity of the violation of law or rule and the effect of the violation on the health, safety, or rights of persons served by the program.

(e) License holders governed under chapter 245D must ensure compliance with the following requirements within the stated timelines:

(1) service initiation and service planning requirements must be met at the next annual meeting of the person's support team or by January 1, 2015, whichever is later, for the following:

(i) provision of a written notice that identifies the service recipient rights and an explanation of those rights as required under section 245D.04, subdivision 1;

(ii) service planning for basic support services as required under section 245D.07, subdivision 2; and

(iii) service planning for intensive support services under section 245D.071, subdivisions 3 and 4;

(2) staff orientation to program requirements as required under section 245D.09, subdivision 4, for staff hired before January 1, 2014, must be met by January 1, 2015. The license holder may otherwise provide documentation verifying these requirements were met before January 1, 2014;

(3) development of policy and procedures as required under section 245D.11, must be completed no later than August 31, 2014;

(4) written or electronic notice and copies of policies and procedures must be provided to all persons or their legal representatives and case managers as required under section 245D.10, subdivision 4, paragraphs (b) and (c), by September 15, 2014, or within 30 days of development of the required policies and procedures, whichever is earlier; and

(5) all employees must be informed of the revisions and training must be provided on implementation of the revised policies and procedures as required under section 245D.10, subdivision 4, paragraph (d), by September 15, 2014, or within 30 days of development of the required policies and procedures, whichever is earlier.

Sec. 8. Minnesota Statutes 2013 Supplement, section 245A.16, subdivision 1, is amended to read:

Subdivision 1. **Delegation of authority to agencies.** (a) County agencies and private agencies that have been designated or licensed by the commissioner to perform licensing functions and activities under section 245A.04 and background studies for family child care under chapter 245C; to recommend denial of applicants under section 245A.05; to issue correction orders, to issue variances, and recommend a conditional license under section 245A.06, or to recommend suspending or revoking a license or issuing a fine under section 245A.07, shall comply with rules and directives of the commissioner governing those functions and with this section. The following variances are excluded from the delegation of variance authority and may be issued only by the commissioner:

(1) dual licensure of family child care and child foster care, dual licensure of child and adult foster care, and adult foster care and family child care;

(2) adult foster care maximum capacity;

(3) adult foster care minimum age requirement;

(4) child foster care maximum age requirement;

(5) variances regarding disqualified individuals except that county agencies may issue variances under section 245C.30 regarding disqualified individuals when the county is responsible for conducting a consolidated reconsideration according to sections 245C.25 and 245C.27, subdivision 2, clauses (a) and (b), of a county maltreatment determination and a disqualification based on serious or recurring maltreatment;

(6) the required presence of a caregiver in the adult foster care residence during normal sleeping hours; and

(7) variances for community residential setting licenses under chapter 245D.

Except as provided in section 245A.14, subdivision 4, paragraph (e), a county agency must not grant a license holder a variance to exceed the maximum allowable family child care license capacity of 14 children.

(b) County agencies must report information about disqualification reconsiderations under sections 245C.25 and 245C.27, subdivision 2, paragraphs (a) and (b), and variances granted under paragraph (a), clause (5), to the commissioner at least monthly in a format prescribed by the commissioner.

(c) For family day care programs, the commissioner may authorize licensing reviews every two years after a licensee has had at least one annual review.

(d) For family adult day services programs, the commissioner may authorize licensing reviews every two years after a licensee has had at least one annual review.

(e) A license issued under this section may be issued for up to two years.

(f) During implementation of chapter 245D, the commissioner shall consider:

(1) the role of counties in quality assurance;

(2) the duties of county licensing staff; and

(3) the possible use of joint powers agreements, according to section 471.59, with counties through which some licensing duties under chapter 245D may be delegated by the commissioner to the counties.

Any consideration related to this paragraph must meet all of the requirements of the corrective action plan ordered by the federal Centers for Medicare and Medicaid Services.

(g) Licensing authority specific to section 245D.06, subdivisions 5, 6, 7, and 8, or successor provisions; and section 245D.061 or successor provisions, for family child foster care programs providing out-of-home respite, as identified in section 245D.03, subdivision 1, paragraph (b), clause (1), is excluded from the delegation of authority to county and private agencies.

Sec. 9. Minnesota Statutes 2013 Supplement, section 245D.02, subdivision 3, is amended to read:

Subd. 3. **Case manager.** "Case manager" means the individual designated to provide waiver case management services, care coordination, or long-term care consultation, as specified in sections 256B.0913, 256B.0915, 256B.092, and 256B.49, or successor provisions. For purposes of this chapter, "case manager" includes case management services as defined in Minnesota Rules, part 9520.0902, subpart 3.

Sec. 10. Minnesota Statutes 2013 Supplement, section 245D.02, subdivision 4b, is amended to read:

Subd. 4b. **Coordinated service and support plan.** "Coordinated service and support plan" has the meaning given in sections 256B.0913, subdivision 8; 256B.0915, subdivision 6; 256B.092, subdivision 1b; and 256B.49, subdivision 15, or successor provisions. For purposes of this chapter, "coordinated service and support plan" includes the individual program plan or individual treatment plan as defined in Minnesota Rules, part 9520.0510, subpart 12.

Sec. 11. Minnesota Statutes 2013 Supplement, section 245D.02, subdivision 8b, is amended to read:

Subd. 8b. **Expanded support team.** "Expanded support team" means the members of the support team defined in subdivision 46 34 and a licensed health or mental health professional or other licensed, certified, or qualified professionals or consultants working with the person and included in the team at the request of the person or the person's legal representative.

Sec. 12. Minnesota Statutes 2013 Supplement, section 245D.02, subdivision 11, is amended to read:

Subd. 11. **Incident.** "Incident" means an occurrence which involves a person and requires the program to make a response that is not a part of the program's ordinary provision of services to that person, and includes:

- (1) serious injury of a person as determined by section 245.91, subdivision 6;
- (2) a person's death;
- (3) any medical emergency, unexpected serious illness, or significant unexpected change in an illness or medical condition of a person that requires the program to call 911, physician treatment, or hospitalization;
- (4) any mental health crisis that requires the program to call 911 or a mental health crisis intervention team, or a similar mental health response team or service when available and appropriate;
- (5) an act or situation involving a person that requires the program to call 911, law enforcement, or the fire department;
- (6) a person's unauthorized or unexplained absence from a program;
- (7) conduct by a person receiving services against another person receiving services that:
 - (i) is so severe, pervasive, or objectively offensive that it substantially interferes with a person's opportunities to participate in or receive service or support;
 - (ii) places the person in actual and reasonable fear of harm;
 - (iii) places the person in actual and reasonable fear of damage to property of the person; or
 - (iv) substantially disrupts the orderly operation of the program;
- (8) any sexual activity between persons receiving services involving force or coercion as defined under section 609.341, subdivisions 3 and 14;
- (9) any emergency use of manual restraint as identified in section 245D.061 or successor provisions; or
- (10) a report of alleged or suspected child or vulnerable adult maltreatment under section 626.556 or 626.557.

Sec. 13. Minnesota Statutes 2013 Supplement, section 245D.02, subdivision 15b, is amended to read:

Subd. 15b. **Mechanical restraint.** ~~(a) Except for devices worn by the person that trigger electronic alarms to warn staff that a person is leaving a room or area, which do not, in and of themselves, restrict freedom of movement, or the use of adaptive aids or equipment or orthotic devices ordered by a health care professional used to treat or manage a medical condition,~~ "Mechanical restraint" means the use of devices, materials, or equipment attached or adjacent to the person's body, or the use of practices that are intended to restrict freedom of movement or normal access to one's body or body parts, or limits a person's voluntary movement or holds a person immobile as an intervention precipitated by a person's behavior. The term applies to the use of mechanical restraint used to prevent injury with persons who engage in self-injurious behaviors,

such as head-banging, gouging, or other actions resulting in tissue damage that have caused or could cause medical problems resulting from the self-injury.

(b) Mechanical restraint does not include the following:

(1) devices worn by the person that trigger electronic alarms to warn staff that a person is leaving a room or area, which do not, in and of themselves, restrict freedom of movement; or

(2) the use of adaptive aids or equipment or orthotic devices ordered by a health care professional used to treat or manage a medical condition.

Sec. 14. Minnesota Statutes 2013 Supplement, section 245D.02, subdivision 23, is amended to read:

Subd. 23. **Person with a disability.** "Person with a disability" means a person determined to have a disability by the commissioner's state medical review team as identified in section 256B.055, subdivision 7, the Social Security Administration, or the person is determined to have a developmental disability as defined in Minnesota Rules, part 9525.0016, subpart 2, item B, or a related condition as defined in section 252.27, subdivision 1a Minnesota Rules, part 9525.0016, subpart 2, items A to E.

Sec. 15. Minnesota Statutes 2013 Supplement, section 245D.02, subdivision 29, is amended to read:

Subd. 29. **Seclusion.** "Seclusion" means ~~the placement of a person alone in:~~ (1) removing a person involuntarily to a room from which exit is prohibited by a staff person or a mechanism such as a lock, a device, or an object positioned to hold the door closed or otherwise prevent the person from leaving the room; or (2) otherwise involuntarily removing or separating a person from an area, activity, situation, or social contact with others and blocking or preventing the person's return.

Sec. 16. Minnesota Statutes 2013 Supplement, section 245D.02, subdivision 34, is amended to read:

Subd. 34. **Support team.** "Support team" means the service planning team identified in section 256B.49, subdivision 15, ~~or;~~ the interdisciplinary team identified in Minnesota Rules, part 9525.0004, subpart 14; or the case management team as defined in Minnesota Rules, part 9520.0902, subpart 6.

Sec. 17. Minnesota Statutes 2013 Supplement, section 245D.02, subdivision 34a, is amended to read:

Subd. 34a. **Time out.** "Time out" means ~~removing a person involuntarily from an ongoing activity to a room, either locked or unlocked, or otherwise separating a person from others in a way that prevents social contact and prevents the person from leaving the situation if the person chooses the involuntary removal of a person for a period of time to a designated area from which the person is not prevented from leaving. For the purpose of this chapter, "time out" does not mean voluntary removal or self-removal for the purpose of calming, prevention of escalation, or de-escalation of behavior for a period of up to 15 minutes. "Time out" does not include a person voluntarily moving from an ongoing activity to an unlocked room or otherwise separating from a situation or social contact with others if the person chooses. For the purposes of this definition, "voluntarily" means without being forced, compelled, or coerced; nor does it mean taking a brief break or rest from an activity for the purpose of providing the person an opportunity to regain self-control.~~

Sec. 18. Minnesota Statutes 2013 Supplement, section 245D.02, is amended by adding a subdivision to read:

Subd. 35b. **Unlicensed staff.** "Unlicensed staff" means individuals not otherwise licensed or certified by a governmental health board or agency.

Sec. 19. Minnesota Statutes 2013 Supplement, section 245D.03, subdivision 1, is amended to read:

Subdivision 1. **Applicability.** (a) The commissioner shall regulate the provision of home and community-based services to persons with disabilities and persons age 65 and older pursuant to this chapter. The licensing standards in this chapter govern the provision of basic support services and intensive support services.

(b) Basic support services provide the level of assistance, supervision, and care that is necessary to ensure the health and safety of the person and do not include services that are specifically directed toward the training, treatment, habilitation, or rehabilitation of the person. Basic support services include:

(1) in-home and out-of-home respite care services as defined in section 245A.02, subdivision 15, and under the brain injury, community alternative care, community alternatives for disabled individuals, developmental disability, and elderly waiver plans, excluding out-of-home respite care provided to children in a family child foster care home licensed under Minnesota Rules, parts 2960.3000 to 2960.3100, when the child foster care license holder complies with the requirements under section 245D.06, subdivisions 5, 6, 7, and 8, or successor provisions; and section 245D.061 or successor provisions, which must be stipulated in the statement of intended use required under Minnesota Rules, part 2960.3000, subpart 4;

(2) adult companion services as defined under the brain injury, community alternatives for disabled individuals, and elderly waiver plans, excluding adult companion services provided under the Corporation for National and Community Services Senior Companion Program established under the Domestic Volunteer Service Act of 1973, Public Law 98-288;

(3) personal support as defined under the developmental disability waiver plan;

(4) 24-hour emergency assistance, personal emergency response as defined under the community alternatives for disabled individuals and developmental disability waiver plans;

(5) night supervision services as defined under the brain injury waiver plan; and

(6) homemaker services as defined under the community alternatives for disabled individuals, brain injury, community alternative care, developmental disability, and elderly waiver plans, excluding providers licensed by the Department of Health under chapter 144A and those providers providing cleaning services only.

(c) Intensive support services provide assistance, supervision, and care that is necessary to ensure the health and safety of the person and services specifically directed toward the training, habilitation, or rehabilitation of the person. Intensive support services include:

(1) intervention services, including:

(i) behavioral support services as defined under the brain injury and community alternatives for disabled individuals waiver plans;

(ii) in-home or out-of-home crisis respite services as defined under the developmental disability waiver plan; and

(iii) specialist services as defined under the current developmental disability waiver plan;

(2) in-home support services, including:

(i) in-home family support and supported living services as defined under the developmental disability waiver plan;

(ii) independent living services training as defined under the brain injury and community alternatives for disabled individuals waiver plans; and

(iii) semi-independent living services;

(3) residential supports and services, including:

(i) supported living services as defined under the developmental disability waiver plan provided in a family or corporate child foster care residence, a family adult foster care residence, a community residential setting, or a supervised living facility;

(ii) foster care services as defined in the brain injury, community alternative care, and community alternatives for disabled individuals waiver plans provided in a family or corporate child foster care residence, a family adult foster care residence, or a community residential setting; and

(iii) residential services provided to more than four persons with developmental disabilities in a supervised living facility that is certified by the Department of Health as an ICF/DD, including ICFs/DD;

(4) day services, including:

(i) structured day services as defined under the brain injury waiver plan;

(ii) day training and habilitation services under sections 252.40 to 252.46, and as defined under the developmental disability waiver plan; and

(iii) prevocational services as defined under the brain injury and community alternatives for disabled individuals waiver plans; and

(5) supported employment as defined under the brain injury, developmental disability, and community alternatives for disabled individuals waiver plans.

Sec. 20. Minnesota Statutes 2013 Supplement, section 245D.03, is amended by adding a subdivision to read:

Subd. 1a. **Effect.** The home and community-based services standards establish health, safety, welfare, and rights protections for persons receiving services governed by this chapter. The standards recognize the diversity of persons receiving these services and require that these services are provided in a manner that meets each person's individual needs and ensures continuity in service planning, care, and coordination between the license holder and members of each person's support team or expanded support team.

Sec. 21. Minnesota Statutes 2013 Supplement, section 245D.03, subdivision 2, is amended to read:

Subd. 2. **Relationship to other standards governing home and community-based services.**

(a) A license holder governed by this chapter is also subject to the licensure requirements under chapter 245A.

~~(b) A corporate or family child foster care site controlled by a license holder and providing services governed by this chapter is exempt from compliance with section 245D.04. This exemption applies to foster care homes where at least one resident is receiving residential supports and services licensed according to this chapter. This chapter does not apply to corporate or family child foster care homes that do not provide services licensed under this chapter.~~

(c) A family adult foster care site controlled by a license holder and providing services governed by this chapter is exempt from compliance with Minnesota Rules, parts 9555.6185; 9555.6225, subpart 8; 9555.6245; 9555.6255; and 9555.6265. These exemptions apply to family adult foster care homes where at least one resident is receiving residential supports and services licensed according to this chapter. This chapter does not apply to family adult foster care homes that do not provide services licensed under this chapter.

(d) A license holder providing services licensed according to this chapter in a supervised living facility is exempt from compliance with sections section 245D.04; 245D.05, subdivision 2; and 245D.06, subdivision 2, clauses (1), (4), and (5).

(e) A license holder providing residential services to persons in an ICF/DD is exempt from compliance with sections 245D.04; 245D.05, subdivision 1b; 245D.06, subdivision 2, clauses (4) and (5); 245D.071, subdivisions 4 and 5; 245D.081, subdivision 2; 245D.09, subdivision 7; 245D.095, subdivision 2; and 245D.11, subdivision 3.

(f) A license holder providing homemaker services licensed according to this chapter and registered according to chapter 144A is exempt from compliance with section 245D.04.

(g) Nothing in this chapter prohibits a license holder from concurrently serving persons without disabilities or people who are or are not age 65 and older, provided this chapter's standards are met as well as other relevant standards.

(h) The documentation required under sections 245D.07 and 245D.071 must meet the individual program plan requirements identified in section 256B.092 or successor provisions.

Sec. 22. Minnesota Statutes 2013 Supplement, section 245D.03, subdivision 3, is amended to read:

Subd. 3. **Variance.** If the conditions in section 245A.04, subdivision 9, are met, the commissioner may grant a variance to any of the requirements in this chapter, except sections 245D.04; 245D.06, subdivision 4, paragraph (b), and subdivision 6, or successor provisions; and ~~245D.061, subdivision 3, or provisions governing data practices and information rights of persons.~~

Sec. 23. Minnesota Statutes 2013 Supplement, section 245D.04, subdivision 3, is amended to read:

Subd. 3. **Protection-related rights.** (a) A person's protection-related rights include the right to:

(1) have personal, financial, service, health, and medical information kept private, and be advised of disclosure of this information by the license holder;

(2) access records and recorded information about the person in accordance with applicable state and federal law, regulation, or rule;

(3) be free from maltreatment;

(4) be free from restraint, time out, ~~or seclusion~~, restrictive intervention, or other prohibited procedure identified in section 245D.06, subdivision 5, or successor provisions, except for: (i) emergency use of manual restraint to protect the person from imminent danger to self or others according to the requirements in section ~~245D.06~~; 245D.061 or successor provisions; or (ii) the use of safety interventions as part of a positive support transition plan under section 245D.06, subdivision 8, or successor provisions;

(5) receive services in a clean and safe environment when the license holder is the owner, lessor, or tenant of the service site;

(6) be treated with courtesy and respect and receive respectful treatment of the person's property;

(7) reasonable observance of cultural and ethnic practice and religion;

(8) be free from bias and harassment regarding race, gender, age, disability, spirituality, and sexual orientation;

(9) be informed of and use the license holder's grievance policy and procedures, including knowing how to contact persons responsible for addressing problems and to appeal under section 256.045;

(10) know the name, telephone number, and the Web site, e-mail, and street addresses of protection and advocacy services, including the appropriate state-appointed ombudsman, and a brief description of how to file a complaint with these offices;

(11) assert these rights personally, or have them asserted by the person's family, authorized representative, or legal representative, without retaliation;

(12) give or withhold written informed consent to participate in any research or experimental treatment;

(13) associate with other persons of the person's choice;

(14) personal privacy; and

(15) engage in chosen activities.

(b) For a person residing in a residential site licensed according to chapter 245A, or where the license holder is the owner, lessor, or tenant of the residential service site, protection-related rights also include the right to:

(1) have daily, private access to and use of a non-coin-operated telephone for local calls and long-distance calls made collect or paid for by the person;

(2) receive and send, without interference, uncensored, unopened mail or electronic correspondence or communication;

(3) have use of and free access to common areas in the residence; and

(4) privacy for visits with the person's spouse, next of kin, legal counsel, religious advisor, or others, in accordance with section 363A.09 of the Human Rights Act, including privacy in the person's bedroom.

(c) Restriction of a person's rights under ~~subdivision 2, clause (10), or~~ paragraph (a), clauses (13) to (15), or paragraph (b) is allowed only if determined necessary to ensure the health, safety, and well-being of the person. Any restriction of those rights must be documented in the person's coordinated service and support plan or coordinated service and support plan addendum. The restriction must be implemented in the least restrictive alternative manner necessary to protect the person and provide support to reduce or eliminate the need for the restriction in the most integrated setting and inclusive manner. The documentation must include the following information:

(1) the justification for the restriction based on an assessment of the person's vulnerability related to exercising the right without restriction;

(2) the objective measures set as conditions for ending the restriction;

(3) a schedule for reviewing the need for the restriction based on the conditions for ending the restriction to occur semiannually from the date of initial approval, at a minimum, or more frequently if requested by the person, the person's legal representative, if any, and case manager; and

(4) signed and dated approval for the restriction from the person, or the person's legal representative, if any. A restriction may be implemented only when the required approval has been obtained. Approval may be withdrawn at any time. If approval is withdrawn, the right must be immediately and fully restored.

Sec. 24. Minnesota Statutes 2013 Supplement, section 245D.05, subdivision 1, is amended to read:

Subdivision 1. **Health needs.** (a) The license holder is responsible for meeting health service needs assigned in the coordinated service and support plan or the coordinated service and support plan addendum, consistent with the person's health needs. The license holder is responsible for promptly notifying the person's legal representative, if any, and the case manager of changes in a person's physical and mental health needs affecting health service needs assigned to the license holder in the coordinated service and support plan or the coordinated service and support plan addendum, when discovered by the license holder, unless the license holder has reason to know the change has already been reported. The license holder must document when the notice is provided.

(b) If responsibility for meeting the person's health service needs has been assigned to the license holder in the coordinated service and support plan or the coordinated service and support plan addendum, the license holder must maintain documentation on how the person's health needs will be met, including a description of the procedures the license holder will follow in order to:

(1) provide medication setup, assistance, or medication administration according to this chapter. Unlicensed staff responsible for medication setup or medication administration under this section must complete training according to section 245D.09, subdivision 4a, paragraph (d);

(2) monitor health conditions according to written instructions from a licensed health professional;

(3) assist with or coordinate medical, dental, and other health service appointments; or

(4) use medical equipment, devices, or adaptive aides or technology safely and correctly according to written instructions from a licensed health professional.

Sec. 25. Minnesota Statutes 2013 Supplement, section 245D.05, subdivision 1a, is amended to read:

Subd. 1a. **Medication setup.** (a) For the purposes of this subdivision, "medication setup" means the arranging of medications according to instructions from the pharmacy, the prescriber, or a licensed nurse, for later administration when the license holder is assigned responsibility ~~for medication assistance or medication administration~~ in the coordinated service and support plan or the coordinated service and support plan addendum. A prescription label or the prescriber's written or electronically recorded order for the prescription is sufficient to constitute written instructions from the prescriber.

(b) If responsibility for medication setup is assigned to the license holder in the coordinated service and support plan or the coordinated service and support plan addendum, or if the license holder provides it as part of medication assistance or medication administration, the license holder must document in the person's medication administration record: dates of setup, name of medication, quantity of dose, times to be administered, and route of administration at time of setup; and, when the person will be away from home, to whom the medications were given.

Sec. 26. Minnesota Statutes 2013 Supplement, section 245D.05, subdivision 1b, is amended to read:

Subd. 1b. **Medication assistance.** (a) For purposes of this subdivision, "medication assistance" means any of the following:

(1) bringing to the person and opening a container of previously set up medications, emptying the container into the person's hand, or opening and giving the medications in the original container to the person under the direction of the person;

(2) bringing to the person liquids or food to accompany the medication; or

(3) providing reminders, in person, remotely, or through programming devices such as telephones, alarms, or medication boxes, to take regularly scheduled medication or perform regularly scheduled treatments and exercises.

(b) If responsibility for medication assistance is assigned to the license holder in the coordinated service and support plan or the coordinated service and support plan addendum, the license holder must ensure that ~~the requirements of subdivision 2, paragraph (b), have been met when staff provides medication assistance to enable~~ is provided in a manner that enables a person to self-administer medication or treatment when the person is capable of directing the person's own care, or when the person's legal representative is present and able to direct care for the person. ~~For the purposes of this subdivision, "medication assistance" means any of the following:~~

~~(1) bringing to the person and opening a container of previously set up medications, emptying the container into the person's hand, or opening and giving the medications in the original container to the person;~~

~~(2) bringing to the person liquids or food to accompany the medication; or~~

~~(3) providing reminders to take regularly scheduled medication or perform regularly scheduled treatments and exercises.~~

Sec. 27. Minnesota Statutes 2013 Supplement, section 245D.05, subdivision 2, is amended to read:

Subd. 2. **Medication administration.** ~~(a) If responsibility for medication administration is assigned to the license holder in the coordinated service and support plan or the coordinated service and support plan addendum, the license holder must implement the following medication administration procedures to ensure a person takes medications and treatments as prescribed~~ For purposes of this subdivision, "medication administration" means:

- (1) checking the person's medication record;
- (2) preparing the medication as necessary;
- (3) administering the medication or treatment to the person;
- (4) documenting the administration of the medication or treatment or the reason for not administering the medication or treatment; and
- (5) reporting to the prescriber or a nurse any concerns about the medication or treatment, including side effects, effectiveness, or a pattern of the person refusing to take the medication or treatment as prescribed. Adverse reactions must be immediately reported to the prescriber or a nurse.

~~(b)(1) If responsibility for medication administration is assigned to the license holder in the coordinated service and support plan or the coordinated service and support plan addendum, the license holder must implement medication administration procedures to ensure a person takes medications and treatments as prescribed. The license holder must ensure that the requirements in clauses (2) to (4) and (3) have been met before administering medication or treatment.~~

~~(2) The license holder must obtain written authorization from the person or the person's legal representative to administer medication or treatment and must obtain reauthorization annually as needed. This authorization shall remain in effect unless it is withdrawn in writing and may be withdrawn at any time. If the person or the person's legal representative refuses to authorize the license holder to administer medication, the medication must not be administered. The refusal to authorize medication administration must be reported to the prescriber as expeditiously as possible.~~

~~(3) The staff person responsible for administering the medication or treatment must complete medication administration training according to section 245D.09, subdivision 4a, paragraphs (a) and (c), and, as applicable to the person, paragraph (d).~~

~~(4) (3) For a license holder providing intensive support services, the medication or treatment must be administered according to the license holder's medication administration policy and procedures as required under section 245D.11, subdivision 2, clause (3).~~

~~(c) The license holder must ensure the following information is documented in the person's medication administration record:~~

- (1) the information on the current prescription label or the prescriber's current written or electronically recorded order or prescription that includes the person's name, description of the

medication or treatment to be provided, and the frequency and other information needed to safely and correctly administer the medication or treatment to ensure effectiveness;

(2) information on any risks or other side effects that are reasonable to expect, and any contraindications to its use. This information must be readily available to all staff administering the medication;

(3) the possible consequences if the medication or treatment is not taken or administered as directed;

(4) instruction on when and to whom to report the following:

(i) if a dose of medication is not administered or treatment is not performed as prescribed, whether by error by the staff or the person or by refusal by the person; and

(ii) the occurrence of possible adverse reactions to the medication or treatment;

(5) notation of any occurrence of a dose of medication not being administered or treatment not performed as prescribed, whether by error by the staff or the person or by refusal by the person, or of adverse reactions, and when and to whom the report was made; and

(6) notation of when a medication or treatment is started, administered, changed, or discontinued.

Sec. 28. Minnesota Statutes 2013 Supplement, section 245D.05, subdivision 4, is amended to read:

Subd. 4. **Reviewing and reporting medication and treatment issues.** (a) When assigned responsibility for medication administration, the license holder must ensure that the information maintained in the medication administration record is current and is regularly reviewed to identify medication administration errors. At a minimum, the review must be conducted every three months, or more frequently as directed in the coordinated service and support plan or coordinated service and support plan addendum or as requested by the person or the person's legal representative. Based on the review, the license holder must develop and implement a plan to correct patterns of medication administration errors when identified.

(b) If assigned responsibility for medication assistance or medication administration, the license holder must report the following to the person's legal representative and case manager as they occur or as otherwise directed in the coordinated service and support plan or the coordinated service and support plan addendum:

(1) any reports ~~made to the person's physician or prescriber~~ required under subdivision 2, paragraph (c), clause (4);

(2) a person's refusal or failure to take or receive medication or treatment as prescribed; or

(3) concerns about a person's self-administration of medication or treatment.

Sec. 29. Minnesota Statutes 2013 Supplement, section 245D.05, subdivision 5, is amended to read:

Subd. 5. **Injectable medications.** Injectable medications may be administered according to a prescriber's order and written instructions when one of the following conditions has been met:

(1) a registered nurse or licensed practical nurse will administer the ~~subcutaneous or intramuscular~~ injection;

(2) a supervising registered nurse with a physician's order has delegated the administration of ~~subcutaneous~~ injectable medication to an unlicensed staff member and has provided the necessary training; or

(3) there is an agreement signed by the license holder, the prescriber, and the person or the person's legal representative specifying what ~~subcutaneous~~ injections may be given, when, how, and that the prescriber must retain responsibility for the license holder's giving the injections. A copy of the agreement must be placed in the person's service recipient record.

Only licensed health professionals are allowed to administer psychotropic medications by injection.

Sec. 30. Minnesota Statutes 2013 Supplement, section 245D.051, is amended to read:

245D.051 PSYCHOTROPIC MEDICATION USE AND MONITORING.

Subdivision 1. **Conditions for psychotropic medication administration.** (a) When a person is prescribed a psychotropic medication and the license holder is assigned responsibility for administration of the medication in the person's coordinated service and support plan or the coordinated service and support plan addendum, the license holder must ensure that the requirements in ~~paragraphs (b) to (d)~~ and section 245D.05, subdivision 2, are met.

~~(b) Use of the medication must be included in the person's coordinated service and support plan or in the coordinated service and support plan addendum and based on a prescriber's current written or electronically recorded prescription.~~

~~(c)~~ (b) The license holder must develop, implement, and maintain the following documentation in the person's coordinated service and support plan addendum according to the requirements in sections 245D.07 and 245D.071:

(1) a description of the target symptoms that the psychotropic medication is to alleviate; and

(2) documentation methods the license holder will use to monitor and measure changes in the target symptoms that are to be alleviated by the psychotropic medication if required by the prescriber. The license holder must collect and report on medication and symptom-related data as instructed by the prescriber. The license holder must provide the monitoring data to the expanded support team for review every three months, or as otherwise requested by the person or the person's legal representative.

For the purposes of this section, "target symptom" refers to any perceptible diagnostic criteria for a person's diagnosed mental disorder, as defined by the Diagnostic and Statistical Manual of Mental Disorders Fourth Edition Text Revision (DSM-IV-TR) or successive editions, that has been identified for alleviation.

Subd. 2. **Refusal to authorize psychotropic medication.** If the person or the person's legal representative refuses to authorize the administration of a psychotropic medication as ordered by the prescriber, the license holder must ~~follow the requirement in section 245D.05, subdivision 2, paragraph (b), clause (2).~~ not administer the medication. The refusal to authorize medication administration must be reported to the prescriber as expeditiously as possible. After reporting the

refusal to the prescriber, the license holder must follow any directives or orders given by the prescriber. ~~A court order must be obtained to override the refusal. A refusal may not be overridden without a court order.~~ Refusal to authorize administration of a specific psychotropic medication is not grounds for service termination and does not constitute an emergency. A decision to terminate services must be reached in compliance with section 245D.10, subdivision 3.

Sec. 31. Minnesota Statutes 2013 Supplement, section 245D.06, subdivision 1, is amended to read:

Subdivision 1. **Incident response and reporting.** (a) The license holder must respond to incidents under section 245D.02, subdivision 11, that occur while providing services to protect the health and safety of and minimize risk of harm to the person.

(b) The license holder must maintain information about and report incidents to the person's legal representative or designated emergency contact and case manager within 24 hours of an incident occurring while services are being provided, within 24 hours of discovery or receipt of information that an incident occurred, unless the license holder has reason to know that the incident has already been reported, or as otherwise directed in a person's coordinated service and support plan or coordinated service and support plan addendum. An incident of suspected or alleged maltreatment must be reported as required under paragraph (d), and an incident of serious injury or death must be reported as required under paragraph (e).

(c) When the incident involves more than one person, the license holder must not disclose personally identifiable information about any other person when making the report to each person and case manager unless the license holder has the consent of the person.

(d) Within 24 hours of reporting maltreatment as required under section 626.556 or 626.557, the license holder must inform the case manager of the report unless there is reason to believe that the case manager is involved in the suspected maltreatment. The license holder must disclose the nature of the activity or occurrence reported and the agency that received the report.

(e) The license holder must report the death or serious injury of the person as required in paragraph (b) and to the Department of Human Services Licensing Division, and the Office of Ombudsman for Mental Health and Developmental Disabilities as required under section 245.94, subdivision 2a, within 24 hours of the death, or receipt of information that the death occurred, unless the license holder has reason to know that the death has already been reported.

(f) When a death or serious injury occurs in a facility certified as an intermediate care facility for persons with developmental disabilities, the death or serious injury must be reported to the Department of Health, Office of Health Facility Complaints, and the Office of Ombudsman for Mental Health and Developmental Disabilities, as required under sections 245.91 and 245.94, subdivision 2a, unless the license holder has reason to know that the death has already been reported.

(g) The license holder must conduct an internal review of incident reports of deaths and serious injuries that occurred while services were being provided and that were not reported by the program as alleged or suspected maltreatment, for identification of incident patterns, and implementation of corrective action as necessary to reduce occurrences. The review must include an evaluation of whether related policies and procedures were followed, whether the policies and procedures were adequate, whether there is a need for additional staff training, whether the reported event is similar to past events with the persons or the services involved, and whether there is a need for corrective

action by the license holder to protect the health and safety of persons receiving services. Based on the results of this review, the license holder must develop, document, and implement a corrective action plan designed to correct current lapses and prevent future lapses in performance by staff or the license holder, if any.

(h) The license holder must verbally report the emergency use of manual restraint of a person as required in paragraph (b) within 24 hours of the occurrence. The license holder must ensure the written report and internal review of all incident reports of the emergency use of manual restraints are completed according to the requirements in section 245D.061 or successor provisions.

Sec. 32. Minnesota Statutes 2013 Supplement, section 245D.06, subdivision 2, is amended to read:

Subd. 2. **Environment and safety.** The license holder must:

(1) ensure the following when the license holder is the owner, lessor, or tenant of the service site:

(i) the service site is a safe and hazard-free environment;

(ii) that toxic substances or dangerous items are inaccessible to persons served by the program only to protect the safety of a person receiving services when a known safety threat exists and not as a substitute for staff supervision or interactions with a person who is receiving services. If toxic substances or dangerous items are made inaccessible, the license holder must document an assessment of the physical plant, its environment, and its population identifying the risk factors which require toxic substances or dangerous items to be inaccessible and a statement of specific measures to be taken to minimize the safety risk to persons receiving services and to restore accessibility to all persons receiving services at the service site;

(iii) doors are locked from the inside to prevent a person from exiting only when necessary to protect the safety of a person receiving services and not as a substitute for staff supervision or interactions with the person. If doors are locked from the inside, the license holder must document an assessment of the physical plant, the environment and the population served, identifying the risk factors which require the use of locked doors, and a statement of specific measures to be taken to minimize the safety risk to persons receiving services at the service site; and

(iv) a staff person is available at the service site who is trained in basic first aid and, when required in a person's coordinated service and support plan or coordinated service and support plan addendum, cardiopulmonary resuscitation (CPR) whenever persons are present and staff are required to be at the site to provide direct support service. The CPR training must include in-person instruction, hands-on practice, and an observed skills assessment under the direct supervision of a CPR instructor;

(2) maintain equipment, vehicles, supplies, and materials owned or leased by the license holder in good condition when used to provide services;

(3) follow procedures to ensure safe transportation, handling, and transfers of the person and any equipment used by the person, when the license holder is responsible for transportation of a person or a person's equipment;

(4) be prepared for emergencies and follow emergency response procedures to ensure the person's safety in an emergency; and

(5) follow universal precautions and sanitary practices, including hand washing, for infection prevention and control, and to prevent communicable diseases.

Sec. 33. Minnesota Statutes 2013 Supplement, section 245D.06, subdivision 4, is amended to read:

Subd. 4. **Funds and property; legal representative restrictions.** (a) Whenever the license holder assists a person with the safekeeping of funds or other property according to section 245A.04, subdivision 13, the license holder must obtain written authorization to do so from the person or the person's legal representative and the case manager. Authorization must be obtained within five working days of service initiation and renewed annually thereafter. At the time initial authorization is obtained, the license holder must survey, document, and implement the preferences of the person or the person's legal representative and the case manager for frequency of receiving a statement that itemizes receipts and disbursements of funds or other property. The license holder must document changes to these preferences when they are requested.

(b) A license holder or staff person may not accept powers-of-attorney from a person receiving services from the license holder for any purpose. This does not apply to license holders that are Minnesota counties or other units of government or to staff persons employed by license holders who were acting as attorney-in-fact for specific individuals prior to implementation of this chapter. The license holder must maintain documentation of the power-of-attorney in the service recipient record.

(c) A license holder or staff person is restricted from accepting an appointment as a guardian as follows:

(1) under section 524.5-309 of the Uniform Probate Code, any individual or agency that provides residence, custodial care, medical care, employment training, or other care or services for which the individual or agency receives a fee may not be appointed as guardian unless related to the respondent by blood, marriage, or adoption; and

(2) under section 245A.03, subdivision 2, paragraph (a), clause (1), a related individual as defined under section 245A.02, subdivision 13, is excluded from licensure. Services provided by a license holder to a person under the license holder's guardianship are not licensed services.

(e) (d) Upon the transfer or death of a person, any funds or other property of the person must be surrendered to the person or the person's legal representative, or given to the executor or administrator of the estate in exchange for an itemized receipt.

Sec. 34. Minnesota Statutes 2013 Supplement, section 245D.06, subdivision 6, is amended to read:

Subd. 6. **Restricted procedures.** (a) The following procedures are allowed when the procedures are implemented in compliance with the standards governing their use as identified in clauses (1) to (3). Allowed but restricted procedures include:

- (1) permitted actions and procedures subject to the requirements in subdivision 7;
- (2) procedures identified in a positive support transition plan subject to the requirements in subdivision 8; or
- (3) emergency use of manual restraint subject to the requirements in section 245D.061.

For purposes of this chapter, this section supersedes the requirements identified in Minnesota Rules, part 9525.2740.

(b) A restricted procedure identified in paragraph (a) must not:

(1) be implemented with a child in a manner that constitutes sexual abuse, neglect, physical abuse, or mental injury, as defined in section 626.556, subdivision 2;

(2) be implemented with an adult in a manner that constitutes abuse or neglect as defined in section 626.5572, subdivision 2 or 17;

(3) be implemented in a manner that violates a person's rights identified in section 245D.04;

(4) restrict a person's normal access to a nutritious diet, drinking water, adequate ventilation, necessary medical care, ordinary hygiene facilities, normal sleeping conditions, necessary clothing, or any protection required by state licensing standards or federal regulations governing the program;

(5) deny the person visitation or ordinary contact with legal counsel, a legal representative, or next of kin;

(6) be used for the convenience of staff, as punishment, as a substitute for adequate staffing, or as a consequence if the person refuses to participate in the treatment or services provided by the program;

(7) use prone restraint. For purposes of this section, "prone restraint" means use of manual restraint that places a person in a face-down position. Prone restraint does not include brief physical holding of a person who, during an emergency use of manual restraint, rolls into a prone position, if the person is restored to a standing, sitting, or side-lying position as quickly as possible;

(8) apply back or chest pressure while a person is in a prone position as identified in clause (7), supine position, or side-lying position; or

(9) be implemented in a manner that is contraindicated for any of the person's known medical or psychological limitations.

Sec. 35. Minnesota Statutes 2013 Supplement, section 245D.06, subdivision 7, is amended to read:

Subd. 7. **Permitted actions and procedures.** (a) Use of the instructional techniques and intervention procedures as identified in paragraphs (b) and (c) is permitted when used on an intermittent or continuous basis. When used on a continuous basis, it must be addressed in a person's coordinated service and support plan addendum as identified in sections 245D.07 and 245D.071. For purposes of this chapter, the requirements of this subdivision supersede the requirements identified in Minnesota Rules, part 9525.2720.

(b) Physical contact or instructional techniques must use the least restrictive alternative possible to meet the needs of the person and may be used:

(1) to calm or comfort a person by holding that person with no resistance from that person;

(2) to protect a person known to be at risk ~~or~~ of injury due to frequent falls as a result of a medical condition;

(3) to facilitate the person's completion of a task or response when the person does not resist or the person's resistance is minimal in intensity and duration; ~~or~~

(4) to ~~briefly~~ block or redirect a person's limbs or body without holding the person or limiting the person's movement to interrupt the person's behavior that may result in injury to self or others; with less than 60 seconds of physical contact by staff; or

(5) to redirect a person's behavior when the behavior does not pose a serious threat to the person or others and the behavior is effectively redirected with less than 60 seconds of physical contact by staff.

(c) Restraint may be used as an intervention procedure to:

(1) allow a licensed health care professional to safely conduct a medical examination or to provide medical treatment ordered by a licensed health care professional to a person necessary to promote healing or recovery from an acute, meaning short-term, medical condition;

(2) assist in the safe evacuation or redirection of a person in the event of an emergency and the person is at imminent risk of harm; or

~~Any use of manual restraint as allowed in this paragraph must comply with the restrictions identified in section 245D.061, subdivision 3; or~~

(3) position a person with physical disabilities in a manner specified in the person's coordinated service and support plan addendum.

Any use of manual restraint as allowed in this paragraph must comply with the restrictions identified in subdivision 6, paragraph (b).

(d) Use of adaptive aids or equipment, orthotic devices, or other medical equipment ordered by a licensed health professional to treat a diagnosed medical condition do not in and of themselves constitute the use of mechanical restraint.

Sec. 36. Minnesota Statutes 2013 Supplement, section 245D.06, subdivision 8, is amended to read:

Subd. 8. **Positive support transition plan.** (a) License holders must develop a positive support transition plan on the forms and in the manner prescribed by the commissioner for a person who requires intervention in order to maintain safety when it is known that the person's behavior poses an immediate risk of physical harm to self or others. The positive support transition plan forms and instructions will supersede the requirements in Minnesota Rules, parts 9525.2750; 9525.2760; and 9525.2780. The positive support transition plan must phase out any existing plans for the emergency or programmatic use of ~~aversive or deprivation procedures~~ restrictive interventions prohibited under this chapter within the following timelines:

(1) for persons receiving services from the license holder before January 1, 2014, the plan must be developed and implemented by February 1, 2014, and phased out no later than December 31, 2014; and

(2) for persons admitted to the program on or after January 1, 2014, the plan must be developed and implemented within 30 calendar days of service initiation and phased out no later than 11 months from the date of plan implementation.

(b) The commissioner has limited authority to grant approval for the emergency use of procedures identified in subdivision 6 that had been part of an approved positive support transition plan when a person is at imminent risk of serious injury as defined in section 245.91, subdivision 6, due to self-injurious behavior and the following conditions are met:

- (1) the person's expanded support team approves the emergency use of the procedures; and
- (2) the interim review panel established in section 245.8251, subdivision 4, recommends commissioner approval of the emergency use of the procedures.

(c) Written requests for the emergency use of the procedures must be developed and submitted to the commissioner by the designated coordinator with input from the person's expanded support team in accordance with the requirements set by the interim review panel, in addition to the following:

- (1) a copy of the person's current positive support transition plan and copies of each positive support transition plan review containing data on the progress of the plan from the previous year;
- (2) documentation of a good faith effort to eliminate the use of the procedures that had been part of an approved positive support transition plan;
- (3) justification for the continued use of the procedures that identifies the imminent risk of serious injury due to the person's self-injurious behavior if the procedures were eliminated;
- (4) documentation of the clinicians consulted in creating and maintaining the positive support transition plan; and
- (5) documentation of the expanded support team's approval and the recommendation from the interim panel required under paragraph (b).

(d) A copy of the written request, supporting documentation, and the commissioner's final determination on the request must be maintained in the person's service recipient record.

Sec. 37. Minnesota Statutes 2013 Supplement, section 245D.071, subdivision 3, is amended to read:

Subd. 3. **Assessment and initial service planning.** (a) Within 15 days of service initiation the license holder must complete a preliminary coordinated service and support plan addendum based on the coordinated service and support plan.

~~(b) Within 45 days of service initiation the license holder must meet with the person, the person's legal representative, the case manager, and other members of the support team or expanded support team to assess and determine the following based on the person's coordinated service and support plan and the requirements in subdivision 4 and section 245D.07, subdivision 1a:~~

- ~~(1) the scope of the services to be provided to support the person's daily needs and activities;~~
- ~~(2) the person's desired outcomes and the supports necessary to accomplish the person's desired outcomes;~~
- ~~(3) the person's preferences for how services and supports are provided;~~
- ~~(4) whether the current service setting is the most integrated setting available and appropriate for the person; and~~

(5) how services must be coordinated across other providers licensed under this chapter serving the same person to ensure continuity of care for the person.

(c) Within the scope of services, the license holder must, at a minimum, assess the following areas:

(1) the person's ability to self-manage health and medical needs to maintain or improve physical, mental, and emotional well-being, including, when applicable, allergies, seizures, choking, special dietary needs, chronic medical conditions, self-administration of medication or treatment orders, preventative screening, and medical and dental appointments;

(2) the person's ability to self-manage personal safety to avoid injury or accident in the service setting, including, when applicable, risk of falling, mobility, regulating water temperature, community survival skills, water safety skills, and sensory disabilities; and

(3) the person's ability to self-manage symptoms or behavior that may otherwise result in an incident as defined in section 245D.02, subdivision 11, clauses (4) to (7), suspension or termination of services by the license holder, or other symptoms or behaviors that may jeopardize the health and safety of the person or others. The assessments must produce information about the person that is descriptive of the person's overall strengths, functional skills and abilities, and behaviors or symptoms.

(b) Within the scope of services, the license holder must, at a minimum, complete assessments in the following areas before the 45-day planning meeting:

(1) the person's ability to self-manage health and medical needs to maintain or improve physical, mental, and emotional well-being, including, when applicable, allergies, seizures, choking, special dietary needs, chronic medical conditions, self-administration of medication or treatment orders, preventative screening, and medical and dental appointments;

(2) the person's ability to self-manage personal safety to avoid injury or accident in the service setting, including, when applicable, risk of falling, mobility, regulating water temperature, community survival skills, water safety skills, and sensory disabilities; and

(3) the person's ability to self-manage symptoms or behavior that may otherwise result in an incident as defined in section 245D.02, subdivision 11, clauses (4) to (7), suspension or termination of services by the license holder, or other symptoms or behaviors that may jeopardize the health and safety of the person or others.

Assessments must produce information about the person that describes the person's overall strengths, functional skills and abilities, and behaviors or symptoms. Assessments must be based on the person's status within the last 12 months at the time of service initiation. Assessments based on older information must be documented and justified. Assessments must be conducted annually at a minimum or within 30 days of a written request from the person or the person's legal representative or case manager. The results must be reviewed by the support team or expanded support team as part of a service plan review.

(c) Within 45 days of service initiation, the license holder must meet with the person, the person's legal representative, the case manager, and other members of the support team or expanded support team to determine the following based on information obtained from the assessments identified in

paragraph (b), the person's identified needs in the coordinated service and support plan, and the requirements in subdivision 4 and section 245D.07, subdivision 1a:

- (1) the scope of the services to be provided to support the person's daily needs and activities;
- (2) the person's desired outcomes and the supports necessary to accomplish the person's desired outcomes;
- (3) the person's preferences for how services and supports are provided;
- (4) whether the current service setting is the most integrated setting available and appropriate for the person; and
- (5) how services must be coordinated across other providers licensed under this chapter serving the person and members of the support team or expanded support team to ensure continuity of care and coordination of services for the person.

Sec. 38. Minnesota Statutes 2013 Supplement, section 245D.071, subdivision 4, is amended to read:

Subd. 4. **Service outcomes and supports.** (a) Within ten working days of the 45-day planning meeting, the license holder must develop ~~and document~~ a service plan that documents the service outcomes and supports based on the assessments completed under subdivision 3 and the requirements in section 245D.07, subdivision 1a. The outcomes and supports must be included in the coordinated service and support plan addendum.

(b) The license holder must document the supports and methods to be implemented to support the ~~accomplishment of person and accomplish~~ outcomes related to acquiring, retaining, or improving skills and physical, mental, and emotional health and well-being. The documentation must include:

- (1) the methods or actions that will be used to support the person and to accomplish the service outcomes, including information about:
 - (i) any changes or modifications to the physical and social environments necessary when the service supports are provided;
 - (ii) any equipment and materials required; and
 - (iii) techniques that are consistent with the person's communication mode and learning style;
- (2) the measurable and observable criteria for identifying when the desired outcome has been achieved and how data will be collected;
- (3) the projected starting date for implementing the supports and methods and the date by which progress towards accomplishing the outcomes will be reviewed and evaluated; and
- (4) the names of the staff or position responsible for implementing the supports and methods.

(c) Within 20 working days of the 45-day meeting, the license holder must obtain dated signatures from the person or the person's legal representative and case manager to document completion and approval of the assessment and coordinated service and support plan addendum.

Sec. 39. Minnesota Statutes 2013 Supplement, section 245D.071, subdivision 5, is amended to read:

Subd. 5. **Progress reviews Service plan review and evaluation.** (a) The license holder must give the person or the person's legal representative and case manager an opportunity to participate in the ongoing review and development of the service plan and the methods used to support the person and accomplish outcomes identified in subdivisions 3 and 4. The license holder, in coordination with the person's support team or expanded support team, must meet with the person, the person's legal representative, and the case manager, and participate in progress service plan review meetings following stated timelines established in the person's coordinated service and support plan or coordinated service and support plan addendum or within 30 days of a written request by the person, the person's legal representative, or the case manager, at a minimum of once per year. The purpose of the service plan review is to determine whether changes are needed to the service plan based on the assessment information, the license holder's evaluation of progress towards accomplishing outcomes, or other information provided by the support team or expanded support team.

(b) The license holder must summarize the person's status and progress toward achieving the identified outcomes and make recommendations and identify the rationale for changing, continuing, or discontinuing implementation of supports and methods identified in subdivision 4 in a written report sent to the person or the person's legal representative and case manager five working days prior to the review meeting, unless the person, the person's legal representative, or the case manager requests to receive the report at the time of the meeting.

(c) Within ten working days of the progress review meeting, the license holder must obtain dated signatures from the person or the person's legal representative and the case manager to document approval of any changes to the coordinated service and support plan addendum.

Sec. 40. Minnesota Statutes 2013 Supplement, section 245D.081, subdivision 2, is amended to read:

Subd. 2. **Coordination and evaluation of individual service delivery.** (a) Delivery and evaluation of services provided by the license holder must be coordinated by a designated staff person. The designated coordinator must provide supervision, support, and evaluation of activities that include:

(1) oversight of the license holder's responsibilities assigned in the person's coordinated service and support plan and the coordinated service and support plan addendum;

(2) taking the action necessary to facilitate the accomplishment of the outcomes according to the requirements in section 245D.07;

(3) instruction and assistance to direct support staff implementing the coordinated service and support plan and the service outcomes, including direct observation of service delivery sufficient to assess staff competency; and

(4) evaluation of the effectiveness of service delivery, methodologies, and progress on the person's outcomes based on the measurable and observable criteria for identifying when the desired outcome has been achieved according to the requirements in section 245D.07.

(b) The license holder must ensure that the designated coordinator is competent to perform the required duties identified in paragraph (a) through education and, training in human services and disability-related fields, and work experience in providing direct care services and supports to persons with disabilities relevant to the primary disability of persons served by the license holder

and the individual persons for whom the designated coordinator is responsible. The designated coordinator must have the skills and ability necessary to develop effective plans and to design and use data systems to measure effectiveness of services and supports. The license holder must verify and document competence according to the requirements in section 245D.09, subdivision 3. The designated coordinator must minimally have:

(1) a baccalaureate degree in a field related to human services, and one year of full-time work experience providing direct care services to persons with disabilities or persons age 65 and older;

(2) an associate degree in a field related to human services, and two years of full-time work experience providing direct care services to persons with disabilities or persons age 65 and older;

(3) a diploma in a field related to human services from an accredited postsecondary institution and three years of full-time work experience providing direct care services to persons with disabilities or persons age 65 and older; or

(4) a minimum of 50 hours of education and training related to human services and disabilities; and

(5) four years of full-time work experience providing direct care services to persons with disabilities or persons age 65 and older under the supervision of a staff person who meets the qualifications identified in clauses (1) to (3).

Sec. 41. Minnesota Statutes 2013 Supplement, section 245D.09, subdivision 3, is amended to read:

Subd. 3. **Staff qualifications.** (a) The license holder must ensure that staff providing direct support, or staff who have responsibilities related to supervising or managing the provision of direct support service, are competent as demonstrated through skills and knowledge training, experience, and education relevant to the primary disability of the person and to meet the person's needs and additional requirements as written in the coordinated service and support plan or coordinated service and support plan addendum, or when otherwise required by the case manager or the federal waiver plan. The license holder must verify and maintain evidence of staff competency, including documentation of:

(1) education and experience qualifications relevant to the job responsibilities assigned to the staff and ~~to the needs of the general population~~ primary disability of persons served by the program, including a valid degree and transcript, or a current license, registration, or certification, when a degree or licensure, registration, or certification is required by this chapter or in the coordinated service and support plan or coordinated service and support plan addendum;

(2) demonstrated competency in the orientation and training areas required under this chapter, and when applicable, completion of continuing education required to maintain professional licensure, registration, or certification requirements. Competency in these areas is determined by the license holder through knowledge testing ~~and~~ or observed skill assessment conducted by the trainer or instructor; and

(3) except for a license holder who is the sole direct support staff, periodic performance evaluations completed by the license holder of the direct support staff person's ability to perform the job functions based on direct observation.

(b) Staff under 18 years of age may not perform overnight duties or administer medication.

Sec. 42. Minnesota Statutes 2013 Supplement, section 245D.09, subdivision 4a, is amended to read:

Subd. 4a. **Orientation to individual service recipient needs.** (a) Before having unsupervised direct contact with a person served by the program, or for whom the staff person has not previously provided direct support, or any time the plans or procedures identified in paragraphs (b) to ~~(f)~~ (g) are revised, the staff person must review and receive instruction on the requirements in paragraphs (b) to ~~(f)~~ (g) as they relate to the staff person's job functions for that person.

(b) Training and competency evaluations must include the following:

(1) appropriate and safe techniques in personal hygiene and grooming, including hair care; bathing; care of teeth, gums, and oral prosthetic devices; and other activities of daily living (ADLs) as defined under section 256B.0659, subdivision 1;

(2) an understanding of what constitutes a healthy diet according to data from the Centers for Disease Control and Prevention and the skills necessary to prepare that diet;

(3) skills necessary to provide appropriate support in instrumental activities of daily living (IADLs) as defined under section 256B.0659, subdivision 1; and

(4) demonstrated competence in providing first aid.

(c) The staff person must review and receive instruction on the person's coordinated service and support plan or coordinated service and support plan addendum as it relates to the responsibilities assigned to the license holder, and when applicable, the person's individual abuse prevention plan, to achieve and demonstrate an understanding of the person as a unique individual, and how to implement those plans.

(d) The staff person must review and receive instruction on medication setup, assistance, or administration procedures established for the person when ~~medication administration~~ is assigned to the license holder according to section 245D.05, subdivision 1, paragraph (b). Unlicensed staff may ~~administer medications~~ perform medication setup or medication administration only after successful completion of a medication setup or medication administration training, from a training curriculum developed by a registered nurse, ~~clinical nurse specialist in psychiatric and mental health nursing, certified nurse practitioner, physician's assistant, or physician~~ or appropriate licensed health professional. The training curriculum must incorporate an observed skill assessment conducted by the trainer to ensure unlicensed staff demonstrate the ability to safely and correctly follow medication procedures.

Medication administration must be taught by a registered nurse, clinical nurse specialist, certified nurse practitioner, physician's assistant, or physician if, at the time of service initiation or any time thereafter, the person has or develops a health care condition that affects the service options available to the person because the condition requires:

(1) specialized or intensive medical or nursing supervision; and

(2) nonmedical service providers to adapt their services to accommodate the health and safety needs of the person.

(e) The staff person must review and receive instruction on the safe and correct operation of medical equipment used by the person to sustain life, including but not limited to ventilators,

feeding tubes, or endotracheal tubes. The training must be provided by a licensed health care professional or a manufacturer's representative and incorporate an observed skill assessment to ensure staff demonstrate the ability to safely and correctly operate the equipment according to the treatment orders and the manufacturer's instructions.

(f) The staff person must review and receive instruction on what constitutes use of restraints, time out, and seclusion, including chemical restraint, and staff responsibilities related to the prohibitions of their use according to the requirements in section 245D.06, subdivision 5 or successor provisions, why such procedures are not effective for reducing or eliminating symptoms or undesired behavior and why they are not safe, and the safe and correct use of manual restraint on an emergency basis according to the requirements in section 245D.061 or successor provisions.

(g) The staff person must review and receive instruction on mental health crisis response, de-escalation techniques, and suicide intervention when providing direct support to a person with a serious mental illness.

~~(g)~~ (h) In the event of an emergency service initiation, the license holder must ensure the training required in this subdivision occurs within 72 hours of the direct support staff person first having unsupervised contact with the person receiving services. The license holder must document the reason for the unplanned or emergency service initiation and maintain the documentation in the person's service recipient record.

~~(h)~~ (i) License holders who provide direct support services themselves must complete the orientation required in subdivision 4, clauses (3) to (7).

Sec. 43. Minnesota Statutes 2013 Supplement, section 245D.091, subdivision 2, is amended to read:

Subd. 2. **Behavior professional qualifications.** A behavior professional providing behavioral support services as identified in section 245D.03, subdivision 1, paragraph (c), clause (1), item (i), as defined in the brain injury and community alternatives for disabled individuals waiver plans or successor plans, must have competencies in the following areas related to as required under the brain injury and community alternatives for disabled individuals waiver plans or successor plans:

- (1) ethical considerations;
- (2) functional assessment;
- (3) functional analysis;
- (4) measurement of behavior and interpretation of data;
- (5) selecting intervention outcomes and strategies;
- (6) behavior reduction and elimination strategies that promote least restrictive approved alternatives;
- (7) data collection;
- (8) staff and caregiver training;
- (9) support plan monitoring;
- (10) co-occurring mental disorders or neurocognitive disorder;

(11) demonstrated expertise with populations being served; and

(12) must be a:

(i) psychologist licensed under sections 148.88 to 148.98, who has stated to the Board of Psychology competencies in the above identified areas;

(ii) clinical social worker licensed as an independent clinical social worker under chapter 148D, or a person with a master's degree in social work from an accredited college or university, with at least 4,000 hours of post-master's supervised experience in the delivery of clinical services in the areas identified in clauses (1) to (11);

(iii) physician licensed under chapter 147 and certified by the American Board of Psychiatry and Neurology or eligible for board certification in psychiatry with competencies in the areas identified in clauses (1) to (11);

(iv) licensed professional clinical counselor licensed under sections 148B.29 to 148B.39 with at least 4,000 hours of post-master's supervised experience in the delivery of clinical services who has demonstrated competencies in the areas identified in clauses (1) to (11);

(v) person with a master's degree from an accredited college or university in one of the behavioral sciences or related fields, with at least 4,000 hours of post-master's supervised experience in the delivery of clinical services with demonstrated competencies in the areas identified in clauses (1) to (11); or

(vi) registered nurse who is licensed under sections 148.171 to 148.285, and who is certified as a clinical specialist or as a nurse practitioner in adult or family psychiatric and mental health nursing by a national nurse certification organization, or who has a master's degree in nursing or one of the behavioral sciences or related fields from an accredited college or university or its equivalent, with at least 4,000 hours of post-master's supervised experience in the delivery of clinical services.

Sec. 44. Minnesota Statutes 2013 Supplement, section 245D.091, subdivision 3, is amended to read:

Subd. 3. Behavior analyst qualifications. (a) A behavior analyst providing behavioral support services as identified in section 245D.03, subdivision 1, paragraph (c), clause (1), item (i), as defined in the brain injury and community alternatives for disabled individuals waiver plans or successor plans, must have competencies in the following areas as required under the brain injury and community alternatives for disabled individuals waiver plans or successor plans:

(1) have obtained a baccalaureate degree, master's degree, or PhD in a social services discipline; or

(2) meet the qualifications of a mental health practitioner as defined in section 245.462, subdivision 17.

(b) In addition, a behavior analyst must:

(1) have four years of supervised experience working with individuals who exhibit challenging behaviors as well as co-occurring mental disorders or neurocognitive disorder;

(2) have received ten hours of instruction in functional assessment and functional analysis;

(3) have received 20 hours of instruction in the understanding of the function of behavior;

(4) have received ten hours of instruction on design of positive practices behavior support strategies;

(5) have received 20 hours of instruction on the use of behavior reduction approved strategies used only in combination with behavior positive practices strategies;

(6) be determined by a behavior professional to have the training and prerequisite skills required to provide positive practice strategies as well as behavior reduction approved and permitted intervention to the person who receives behavioral support; and

(7) be under the direct supervision of a behavior professional.

Sec. 45. Minnesota Statutes 2013 Supplement, section 245D.091, subdivision 4, is amended to read:

Subd. 4. Behavior specialist qualifications. (a) A behavior specialist providing behavioral support services as identified in section 245D.03, subdivision 1, paragraph (c), clause (1), item (i), as defined in the brain injury and community alternatives for disabled individuals waiver plans or successor plans, must meet the following qualifications have competencies in the following areas as required under the brain injury and community alternatives for disabled individuals waiver plans or successor plans:

(1) have an associate's degree in a social services discipline; or

(2) have two years of supervised experience working with individuals who exhibit challenging behaviors as well as co-occurring mental disorders or neurocognitive disorder.

(b) In addition, a behavior specialist must:

(1) have received a minimum of four hours of training in functional assessment;

(2) have received 20 hours of instruction in the understanding of the function of behavior;

(3) have received ten hours of instruction on design of positive practices behavioral support strategies;

(4) be determined by a behavior professional to have the training and prerequisite skills required to provide positive practices strategies as well as behavior reduction approved intervention to the person who receives behavioral support; and

(5) be under the direct supervision of a behavior professional.

Sec. 46. Minnesota Statutes 2013 Supplement, section 245D.10, subdivision 3, is amended to read:

Subd. 3. Service suspension and service termination. (a) The license holder must establish policies and procedures for temporary service suspension and service termination that promote continuity of care and service coordination with the person and the case manager and with other licensed caregivers, if any, who also provide support to the person.

(b) The policy must include the following requirements:

(1) the license holder must notify the person or the person's legal representative and case manager in writing of the intended termination or temporary service suspension, and the person's right to seek

a temporary order staying the termination of service according to the procedures in section 256.045, subdivision 4a, or 6, paragraph (c);

(2) notice of the proposed termination of services, including those situations that began with a temporary service suspension, must be given at least 60 days before the proposed termination is to become effective when a license holder is providing intensive supports and services identified in section 245D.03, subdivision 1, paragraph (c), and 30 days prior to termination for all other services licensed under this chapter. This notice may be given in conjunction with a notice of temporary service suspension;

(3) notice of temporary service suspension must be given on the first day of the service suspension;

~~(3)~~ (4) the license holder must provide information requested by the person or case manager when services are temporarily suspended or upon notice of termination;

~~(4)~~ (5) prior to giving notice of service termination or temporary service suspension, the license holder must document actions taken to minimize or eliminate the need for service suspension or termination;

~~(5)~~ (6) during the temporary service suspension or service termination notice period, the license holder will must work with the appropriate county agency support team or expanded support team to develop reasonable alternatives to protect the person and others;

~~(6)~~ (7) the license holder must maintain information about the service suspension or termination, including the written termination notice, in the service recipient record; and

~~(7)~~ (8) the license holder must restrict temporary service suspension to situations in which the person's conduct poses an imminent risk of physical harm to self or others and less restrictive or positive support strategies would not achieve and maintain safety.

Sec. 47. Minnesota Statutes 2013 Supplement, section 245D.10, subdivision 4, is amended to read:

Subd. 4. **Availability of current written policies and procedures.** (a) The license holder must review and update, as needed, the written policies and procedures required under this chapter.

(b) (1) The license holder must inform the person and case manager of the policies and procedures affecting a person's rights under section 245D.04, and provide copies of those policies and procedures, within five working days of service initiation.

(2) If a license holder only provides basic services and supports, this includes the:

- (i) grievance policy and procedure required under subdivision 2; and
- (ii) service suspension and termination policy and procedure required under subdivision 3.

(3) For all other license holders this includes the:

- (i) policies and procedures in clause (2);
- (ii) emergency use of manual restraints policy and procedure required under section 245D.061, subdivision 10, or successor provisions; and

(iii) data privacy requirements under section 245D.11, subdivision 3.

(c) The license holder must provide a written notice to all persons or their legal representatives and case managers at least 30 days before implementing any procedural revisions to policies affecting a person's service-related or protection-related rights under section 245D.04 and maltreatment reporting policies and procedures. The notice must explain the revision that was made and include a copy of the revised policy and procedure. The license holder must document the reasonable cause for not providing the notice at least 30 days before implementing the revisions.

(d) Before implementing revisions to required policies and procedures, the license holder must inform all employees of the revisions and provide training on implementation of the revised policies and procedures.

(e) The license holder must annually notify all persons, or their legal representatives, and case managers of any procedural revisions to policies required under this chapter, other than those in paragraph (c). Upon request, the license holder must provide the person, or the person's legal representative, and case manager with copies of the revised policies and procedures.

Sec. 48. Minnesota Statutes 2013 Supplement, section 245D.11, subdivision 2, is amended to read:

Subd. 2. **Health and safety.** The license holder must establish policies and procedures that promote health and safety by ensuring:

(1) use of universal precautions and sanitary practices in compliance with section 245D.06, subdivision 2, clause (5);

(2) if the license holder operates a residential program, health service coordination and care according to the requirements in section 245D.05, subdivision 1;

(3) safe medication assistance and administration according to the requirements in sections 245D.05, subdivisions 1a, 2, and 5, and 245D.051, that are established in consultation with a registered nurse, nurse practitioner, physician's assistant, or medical doctor and require completion of medication administration training according to the requirements in section 245D.09, subdivision 4a, paragraph (d). Medication assistance and administration includes, but is not limited to:

(i) providing medication-related services for a person;

(ii) medication setup;

(iii) medication administration;

(iv) medication storage and security;

(v) medication documentation and charting;

(vi) verification and monitoring of effectiveness of systems to ensure safe medication handling and administration;

(vii) coordination of medication refills;

(viii) handling changes to prescriptions and implementation of those changes;

(ix) communicating with the pharmacy; and

(x) coordination and communication with prescriber;

(4) safe transportation, when the license holder is responsible for transportation of persons, with provisions for handling emergency situations according to the requirements in section 245D.06, subdivision 2, clauses (2) to (4);

(5) a plan for ensuring the safety of persons served by the program in emergencies as defined in section 245D.02, subdivision 8, and procedures for staff to report emergencies to the license holder. A license holder with a community residential setting or a day service facility license must ensure the policy and procedures comply with the requirements in section 245D.22, subdivision 4;

(6) a plan for responding to all incidents as defined in section 245D.02, subdivision 11; and reporting all incidents required to be reported according to section 245D.06, subdivision 1. The plan must:

(i) provide the contact information of a source of emergency medical care and transportation; and

(ii) require staff to first call 911 when the staff believes a medical emergency may be life threatening, or to call the mental health crisis intervention team or similar mental health response team or service when such a team is available and appropriate when the person is experiencing a mental health crisis; and

(7) a procedure for the review of incidents and emergencies to identify trends or patterns, and corrective action if needed. The license holder must establish and maintain a record-keeping system for the incident and emergency reports. Each incident and emergency report file must contain a written summary of the incident. The license holder must conduct a review of incident reports for identification of incident patterns, and implementation of corrective action as necessary to reduce occurrences. Each incident report must include:

(i) the name of the person or persons involved in the incident. It is not necessary to identify all persons affected by or involved in an emergency unless the emergency resulted in an incident;

(ii) the date, time, and location of the incident or emergency;

(iii) a description of the incident or emergency;

(iv) a description of the response to the incident or emergency and whether a person's coordinated service and support plan addendum or program policies and procedures were implemented as applicable;

(v) the name of the staff person or persons who responded to the incident or emergency; and

(vi) the determination of whether corrective action is necessary based on the results of the review.

Sec. 49. Minnesota Statutes 2013 Supplement, section 252.27, subdivision 2a, is amended to read:

Subd. 2a. **Contribution amount.** (a) The natural or adoptive parents of a minor child, including a child determined eligible for medical assistance without consideration of parental income, must contribute to the cost of services used by making monthly payments on a sliding scale based on income, unless the child is married or has been married, parental rights have been terminated, or the child's adoption is subsidized according to chapter 259A or through title IV-E of the Social Security Act. The parental contribution is a partial or full payment for medical services provided for diagnostic, therapeutic, curing, treating, mitigating, rehabilitation, maintenance, and personal

care services as defined in United States Code, title 26, section 213, needed by the child with a chronic illness or disability.

(b) For households with adjusted gross income equal to or greater than 275 percent of federal poverty guidelines, the parental contribution shall be computed by applying the following schedule of rates to the adjusted gross income of the natural or adoptive parents:

(1) if the adjusted gross income is equal to or greater than 275 percent of federal poverty guidelines and less than or equal to 545 percent of federal poverty guidelines, the parental contribution shall be determined using a sliding fee scale established by the commissioner of human services which begins at ~~2.76~~ 2.48 percent of adjusted gross income at 275 percent of federal poverty guidelines and increases to ~~7.5~~ 6.75 percent of adjusted gross income for those with adjusted gross income up to 545 percent of federal poverty guidelines;

(2) if the adjusted gross income is greater than 545 percent of federal poverty guidelines and less than 675 percent of federal poverty guidelines, the parental contribution shall be ~~7.5~~ 6.75 percent of adjusted gross income;

(3) if the adjusted gross income is equal to or greater than 675 percent of federal poverty guidelines and less than 975 percent of federal poverty guidelines, the parental contribution shall be determined using a sliding fee scale established by the commissioner of human services which begins at ~~7.5~~ 6.75 percent of adjusted gross income at 675 percent of federal poverty guidelines and increases to ~~ten~~ nine percent of adjusted gross income for those with adjusted gross income up to 975 percent of federal poverty guidelines; and

(4) if the adjusted gross income is equal to or greater than 975 percent of federal poverty guidelines, the parental contribution shall be ~~12.5~~ 11.25 percent of adjusted gross income.

If the child lives with the parent, the annual adjusted gross income is reduced by \$2,400 prior to calculating the parental contribution. If the child resides in an institution specified in section 256B.35, the parent is responsible for the personal needs allowance specified under that section in addition to the parental contribution determined under this section. The parental contribution is reduced by any amount required to be paid directly to the child pursuant to a court order, but only if actually paid.

(c) The household size to be used in determining the amount of contribution under paragraph (b) includes natural and adoptive parents and their dependents, including the child receiving services. Adjustments in the contribution amount due to annual changes in the federal poverty guidelines shall be implemented on the first day of July following publication of the changes.

(d) For purposes of paragraph (b), "income" means the adjusted gross income of the natural or adoptive parents determined according to the previous year's federal tax form, except, effective retroactive to July 1, 2003, taxable capital gains to the extent the funds have been used to purchase a home shall not be counted as income.

(e) The contribution shall be explained in writing to the parents at the time eligibility for services is being determined. The contribution shall be made on a monthly basis effective with the first month in which the child receives services. Annually upon redetermination or at termination of eligibility, if the contribution exceeded the cost of services provided, the local agency or the state shall reimburse that excess amount to the parents, either by direct reimbursement if the parent is no longer required to pay a contribution, or by a reduction in or waiver of parental fees until the excess amount is

exhausted. All reimbursements must include a notice that the amount reimbursed may be taxable income if the parent paid for the parent's fees through an employer's health care flexible spending account under the Internal Revenue Code, section 125, and that the parent is responsible for paying the taxes owed on the amount reimbursed.

(f) The monthly contribution amount must be reviewed at least every 12 months; when there is a change in household size; and when there is a loss of or gain in income from one month to another in excess of ten percent. The local agency shall mail a written notice 30 days in advance of the effective date of a change in the contribution amount. A decrease in the contribution amount is effective in the month that the parent verifies a reduction in income or change in household size.

(g) Parents of a minor child who do not live with each other shall each pay the contribution required under paragraph (a). An amount equal to the annual court-ordered child support payment actually paid on behalf of the child receiving services shall be deducted from the adjusted gross income of the parent making the payment prior to calculating the parental contribution under paragraph (b).

(h) The contribution under paragraph (b) shall be increased by an additional five percent if the local agency determines that insurance coverage is available but not obtained for the child. For purposes of this section, "available" means the insurance is a benefit of employment for a family member at an annual cost of no more than five percent of the family's annual income. For purposes of this section, "insurance" means health and accident insurance coverage, enrollment in a nonprofit health service plan, health maintenance organization, self-insured plan, or preferred provider organization.

Parents who have more than one child receiving services shall not be required to pay more than the amount for the child with the highest expenditures. There shall be no resource contribution from the parents. The parent shall not be required to pay a contribution in excess of the cost of the services provided to the child, not counting payments made to school districts for education-related services. Notice of an increase in fee payment must be given at least 30 days before the increased fee is due.

(i) The contribution under paragraph (b) shall be reduced by \$300 per fiscal year if, in the 12 months prior to July 1:

- (1) the parent applied for insurance for the child;
- (2) the insurer denied insurance;
- (3) the parents submitted a complaint or appeal, in writing to the insurer, submitted a complaint or appeal, in writing, to the commissioner of health or the commissioner of commerce, or litigated the complaint or appeal; and
- (4) as a result of the dispute, the insurer reversed its decision and granted insurance.

For purposes of this section, "insurance" has the meaning given in paragraph (h).

A parent who has requested a reduction in the contribution amount under this paragraph shall submit proof in the form and manner prescribed by the commissioner or county agency, including, but not limited to, the insurer's denial of insurance, the written letter or complaint of the parents, court documents, and the written response of the insurer approving insurance. The determinations of the commissioner or county agency under this paragraph are not rules subject to chapter 14.

Sec. 50. Minnesota Statutes 2012, section 252.451, subdivision 2, is amended to read:

Subd. 2. **Vendor participation and reimbursement.** Notwithstanding requirements in ~~chapter~~ chapters 245A and 245D, and sections 252.28, 252.40 to 252.46, and 256B.501, vendors of day training and habilitation services may enter into written agreements with qualified businesses to provide additional training and supervision needed by individuals to maintain their employment.

Sec. 51. Minnesota Statutes 2012, section 256.9752, subdivision 2, is amended to read:

Subd. 2. **Authority.** The Minnesota Board on Aging shall allocate to area agencies on aging the state and federal funds which are received for the senior nutrition programs of congregate dining and home-delivered meals in a manner consistent with federal requirements.

Sec. 52. Minnesota Statutes 2013 Supplement, section 256B.0949, subdivision 4, is amended to read:

Subd. 4. **Diagnosis.** (a) A diagnosis must:

(1) be based upon current DSM criteria including direct observations of the child and reports from parents or primary caregivers; and

(2) be completed by ~~both~~ either (i) a licensed physician or advanced practice registered nurse ~~and~~ or (ii) a mental health professional.

(b) Additional diagnostic assessment information may be considered including from special education evaluations and licensed school personnel, and from professionals licensed in the fields of medicine, speech and language, psychology, occupational therapy, and physical therapy.

~~(c) If the commissioner determines there are access problems or delays in diagnosis for a geographic area due to the lack of qualified professionals, the commissioner shall waive the requirement in paragraph (a), clause (2), for two professionals and allow a diagnosis to be made by one professional for that geographic area. This exception must be limited to a specific period of time until, with stakeholder input as described in subdivision 8, there is a determination of an adequate number of professionals available to require two professionals for each diagnosis.~~

Sec. 53. Minnesota Statutes 2013 Supplement, section 256B.0949, subdivision 5, is amended to read:

Subd. 5. **Diagnostic assessment.** The following information and assessments must be performed, reviewed, and relied upon for the eligibility determination, treatment and services recommendations, and treatment plan development for the child:

(1) an assessment of the child's developmental skills, functional behavior, needs, and capacities based on direct observation of the child which must be administered by a licensed mental health professional, must include medical or assessment information from the child's physician or advanced practice registered nurse and may also include observations from family members, school personnel, child care providers, or other caregivers, as well as any medical or assessment information from other licensed professionals such as ~~the child's physician~~, rehabilitation therapists, licensed school personnel, or mental health professionals; and

(2) an assessment of parental or caregiver capacity to participate in therapy including the type and level of parental or caregiver involvement and training recommended.

Sec. 54. Minnesota Statutes 2013 Supplement, section 256B.0949, subdivision 11, is amended to read:

Subd. 11. **Federal approval of the autism benefit.** (a) The provisions of ~~subdivision 9~~ this section shall apply to state plan services under title XIX of the Social Security Act when federal approval is granted under a 1915(i) waiver or other authority which allows children eligible for medical assistance through the TEFRA option under section 256B.055, subdivision 12, to qualify and includes children eligible for medical assistance in families over 150 percent of the federal poverty guidelines.

(b) The commissioner may use the federal authority for a Medicaid state plan amendment under Early and Periodic Screening Diagnosis and Treatment (EPSDT), United States Code, title 42, section 1396D(R)(5), or other Medicaid provision for any aspect or type of treatment covered in this section if new federal guidance is helpful in achieving one or more of the purposes of this section in a cost-effective manner. Notwithstanding subdivisions 2 and 3, any treatment services submitted for federal approval under EPSDT shall include appropriate medical criteria to qualify for the service and shall cover children through age 20.

Sec. 55. Minnesota Statutes 2013 Supplement, section 256B.0949, is amended by adding a subdivision to read:

Subd. 12. **Autism benefit; training provided.** After approval of the autism early intensive intervention benefit under this section by the Centers for Medicare and Medicaid Services, the commissioner shall provide statewide training on the benefit for culturally and linguistically diverse communities. Training for autism service providers on culturally appropriate practices must be online, accessible, and available in multiple languages. The training for families, lead agencies, advocates, and other interested parties must provide information about the benefit and how to access it.

Sec. 56. Minnesota Statutes 2013 Supplement, section 256B.439, subdivision 1, is amended to read:

Subdivision 1. **Development and implementation of quality profiles.** (a) The commissioner of human services, in cooperation with the commissioner of health, shall develop and implement quality profiles for nursing facilities and, beginning not later than July 1, 2014, for home and community-based services providers, except when the quality profile system would duplicate requirements under section 256B.5011, 256B.5012, or 256B.5013. For purposes of this section, home and community-based services providers are defined as providers of home and community-based services under sections 256B.0625, subdivisions 6a, 7, and 19a; 256B.0913;; 256B.0915;; 256B.092; and; 256B.49;; and 256B.85, and intermediate care facilities for persons with developmental disabilities providers under section 256B.5013. To the extent possible, quality profiles must be developed for providers of services to older adults and people with disabilities, regardless of payor source, for the purposes of providing information to consumers. The quality profiles must be developed using existing data sets maintained by the commissioners of health and human services to the extent possible. The profiles must incorporate or be coordinated with information on quality maintained by area agencies on aging, long-term care trade associations, the ombudsman offices, counties, tribes, health plans, and other entities and the long-term care database maintained under section 256.975, subdivision 7. The profiles must be designed to provide information on quality to:

- (1) consumers and their families to facilitate informed choices of service providers;
 - (2) providers to enable them to measure the results of their quality improvement efforts and compare quality achievements with other service providers; and
 - (3) public and private purchasers of long-term care services to enable them to purchase high-quality care.
- (b) The profiles must be developed in consultation with the long-term care task force, area agencies on aging, and representatives of consumers, providers, and labor unions. Within the limits of available appropriations, the commissioners may employ consultants to assist with this project.

EFFECTIVE DATE. This section is effective retroactively from February 1, 2014.

Sec. 57. Minnesota Statutes 2013 Supplement, section 256B.439, subdivision 7, is amended to read:

Subd. 7. **Calculation of home and community-based services quality add-on.** Effective On July 1, 2015, the commissioner shall determine the quality add-on rate change and adjust payment rates for participating all home and community-based services providers for services rendered on or after that date. The adjustment to a provider payment rate determined under this subdivision shall become part of the ongoing rate paid to that provider. The payment rate for the quality add-on shall be a variable amount based on each provider's quality score as determined in subdivisions 1 and 2a. All home and community-based services providers shall receive a minimum rate increase under this subdivision. In addition to a minimum rate increase, a home and community-based services provider shall receive a quality add-on payment. The commissioner shall limit the types of home and community-based services providers that may receive the quality add-on and based on availability of quality measures and outcome data. The commissioner shall limit the amount of the minimum rate increase and quality add-on payments to operate the quality add-on within funds appropriated for this purpose and based on the availability of the quality measures the equivalent of a one percent rate increase for all home and community-based services providers.

Sec. 58. Minnesota Statutes 2013 Supplement, section 256B.441, subdivision 63, is amended to read:

Subd. 63. **Critical access nursing facilities.** (a) The commissioner, in consultation with the commissioner of health, may designate certain nursing facilities as critical access nursing facilities. The designation shall be granted on a competitive basis, within the limits of funds appropriated for this purpose.

(b) The commissioner shall request proposals from nursing facilities every two years. Proposals must be submitted in the form and according to the timelines established by the commissioner. In selecting applicants to designate, the commissioner, in consultation with the commissioner of health, and with input from stakeholders, shall develop criteria designed to preserve access to nursing facility services in isolated areas, rebalance long-term care, and improve quality. Beginning in fiscal year 2015, to the extent practicable, the commissioner shall ensure an even distribution of designations across the state.

(c) The commissioner shall allow the benefits in clauses (1) to (5) for nursing facilities designated as critical access nursing facilities:

(1) partial rebasing, with the commissioner allowing a designated facility operating payment rates being the sum of up to 60 percent of the operating payment rate determined in accordance with subdivision 54 and at least 40 percent, with the sum of the two portions being equal to 100 percent, of the operating payment rate that would have been allowed had the facility not been designated. The commissioner may adjust these percentages by up to 20 percent and may approve a request for less than the amount allowed;

(2) enhanced payments for leave days. Notwithstanding section 256B.431, subdivision 2r, upon designation as a critical access nursing facility, the commissioner shall limit payment for leave days to 60 percent of that nursing facility's total payment rate for the involved resident, and shall allow this payment only when the occupancy of the nursing facility, inclusive of bed hold days, is equal to or greater than 90 percent;

(3) two designated critical access nursing facilities, with up to 100 beds in active service, may jointly apply to the commissioner of health for a waiver of Minnesota Rules, part 4658.0500, subpart 2, in order to jointly employ a director of nursing. The commissioner of health will consider each waiver request independently based on the criteria under Minnesota Rules, part 4658.0040;

(4) the minimum threshold under section 256B.431, subdivision 15, paragraph (e), shall be 40 percent of the amount that would otherwise apply; and

(5) notwithstanding subdivision 58, beginning October 1, 2014, the quality-based rate limits under subdivision 50 shall apply to designated critical access nursing facilities.

(d) Designation of a critical access nursing facility shall be for a period of two years, after which the benefits allowed under paragraph (c) shall be removed. Designated facilities may apply for continued designation.

Sec. 59. Minnesota Statutes 2012, section 256B.441, is amended by adding a subdivision to read:

Subd. 64. Rate adjustments for compensation-related costs. (a) Operating payment rates of all nursing facilities that are reimbursed under this section or section 256B.434 shall be increased effective for rate years beginning on and after October 1, 2014, to address changes in compensation costs for nursing facility employees paid less than \$14 per hour in accordance with this subdivision.

(b) Based on the application in paragraph (d), the commissioner shall calculate the allowable annualized compensation costs by adding the totals of clauses (1), (2), and (3). The result must be divided by the standardized or resident days from the most recently available cost report to determine per diem amounts, which must be included in the operating portion of the total payment rate and allocated to direct care or other operating as determined by the commissioner:

(1) the sum of the difference between \$8 and any hourly wage rate less than \$8 for October 1, 2014; between \$9 and any hourly wage rate less than \$9 for October 1, 2015; between \$9.50 and any hourly wage rate less than \$9.50 for October 1, 2016; and between the indexed value of the minimum wage, as defined in section 177.24, subdivision 1, paragraph (f), and any hourly wage less than that indexed value for rate years beginning on and after October 1, 2017; multiplied by the number of compensated hours at that wage rate;

(2) using wages and hours in effect during the first three months of calendar year 2014, beginning with the first pay period beginning on or after January 1, 2014; 33.3 percent of the sum of items (i)

to (viii) for October 1, 2014; 44.4 percent of the sum of items (i) to (viii) for October 1, 2015; and 22.2 percent of the sum of items (i) to (viii) for October 1, 2016;

(i) for all compensated hours from \$8 to \$8.49 per hour, the number of compensated hours is multiplied by \$0.13;

(ii) for all compensated hours from \$8.50 to \$8.99 per hour, the number of compensated hours is multiplied by \$0.25;

(iii) for all compensated hours from \$9 to \$9.49 per hour, the number of compensated hours is multiplied by \$0.38;

(iv) for all compensated hours from \$9.50 to \$10.49 per hour, the number of compensated hours is multiplied by \$0.50;

(v) for all compensated hours from \$10.50 to \$10.99 per hour, the number of compensated hours is multiplied by \$0.40;

(vi) for all compensated hours from \$11 to \$11.49 per hour, the number of compensated hours is multiplied by \$0.30;

(vii) for all compensated hours from \$11.50 to \$11.99 per hour, the number of compensated hours is multiplied by \$0.20; and

(viii) for all compensated hours from \$12 to \$13.00 per hour, the number of compensated hours is multiplied by \$0.10; and

(3) the sum of the employer's share of FICA taxes, Medicare taxes, state and federal unemployment taxes, workers' compensation, pensions, and contributions to employee retirement accounts attributable to the amounts in clauses (1) and (2).

(c) For the rate years beginning October 1, 2014, and later, nursing facilities that receive approval of the applications in paragraph (d) must receive rate adjustments according to paragraph (b). The rate adjustments must be used to pay compensation costs for nursing facility employees paid less than \$14 per hour.

(d) To receive a rate adjustment, nursing facilities must submit applications to the commissioner in a form and manner determined by the commissioner. The applications for the rate adjustments shall include specified data, and spending plans that describe how the funds from the rate adjustments will be allocated for compensation to employees paid less than \$14 per hour. The applications must be submitted within three months of the effective date of any operating payment rate adjustment under this subdivision. The commissioner may request any additional information needed to determine the rate adjustment within three weeks of receiving a complete application. The nursing facility must provide any additional information requested by the commissioner within six months of the effective date of any operating payment rate adjustment under this subdivision. The commissioner may waive the deadlines in this subdivision under extraordinary circumstances.

(e) For nursing facilities in which employees are represented by an exclusive bargaining representative, the commissioner shall approve the applications submitted under this subdivision only upon receipt of a letter or letters of acceptance of the spending plans in regard to members of the bargaining unit, signed by the exclusive bargaining agent and dated after May 31, 2014. Upon

receipt of the letter or letters of acceptance, the commissioner shall deem all requirements of this subdivision as having been met in regard to the members of the bargaining unit.

Sec. 60. Minnesota Statutes 2013 Supplement, section 256B.4912, subdivision 1, is amended to read:

Subdivision 1. **Provider qualifications.** (a) For the home and community-based waivers providing services to seniors and individuals with disabilities under sections 256B.0913, 256B.0915, 256B.092, and 256B.49, the commissioner shall establish:

(1) agreements with enrolled waiver service providers to ensure providers meet Minnesota health care program requirements;

(2) regular reviews of provider qualifications, and including requests of proof of documentation; and

(3) processes to gather the necessary information to determine provider qualifications.

(b) Beginning July 1, 2012, staff that provide direct contact, as defined in section 245C.02, subdivision 11, for services specified in the federally approved waiver plans must meet the requirements of chapter 245C prior to providing waiver services and as part of ongoing enrollment. Upon federal approval, this requirement must also apply to consumer-directed community supports.

(c) Beginning January 1, 2014, service owners and managerial officials overseeing the management or policies of services that provide direct contact as specified in the federally approved waiver plans must meet the requirements of chapter 245C prior to reenrollment or revalidation or, for new providers, prior to initial enrollment if they have not already done so as a part of service licensure requirements.

Sec. 61. Minnesota Statutes 2013 Supplement, section 256B.4913, subdivision 4a, is amended to read:

Subd. 4a. **Rate stabilization adjustment.** (a) For purposes of this subdivision, "implementation period" ~~shall mean~~ means the period beginning January 1, 2014, and ending on the last day of the month in which the rate management system is populated with the data necessary to calculate rates for substantially all individuals receiving home and community-based waiver services under sections 256B.092 and 256B.49. "Banding period" means the time period beginning on January 1, 2014, and ending upon the expiration of the 12-month period defined in paragraph (c), clause (5).

(b) For purposes of this subdivision, the ~~banding value~~ historical rate for all service recipients ~~shall mean~~ means the individual reimbursement rate for a recipient in effect on December 1, 2013, except that:

(1)(i) ~~for day training and habilitation pilot program service recipients, the banding value shall be the authorized rate for the provider in the county of service effective December 1, 2013, if the for a day service recipient: who was not authorized to receive these waiver services prior to January 1, 2014; added a new service or services on or after January 1, 2014; or changed providers on or after January 1, 2014, the historical rate must be the authorized rate for the provider in the county of service, effective December 1, 2013; and or~~

(ii) ~~for all other unit or day service recipients, the banding value shall be the weighted average authorized rate for each provider number in the county of service effective December 1, 2013, if~~

~~the (2)~~ for a unit-based service with programming or a unit-based service without programming recipient: who was not authorized to receive these waiver services prior to January 1, 2014; added a new service or services on or after January 1, 2014; or changed providers on or after January 1, 2014, the historical rate must be the weighted average authorized rate for each provider number in the county of service, effective December 1, 2013; and or

~~(2)~~ (3) for residential service recipients who change providers on or after January 1, 2014, the ~~banding value shall~~ historical rate must be set by each lead agency within their county aggregate budget using their respective methodology for residential services effective December 1, 2013, for determining the provider rate for a similarly situated recipient being served by that provider.

(c) The commissioner shall adjust individual reimbursement rates determined under this section so that the unit rate is no higher or lower than:

(1) 0.5 percent from the ~~banding value~~ historical rate for the implementation period;

(2) 0.5 percent from the rate in effect in clause (1), for the 12-month period immediately following the time period of clause (1);

(3) 1.0 percent from the rate in effect in clause (2), for the 12-month period immediately following the time period of clause (2);

(4) 1.0 percent from the rate in effect in clause (3), for the 12-month period immediately following the time period of clause (3); and

(5) 1.0 percent from the rate in effect in clause (4), for the 12-month period immediately following the time period of clause (4).

(d) The commissioner shall review all changes to rates that were in effect on December 1, 2013, to verify that the rates in effect produce the equivalent level of spending and service unit utilization on an annual basis as those in effect on October 31, 2013.

(e) By December 31, 2014, the commissioner shall complete the review in paragraph (d), adjust rates to provide equivalent annual spending and make appropriate adjustments.

(f) During the banding period, the Medicaid Management Information System (MMIS) service agreement rate must be adjusted to account for change in an individual's need. The commissioner shall adjust the Medicaid Management Information System (MMIS) service agreement rate by:

(1) calculating a service rate under section 256B.4914, subdivision 6, 7, 8, or 9, for the individual with variables reflecting the level of service in effect on December 1, 2013;

(2) calculating a service rate under section 256B.4914, subdivision 6, 7, 8, or 9, for the individual with variables reflecting the updated level of service at the time of application; and

(3) adding to or subtracting from the Medicaid Management Information System (MMIS) service agreement rate, the difference between the values in clauses (1) and (2).

(g) This subdivision shall must not apply to rates for recipients served by providers new to a given county after January 1, 2014. Providers of personal supports services who also acted as fiscal support entities must be treated as new providers as of January 1, 2014.

Sec. 62. Minnesota Statutes 2013 Supplement, section 256B.4914, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given them, unless the context clearly indicates otherwise.

(b) "Commissioner" means the commissioner of human services.

(c) "Component value" means underlying factors that are part of the cost of providing services that are built into the waiver rates methodology to calculate service rates.

(d) "Customized living tool" means a methodology for setting service rates that delineates and documents the amount of each component service included in a recipient's customized living service plan.

(e) "Disability waiver rates system" means a statewide system that establishes rates that are based on uniform processes and captures the individualized nature of waiver services and recipient needs.

(f) "Individual staffing" means the time spent as a one-to-one interaction specific to an individual recipient by staff brought in solely to provide direct support and assistance with activities of daily living, instrumental activities of daily living, and training to participants, and is based on the requirements in each individual's coordinated service and support plan under section 245D.02, subdivision 4b; any coordinated service and support plan addendum under section 245D.02, subdivision 4c; an assessment tool; and provider observation of an individual's needs.

(g) "Lead agency" means a county, partnership of counties, or tribal agency charged with administering waived services under sections 256B.092 and 256B.49.

(g) (h) "Median" means the amount that divides distribution into two equal groups, one-half above the median and one-half below the median.

(h) (i) "Payment or rate" means reimbursement to an eligible provider for services provided to a qualified individual based on an approved service authorization.

(i) (j) "Rates management system" means a Web-based software application that uses a framework and component values, as determined by the commissioner, to establish service rates.

(j) (k) "Recipient" means a person receiving home and community-based services funded under any of the disability waivers.

(l) "Shared staffing" means time spent by employees, not defined under paragraph (f), providing or available to provide more than one individual with direct support and assistance with activities of daily living as defined under section 256B.0659, subdivision 1, paragraph (b); instrumental activities of daily living as defined under section 256B.0659, subdivision 1, paragraph (i); ancillary activities needed to support individual services; and training to participants, and is based on the requirements in each individual's coordinated service and support plan under section 245D.02, subdivision 4b; any coordinated service and support plan addendum under section 245D.02, subdivision 4c; an assessment tool; and provider observation of an individual's service need. Total shared staffing hours are divided proportionally by the number of individuals who receive the shared service provisions.

(m) "Staffing ratio" means the number of recipients a service provider employee supports during a unit of service based on a uniform assessment tool, provider observation, case history, and the recipient's services of choice, and not based on the staffing ratios under section 245D.31.

(n) "Unit of service" means the following:

(1) for residential support services under subdivision 6, a unit of service is a day. Any portion of any calendar day, within allowable Medicaid rules, where an individual spends time in a residential setting is billable as a day;

(2) for day services under subdivision 7:

(i) for day training and habilitation services, a unit of service is either:

(A) a day unit of service is defined as six or more hours of time spent providing direct services and transportation; or

(B) a partial day unit of service is defined as fewer than six hours of time spent providing direct services and transportation; and

(C) for new day service recipients after January 1, 2014, 15 minute units of service must be used for fewer than six hours of time spent providing direct services and transportation;

(ii) for adult day and structured day services, a unit of service is a day or 15 minutes. A day unit of service is six or more hours of time spent providing direct services;

(iii) for prevocational services, a unit of service is a day or an hour. A day unit of service is six or more hours of time spent providing direct service;

(3) for unit-based services with programming under subdivision 8:

(i) for supported living services, a unit of service is a day or 15 minutes. When a day rate is authorized, any portion of a calendar day where an individual receives services is billable as a day; and

(ii) for all other services, a unit of service is 15 minutes; and

(4) for unit-based services without programming under subdivision 9:

(i) for respite services, a unit of service is a day or 15 minutes. When a day rate is authorized, any portion of a calendar day when an individual receives services is billable as a day; and

(ii) for all other services, a unit of service is 15 minutes.

Sec. 63. Minnesota Statutes 2013 Supplement, section 256B.4914, subdivision 4, is amended to read:

Subd. 4. **Data collection for rate determination.** (a) Rates for applicable home and community-based waived services, including rate exceptions under subdivision 12, are set by the rates management system.

(b) Data for services under section 256B.4913, subdivision 4a, shall be collected in a manner prescribed by the commissioner.

(c) Data and information in the rates management system may be used to calculate an individual's rate.

(d) Service providers, with information from the community support plan and oversight by lead agencies, shall provide values and information needed to calculate an individual's rate into the rates management system. ~~These~~ The determination of service levels must be part of a discussion with

members of the support team as defined in section 245D.02, subdivision 34. This discussion must occur prior to the final establishment of each individual's rate. The values and information include:

- (1) shared staffing hours;
- (2) individual staffing hours;
- (3) direct RN registered nurse hours;
- (4) direct LPN licensed practical nurse hours;
- (5) staffing ratios;
- (6) information to document variable levels of service qualification for variable levels of reimbursement in each framework;
- (7) shared or individualized arrangements for unit-based services, including the staffing ratio;
- (8) number of trips and miles for transportation services; and
- (9) service hours provided through monitoring technology.

(e) Updates to individual data ~~shall~~ must include:

- (1) data for each individual that is updated annually when renewing service plans; and
- (2) requests by individuals or lead agencies to update a rate whenever there is a change in an individual's service needs, with accompanying documentation.

(f) Lead agencies shall review and approve all services reflecting each individual's needs, and the values to calculate the final payment rate for services with variables under subdivisions 6, 7, 8, and 9 for each individual. Lead agencies must notify the individual and the service provider of the final agreed-upon values and rate, and provide information that is identical to what was entered into the rates management system. If a value used was mistakenly or erroneously entered and used to calculate a rate, a provider may petition lead agencies to correct it. Lead agencies must respond to these requests. When responding to the request, the lead agency must consider:

(1) meeting the health and welfare needs of the individual or individuals receiving services by service site, identified in their coordinated service and support plan under section 245D.02, subdivision 4b, and any addendum under section 245D.02, subdivision 4c;

(2) meeting the requirements for staffing under subdivision 2, paragraphs (f), (i), and (m); and meeting or exceeding the licensing standards for staffing required under section 245D.09, subdivision 1; and

(3) meeting the staffing ratio requirements under subdivision 2, paragraph (n), and meeting or exceeding the licensing standards for staffing required under section 245D.31.

Sec. 64. Minnesota Statutes 2013 Supplement, section 256B.4914, subdivision 5, is amended to read:

Subd. 5. **Base wage index and standard component values.** (a) The base wage index is established to determine staffing costs associated with providing services to individuals receiving home and community-based services. For purposes of developing and calculating the proposed base wage, Minnesota-specific wages taken from job descriptions and standard occupational

classification (SOC) codes from the Bureau of Labor Statistics as defined in the most recent edition of the Occupational Handbook ~~shall~~ must be used. The base wage index ~~shall~~ must be calculated as follows:

- (1) for residential direct care staff, the sum of:
 - (i) 15 percent of the subtotal of 50 percent of the median wage for personal and home health aide (SOC code 39-9021); 30 percent of the median wage for nursing aide (SOC code 31-1012); and 20 percent of the median wage for social and human services aide (SOC code 21-1093); and
 - (ii) 85 percent of the subtotal of 20 percent of the median wage for home health aide (SOC code 31-1011); 20 percent of the median wage for personal and home health aide (SOC code 39-9021); 20 percent of the median wage for nursing aide (SOC code 31-1012); 20 percent of the median wage for psychiatric technician (SOC code 29-2053); and 20 percent of the median wage for social and human services aide (SOC code 21-1093);
- (2) for day services, 20 percent of the median wage for nursing aide (SOC code 31-1012); 20 percent of the median wage for psychiatric technician (SOC code 29-2053); and 60 percent of the median wage for social and human services aide (SOC code 21-1093);
- (3) for residential asleep-overnight staff, the wage will be \$7.66 per hour, except in a family foster care setting, the wage is \$2.80 per hour;
- (4) for behavior program analyst staff, 100 percent of the median wage for mental health counselors (SOC code 21-1014);
- (5) for behavior program professional staff, 100 percent of the median wage for clinical counseling and school psychologist (SOC code 19-3031);
- (6) for behavior program specialist staff, 100 percent of the median wage for psychiatric technicians (SOC code 29-2053);
- (7) for supportive living services staff, 20 percent of the median wage for nursing aide (SOC code 31-1012); 20 percent of the median wage for psychiatric technician (SOC code 29-2053); and 60 percent of the median wage for social and human services aide (SOC code 21-1093);
- (8) for housing access coordination staff, 50 percent of the median wage for community and social services specialist (SOC code 21-1099); and 50 percent of the median wage for social and human services aide (SOC code 21-1093);
- (9) for in-home family support staff, 20 percent of the median wage for nursing aide (SOC code 31-1012); 30 percent of the median wage for community social service specialist (SOC code 21-1099); 40 percent of the median wage for social and human services aide (SOC code 21-1093); and ten percent of the median wage for psychiatric technician (SOC code 29-2053);
- (10) for independent living skills staff, 40 percent of the median wage for community social service specialist (SOC code 21-1099); 50 percent of the median wage for social and human services aide (SOC code 21-1093); and ten percent of the median wage for psychiatric technician (SOC code 29-2053);
- (11) for supported employment staff, 20 percent of the median wage for nursing aide (SOC code 31-1012); 20 percent of the median wage for psychiatric technician (SOC code 29-2053); and 60 percent of the median wage for social and human services aide (SOC code 21-1093);

(12) for adult companion staff, 50 percent of the median wage for personal and home care aide (SOC code 39-9021); and 50 percent of the median wage for nursing aides, orderlies, and attendants (SOC code 31-1012);

(13) for night supervision staff, 20 percent of the median wage for home health aide (SOC code 31-1011); 20 percent of the median wage for personal and home health aide (SOC code 39-9021); 20 percent of the median wage for nursing aide (SOC code 31-1012); 20 percent of the median wage for psychiatric technician (SOC code 29-2053); and 20 percent of the median wage for social and human services aide (SOC code 21-1093);

(14) for respite staff, 50 percent of the median wage for personal and home care aide (SOC code 39-9021); and 50 percent of the median wage for nursing aides, orderlies, and attendants (SOC code 31-1012);

(15) for personal support staff, 50 percent of the median wage for personal and home care aide (SOC code 39-9021); and 50 percent of the median wage for nursing aides, orderlies, and attendants (SOC code 31-1012);

(16) for supervisory staff, the basic wage is \$17.43 per hour with exception of the supervisor of behavior analyst and behavior specialists, which ~~shall~~ must be \$30.75 per hour;

(17) for ~~RN~~ registered nurse, the basic wage is \$30.82 per hour; and

(18) for ~~LPN~~ licensed practical nurse, the basic wage is \$18.64 per hour.

(b) Component values for residential support services are:

(1) supervisory span of control ratio: 11 percent;

(2) employee vacation, sick, and training allowance ratio: 8.71 percent;

(3) employee-related cost ratio: 23.6 percent;

(4) general administrative support ratio: 13.25 percent;

(5) program-related expense ratio: 1.3 percent; and

(6) absence and utilization factor ratio: 3.9 percent.

(c) Component values for family foster care are:

(1) supervisory span of control ratio: 11 percent;

(2) employee vacation, sick, and training allowance ratio: 8.71 percent;

(3) employee-related cost ratio: 23.6 percent;

(4) general administrative support ratio: 3.3 percent;

(5) program-related expense ratio: 1.3 percent; and

(6) absence factor: 1.7 percent.

(d) Component values for day services for all services are:

(1) supervisory span of control ratio: 11 percent;

- (2) employee vacation, sick, and training allowance ratio: 8.71 percent;
- (3) employee-related cost ratio: 23.6 percent;
- (4) program plan support ratio: 5.6 percent;
- (5) client programming and support ratio: ten percent;
- (6) general administrative support ratio: 13.25 percent;
- (7) program-related expense ratio: 1.8 percent; and
- (8) absence and utilization factor ratio: 3.9 percent.

(e) Component values for unit-based services with programming are:

- (1) supervisory span of control ratio: 11 percent;
- (2) employee vacation, sick, and training allowance ratio: 8.71 percent;
- (3) employee-related cost ratio: 23.6 percent;
- (4) program plan supports ratio: 3.1 percent;
- (5) client programming and supports ratio: 8.6 percent;
- (6) general administrative support ratio: 13.25 percent;
- (7) program-related expense ratio: 6.1 percent; and
- (8) absence and utilization factor ratio: 3.9 percent.

(f) Component values for unit-based services without programming except respite are:

- (1) supervisory span of control ratio: 11 percent;
- (2) employee vacation, sick, and training allowance ratio: 8.71 percent;
- (3) employee-related cost ratio: 23.6 percent;
- (4) program plan support ratio: 3.1 percent;
- (5) client programming and support ratio: 8.6 percent;
- (6) general administrative support ratio: 13.25 percent;
- (7) program-related expense ratio: 6.1 percent; and
- (8) absence and utilization factor ratio: 3.9 percent.

(g) Component values for unit-based services without programming for respite are:

- (1) supervisory span of control ratio: 11 percent;
- (2) employee vacation, sick, and training allowance ratio: 8.71 percent;
- (3) employee-related cost ratio: 23.6 percent;
- (4) general administrative support ratio: 13.25 percent;

- (5) program-related expense ratio: 6.1 percent; and
- (6) absence and utilization factor ratio: 3.9 percent.

(h) On July 1, 2017, the commissioner shall update the base wage index in paragraph ~~(b)~~ (a) based on the wage data by standard occupational code (SOC) from the Bureau of Labor Statistics available on December 31, 2016. The commissioner shall publish these updated values and load them into the rate management system. This adjustment occurs every five years. For adjustments in 2021 and beyond, the commissioner shall use the data available on December 31 of the calendar year five years prior.

(i) On July 1, 2017, the commissioner shall update the framework components in ~~paragraph (e)~~ paragraphs (b) to (g); subdivision 6, clauses (8) and (9); and subdivision 7, clauses (16) and (17), for changes in the Consumer Price Index. The commissioner will adjust these values higher or lower by the percentage change in the Consumer Price Index-All Items, United States city average (CPI-U) from January 1, 2014, to January 1, 2017. The commissioner shall publish these updated values and load them into the rate management system. This adjustment occurs every five years. For adjustments in 2021 and beyond, the commissioner shall use the data available on January 1 of the calendar year four years prior and January 1 of the current calendar year.

Sec. 65. Minnesota Statutes 2013 Supplement, section 256B.4914, subdivision 6, is amended to read:

Subd. 6. **Payments for residential support services.** (a) Payments for residential support services, as defined in sections 256B.092, subdivision 11, and 256B.49, subdivision 22, must be calculated as follows:

(1) determine the number of shared ~~staffing~~ and individual direct staff hours to meet a recipient's needs provided on-site or through monitoring technology;

(2) personnel hourly wage rate must be based on the 2009 Bureau of Labor Statistics Minnesota-specific rates or rates derived by the commissioner as provided in subdivision 5. This is defined as the direct-care rate;

(3) for a recipient requiring customization for deaf and hard-of-hearing language accessibility under subdivision 12, add the customization rate provided in subdivision 12 to the result of clause (2). This is defined as the customized direct-care rate;

(4) multiply the number of shared and individual direct staff hours provided on-site or through monitoring technology and ~~direct~~ nursing hours by the appropriate staff wages in subdivision 5, paragraph (a), or the customized direct-care rate;

(5) multiply the number of shared and individual direct staff hours provided on-site or through monitoring technology and ~~direct~~ nursing hours by the product of the supervision span of control ratio in subdivision 5, paragraph (b), clause (1), and the appropriate supervision wage in subdivision 5, paragraph (a), clause (16);

(6) combine the results of clauses (4) and (5), excluding any shared and individual direct staff hours provided through monitoring technology, and multiply the result by one plus the employee vacation, sick, and training allowance ratio in subdivision 5, paragraph (b), clause (2). This is defined as the direct staffing cost;

(7) for employee-related expenses, multiply the direct staffing cost, excluding any shared and individual direct staff hours provided through monitoring technology, by one plus the employee-related cost ratio in subdivision 5, paragraph (b), clause (3);

(8) for client programming and supports, the commissioner shall add \$2,179; and

(9) for transportation, if provided, the commissioner shall add \$1,680, or \$3,000 if customized for adapted transport, per year based on the resident with the highest assessed need.

(b) The total rate ~~shall~~ must be calculated using the following steps:

(1) subtotal paragraph (a), clauses (7) to (9), and the direct staffing cost of any shared and individual direct staff hours provided through monitoring technology that was excluded in clause (7);

(2) sum the standard general and administrative rate, the program-related expense ratio, and the absence and utilization ratio;

(3) divide the result of clause (1) by one minus the result of clause (2). This is the total payment amount; and

(4) adjust the result of clause (3) by a factor to be determined by the commissioner to adjust for regional differences in the cost of providing services.

(c) The payment methodology for customized living, 24-hour customized living, and residential care services ~~shall~~ must be the customized living tool. Revisions to the customized living tool ~~shall~~ must be made to reflect the services and activities unique to disability-related recipient needs.

(d) The commissioner shall establish a Monitoring Technology Review Panel to annually review and approve the plans, safeguards, and rates that include residential direct care provided remotely through monitoring technology. Lead agencies shall submit individual service plans that include supervision using monitoring technology to the Monitoring Technology Review Panel for approval. Individual service plans that include supervision using monitoring technology as of December 31, 2013, shall be submitted to the Monitoring Technology Review Panel, but the plans are not subject to approval.

(e) For individuals enrolled prior to January 1, 2014, the days of service authorized must meet or exceed the days of service used to convert service agreements in effect on December 1, 2013, and must not result in a reduction in spending or service utilization due to conversion during the implementation period under section 256B.4913, subdivision 4a. If during the implementation period, an individual's historical rate, including adjustments required under section 256B.4913, subdivision 4a, paragraph (c), is equal to or greater than the rate determined in this subdivision, the number of days authorized for the individual is 365.

(f) The number of days authorized for all individuals enrolling after January 1, 2014, in residential services must include every day that services start and end.

Sec. 66. Minnesota Statutes 2013 Supplement, section 256B.4914, subdivision 7, is amended to read:

Subd. 7. **Payments for day programs.** Payments for services with day programs including adult day care, day treatment and habilitation, prevocational services, and structured day services must be calculated as follows:

- (1) determine the number of units of service and staffing ratio to meet a recipient's needs:
 - (i) the staffing ratios for the units of service provided to a recipient in a typical week must be averaged to determine an individual's staffing ratio; and
 - (ii) the commissioner, in consultation with service providers, shall develop a uniform staffing ratio worksheet to be used to determine staffing ratios under this subdivision;
- (2) personnel hourly wage rates must be based on the 2009 Bureau of Labor Statistics Minnesota-specific rates or rates derived by the commissioner as provided in subdivision 5;
- (3) for a recipient requiring customization for deaf and hard-of-hearing language accessibility under subdivision 12, add the customization rate provided in subdivision 12 to the result of clause (2). This is defined as the customized direct-care rate;
- (4) multiply the number of day program direct staff hours and direct nursing hours by the appropriate staff wage in subdivision 5, paragraph (a), or the customized direct-care rate;
- (5) multiply the number of day direct staff hours by the product of the supervision span of control ratio in subdivision 5, paragraph (d), clause (1), and the appropriate supervision wage in subdivision 5, paragraph (a), clause (16);
- (6) combine the results of clauses (4) and (5), and multiply the result by one plus the employee vacation, sick, and training allowance ratio in subdivision 5, paragraph (d), clause (2). This is defined as the direct staffing rate;
- (7) for program plan support, multiply the result of clause (6) by one plus the program plan support ratio in subdivision 5, paragraph (d), clause (4);
- (8) for employee-related expenses, multiply the result of clause (7) by one plus the employee-related cost ratio in subdivision 5, paragraph (d), clause (3);
- (9) for client programming and supports, multiply the result of clause (8) by one plus the client programming and support ratio in subdivision 5, paragraph (d), clause (5);
- (10) for program facility costs, add \$19.30 per week with consideration of staffing ratios to meet individual needs;
- (11) for adult day bath services, add \$7.01 per 15 minute unit;
- (12) this is the subtotal rate;
- (13) sum the standard general and administrative rate, the program-related expense ratio, and the absence and utilization factor ratio;
- (14) divide the result of clause (12) by one minus the result of clause (13). This is the total payment amount;
- (15) adjust the result of clause (14) by a factor to be determined by the commissioner to adjust for regional differences in the cost of providing services;
- (16) for transportation provided as part of day training and habilitation for an individual who does not require a lift, add:

(i) \$10.50 for a trip between zero and ten miles for a nonshared ride in a vehicle without a lift, \$8.83 for a shared ride in a vehicle without a lift, and \$9.25 for a shared ride in a vehicle with a lift;

(ii) \$15.75 for a trip between 11 and 20 miles for a nonshared ride in a vehicle without a lift, \$10.58 for a shared ride in a vehicle without a lift, and \$11.88 for a shared ride in a vehicle with a lift;

(iii) \$25.75 for a trip between 21 and 50 miles for a nonshared ride in a vehicle without a lift, \$13.92 for a shared ride in a vehicle without a lift, and \$16.88 for a shared ride in a vehicle with a lift; or

(iv) \$33.50 for a trip of 51 miles or more for a nonshared ride in a vehicle without a lift, \$16.50 for a shared ride in a vehicle without a lift, and \$20.75 for a shared ride in a vehicle with a lift;

(17) for transportation provided as part of day training and habilitation for an individual who does require a lift, add:

(i) \$19.05 for a trip between zero and ten miles for a nonshared ride in a vehicle with a lift, and \$15.05 for a shared ride in a vehicle with a lift;

(ii) \$32.16 for a trip between 11 and 20 miles for a nonshared ride in a vehicle with a lift, and \$28.16 for a shared ride in a vehicle with a lift;

(iii) \$58.76 for a trip between 21 and 50 miles for a nonshared ride in a vehicle with a lift, and \$58.76 for a shared ride in a vehicle with a lift; or

(iv) \$80.93 for a trip of 51 miles or more for a nonshared ride in a vehicle with a lift, and \$80.93 for a shared ride in a vehicle with a lift.

Sec. 67. Minnesota Statutes 2013 Supplement, section 256B.4914, subdivision 9, is amended to read:

Subd. 9. **Payments for unit-based services without programming.** Payments for unit-based without program services, including night supervision, personal support, respite, and companion care provided to an individual outside of any day or residential service plan must be calculated as follows unless the services are authorized separately under subdivision 6 or 7:

(1) for all services except respite, determine the number of units of service to meet a recipient's needs;

(2) personnel hourly wage rates must be based on the 2009 Bureau of Labor Statistics Minnesota-specific rate or rates derived by the commissioner as provided in subdivision 5;

(3) for a recipient requiring customization for deaf and hard-of-hearing language accessibility under subdivision 12, add the customization rate provided in subdivision 12 to the result of clause (2). This is defined as the customized direct care rate;

(4) multiply the number of direct staff hours by the appropriate staff wage in subdivision 5 or the customized direct care rate;

(5) multiply the number of direct staff hours by the product of the supervision span of control ratio in subdivision 5, paragraph (f), clause (1), and the appropriate supervision wage in subdivision 5, paragraph (a), clause (16);

(6) combine the results of clauses (4) and (5), and multiply the result by one plus the employee vacation, sick, and training allowance ratio in subdivision 5, paragraph (f), clause (2). This is defined as the direct staffing rate;

(7) for program plan support, multiply the result of clause (6) by one plus the program plan support ratio in subdivision 5, paragraph (f), clause (4);

(8) for employee-related expenses, multiply the result of clause (7) by one plus the employee-related cost ratio in subdivision 5, paragraph (f), clause (3);

(9) for client programming and supports, multiply the result of clause (8) by one plus the client programming and support ratio in subdivision 5, paragraph (f), clause (5);

(10) this is the subtotal rate;

(11) sum the standard general and administrative rate, the program-related expense ratio, and the absence and utilization factor ratio;

(12) divide the result of clause (10) by one minus the result of clause (11). This is the total payment amount;

(13) for respite services, determine the number of ~~daily~~ day units of service to meet an individual's needs;

(14) personnel hourly wage rates must be based on the 2009 Bureau of Labor Statistics Minnesota-specific rate or rates derived by the commissioner as provided in subdivision 5;

(15) for a recipient requiring deaf and hard-of-hearing customization under subdivision 12, add the customization rate provided in subdivision 12 to the result of clause (14). This is defined as the customized direct care rate;

(16) multiply the number of direct staff hours by the appropriate staff wage in subdivision 5, paragraph (a);

(17) multiply the number of direct staff hours by the product of the supervisory span of control ratio in subdivision 5, paragraph (g), clause (1), and the appropriate supervision wage in subdivision 5, paragraph (a), clause (16);

(18) combine the results of clauses (16) and (17), and multiply the result by one plus the employee vacation, sick, and training allowance ratio in subdivision 5, paragraph (g), clause (2). This is defined as the direct staffing rate;

(19) for employee-related expenses, multiply the result of clause (18) by one plus the employee-related cost ratio in subdivision 5, paragraph (g), clause (3);

(20) this is the subtotal rate;

(21) sum the standard general and administrative rate, the program-related expense ratio, and the absence and utilization factor ratio;

(22) divide the result of clause (20) by one minus the result of clause (21). This is the total payment amount; and

(23) adjust the result of clauses (12) and (22) by a factor to be determined by the commissioner to adjust for regional differences in the cost of providing services.

Sec. 68. Minnesota Statutes 2013 Supplement, section 256B.4914, subdivision 10, is amended to read:

Subd. 10. **Updating payment values and additional information.** (a) From January 1, 2014, through December 31, 2017, the commissioner shall develop and implement uniform procedures to refine terms and adjust values used to calculate payment rates in this section.

(b) No later than July 1, 2014, the commissioner shall, within available resources, begin to conduct research and gather data and information from existing state systems or other outside sources on the following items:

(1) differences in the underlying cost to provide services and care across the state; and

(2) mileage and utilization, vehicle type, lift requirements, incidents of individual and shared rides, and units of transportation for all day and unit-based services, which must be collected from providers using the rate management worksheet and entered into the rates management system; and

(3) the distinct underlying costs for services provided by a license holder certified under section 245D.33.

(c) Using a statistically valid set of rates management system data, the commissioner, in consultation with stakeholders, shall analyze for each service the average difference in the rate on December 31, 2013, and the framework rate at the individual, provider, lead agency, and state levels. The commissioner shall issue semiannual reports to the stakeholders on the difference in rates by service and by county during the banding period under section 256B.4913, subdivision 4a. The commissioner shall issue the first report by October 1, 2014.

(d) No later than July 1, 2014, the commissioner, in consultation with stakeholders, shall begin the review and evaluate evaluation of the following values already in subdivisions 6 to 9, or issues that impact all services, including, but not limited to:

(1) values for transportation rates for day services;

(2) values for transportation rates in residential services;

(3) values for services where monitoring technology replaces staff time;

(4) values for indirect services;

(5) values for nursing;

(6) component values for independent living skills;

(7) component values for family foster care that reflect licensing requirements;

(8) adjustments to other components to replace the budget neutrality factor;

(9) remote monitoring technology for nonresidential services;

(10) values for basic and intensive services in residential services;

(11) values for the facility use rate in day services;

(12) values for workers' compensation as part of employee-related expenses;

(13) values for unemployment insurance as part of employee-related expenses;

(14) a component value to reflect costs for individuals with rates previously adjusted for the inclusion of group residential housing rate 3 costs, only for any individual enrolled as of December 31, 2013; and

(15) any changes in state or federal law with an impact on the underlying cost of providing home and community-based services.

(e) The commissioner shall report to the chairs and the ranking minority members of the legislative committees and divisions with jurisdiction over health and human services policy and finance with the information and data gathered under paragraphs (b) to (d) on the following dates:

(1) January 15, 2015, with preliminary results and data;

(2) January 15, 2016, with a status implementation update, and additional data and summary information;

(3) January 15, 2017, with the full report; and

(4) January 15, 2019, with another full report, and a full report once every four years thereafter.

(f) Based on the commissioner's evaluation of the information and data collected in paragraphs (b) to (d), the commissioner ~~may shall~~ make recommendations to the legislature ~~to address any potential issues~~ by January 15, 2015, to address any issues identified during the first year of implementation. After January 15, 2015, the commissioner may make recommendations to the legislature to address potential issues.

(g) The commissioner shall implement a regional adjustment factor to all rate calculations in subdivisions 6 to 9, effective no later than January 1, 2015. Prior to implementation, the commissioner shall consult with stakeholders on the methodology to calculate the adjustment.

(h) The commissioner shall provide a public notice via LISTSERV in October of each year beginning October 1, 2014, containing information detailing legislatively approved changes in:

(1) calculation values including derived wage rates and related employee and administrative factors;

(2) service utilization;

(3) county and tribal allocation changes; and

(4) information on adjustments made to calculation values and the timing of those adjustments.

The information in this notice ~~shall~~ must be effective January 1 of the following year.

Sec. 69. Minnesota Statutes 2013 Supplement, section 256B.4914, subdivision 15, is amended to read:

Subd. 15. **County or tribal allocations.** (a) Upon implementation of the disability waiver rates management system on January 1, 2014, the commissioner shall establish a method of tracking and reporting the fiscal impact of the disability waiver rates management system on individual lead agencies.

(b) Beginning January 1, 2014, the commissioner shall make annual adjustments to lead agencies' home and community-based waived service budget allocations to adjust for rate

differences and the resulting impact on county allocations upon implementation of the disability waiver rates system.

(c) During the first two years of implementation under section 256B.4913, lead agencies exceeding their allocations under sections 256B.092 and 256B.49 shall only be held liable for spending in excess of their allocations after a reallocation of resources by the commissioner under paragraph (b). The commissioner shall reallocate resources under sections 256B.092, subdivision 12, and 256B.49, subdivision 11a. The commissioner shall notify lead agencies of this process by July 1, 2014.

Sec. 70. Minnesota Statutes 2013 Supplement, section 256B.492, is amended to read:

256B.492 HOME AND COMMUNITY-BASED SETTINGS FOR PEOPLE WITH DISABILITIES.

(a) Individuals receiving services under a home and community-based waiver under section 256B.092 or 256B.49 may receive services in the following settings:

- (1) an individual's own home or family home;
- (2) a licensed adult foster care or child foster care setting of up to five people; and

(3) community living settings as defined in section 256B.49, subdivision 23, where individuals with disabilities may reside in all of the units in a building of four or fewer units, and who receive services under a home and community-based waiver occupy no more than the greater of four or 25 percent of the units in a multifamily building of more than four units, unless required by the Housing Opportunities for Persons with AIDS Program.

(b) The settings in paragraph (a) must not:

- (1) be located in a building that is a publicly or privately operated facility that provides institutional treatment or custodial care;
- (2) be located in a building on the grounds of or adjacent to a public or private institution;
- (3) be a housing complex designed expressly around an individual's diagnosis or disability, unless required by the Housing Opportunities for Persons with AIDS Program;
- (4) be segregated based on a disability, either physically or because of setting characteristics, from the larger community; and
- (5) have the qualities of an institution which include, but are not limited to: regimented meal and sleep times, limitations on visitors, and lack of privacy. Restrictions agreed to and documented in the person's individual service plan shall not result in a residence having the qualities of an institution as long as the restrictions for the person are not imposed upon others in the same residence and are the least restrictive alternative, imposed for the shortest possible time to meet the person's needs.

(c) The provisions of paragraphs (a) and (b) do not apply to any setting in which individuals receive services under a home and community-based waiver as of July 1, 2012, and the setting does not meet the criteria of this section.

(d) Notwithstanding paragraph (c), a program in Hennepin County established as part of a Hennepin County demonstration project is qualified for the exception allowed under paragraph (c).

(e) Notwithstanding paragraphs (a) and (b), a program in Hennepin County, located in the city of Golden Valley, within the city of Golden Valley's Highway 55 West redevelopment area, that is not a provider-owned or controlled home and community-based setting, and is scheduled to open by July 1, 2016, is exempt from the restrictions in paragraphs (a) and (b). If the program fails to comply with the Centers for Medicare and Medicaid Services rules for home and community-based settings, the exemption is void.

(f) The commissioner shall submit an amendment to the waiver plan no later than December 31, 2012.

Sec. 71. Minnesota Statutes 2012, section 256B.5012, is amended by adding a subdivision to read:

Subd. 16. **ICF/DD rate increases effective July 1, 2014.** (a) For the rate period beginning July 1, 2014, the commissioner shall increase operating payments for each facility reimbursed under this section equal to five percent of the operating payment rates in effect on June 30, 2014.

(b) For each facility, the commissioner shall apply the rate increase based on occupied beds, using the percentage specified in this subdivision multiplied by the total payment rate, including the variable rate but excluding the property-related payment rate in effect on June 30, 2014. The total rate increase shall include the adjustment provided in section 256B.501, subdivision 12.

(c) To receive the rate increase under paragraph (a), each facility reimbursed under this section must submit to the commissioner documentation that identifies a quality improvement project that the facility will implement by June 30, 2015. Documentation must be provided in a format specified by the commissioner. Projects must:

- (1) improve the quality of life of intermediate care facility residents in a meaningful way;
- (2) improve the quality of services in a measurable way; or
- (3) deliver good quality service more efficiently while using the savings to enhance services for the participants served.

(d) For a facility that fails to submit the documentation described in paragraph (c) by a date or in a format specified by the commissioner, the commissioner shall reduce the facility's rate by one percent effective January 1, 2015.

(e) Facilities that receive a rate increase under this subdivision shall use 80 percent of the additional revenue to increase compensation-related costs for employees directly employed by the facility on or after July 1, 2014, except:

- (1) persons employed in the central office of a corporation or entity that has an ownership interest in the facility or exercises control over the facility; and
- (2) persons paid by the facility under a management contract.

This requirement is subject to audit by the commissioner.

(f) Compensation-related costs include:

- (1) wages and salaries;

(2) the employer's share of FICA taxes, Medicare taxes, state and federal unemployment taxes, workers' compensation, and mileage reimbursement;

(3) the employer's share of health and dental insurance, life insurance, disability insurance, long-term care insurance, uniform allowance, pensions, and contributions to employee retirement accounts; and

(4) other benefits provided and workforce needs, including the recruiting and training of employees as specified in the distribution plan required under paragraph (i).

(g) For public employees under a collective bargaining agreement, the increase for wages and benefits is available and pay rates must be increased only to the extent that the increases comply with laws governing public employees' collective bargaining. Money received by a facility under paragraph (e) for pay increases for public employees must be used only for pay increases implemented between July 1, 2014, and August 1, 2014.

(h) For a facility that has employees that are represented by an exclusive bargaining representative, the provider shall obtain a letter of acceptance of the distribution plan required under paragraph (i), in regard to the members of the bargaining unit, signed by the exclusive bargaining agent. Upon receipt of the letter of acceptance, the facility shall be deemed to have met all the requirements of this subdivision in regard to the members of the bargaining unit. Upon request, the facility shall produce the letter of acceptance for the commissioner.

(i) A facility that receives a rate adjustment under paragraph (a) that is subject to paragraph (e) shall prepare, and upon request submit to the commissioner, a distribution plan that specifies the amount of money the facility expects to receive that is subject to the requirements of paragraph (e), including how that money will be distributed to increase compensation for employees. The commissioner may recover funds from a facility that fails to comply with this requirement.

(j) By January 1, 2015, the facility shall post the distribution plan required under paragraph (i) for a period of at least six weeks in an area of the facility's operation to which all eligible employees have access and shall provide instructions for employees who do not believe they have received the wage and other compensation-related increases specified in the distribution plan. The instructions must include a mailing address, e-mail address, and telephone number that an employee may use to contact the commissioner or the commissioner's representative.

Sec. 72. Laws 2012, chapter 247, article 4, section 47, is amended to read:

Sec. 47. COMMISSIONER TO SEEK AMENDMENT FOR EXCEPTION TO CONSUMER-DIRECTED COMMUNITY SUPPORTS BUDGET METHODOLOGY.

By July 1, ~~2012~~ 2014, if necessary, the commissioner shall request an amendment to the home and community-based services waivers authorized under Minnesota Statutes, sections 256B.092 and 256B.49, to establish an exception to the consumer-directed community supports budget methodology to provide up to 20 percent more funds for those participants who have their 21st birthday and graduate from high school ~~during~~ between 2013 to 2015 and are authorized for more services under consumer-directed community supports prior to graduation than ~~what~~ the amount they are eligible to receive under the current consumer-directed community supports budget methodology. The exception is limited to those who can demonstrate that they will have to leave consumer-directed community supports and use other waiver services because their need for day or employment supports cannot be met within the consumer-directed community supports budget

limits. The commissioner shall consult with the stakeholder group authorized under Minnesota Statutes, section 256B.0657, subdivision 11, to implement this provision. The exception process shall be effective upon federal approval for persons eligible ~~during 2013 and 2014~~ through June 30, 2017.

Sec. 73. Laws 2013, chapter 108, article 7, section 14, the effective date, is amended to read:

EFFECTIVE DATE. Subdivisions 1 to 7 and 9, are effective upon federal approval consistent with subdivision 11, but no earlier than ~~March~~ July 1, 2014. Subdivisions 8, 10, and 11 are effective July 1, 2013.

EFFECTIVE DATE. This section is effective retroactively from March 1, 2014.

Sec. 74. **HOME AND COMMUNITY-BASED SETTINGS TRANSITION PLAN.**

The commissioner of human services shall develop a transition plan to comply with the Centers for Medicare and Medicaid Services final rule defining home and community-based settings published on January 16, 2014, Code of Federal Regulations, title 42, section 441.301(c)(4)-(5). In developing the plan, the commissioner shall consult with individuals with disabilities, seniors, and other stakeholders, including, but not limited to advocates, providers, lead agencies, other state agencies, and the Olmstead subcabinet. The commissioner shall submit the plan to the Centers for Medicare and Medicaid Services by December 31, 2014.

By January 15, 2015, the commissioner shall provide a report with the plan submitted to the Centers for Medicare and Medicaid Services, as well as any changes as a result of negotiations that have occurred with the Centers for Medicare and Medicaid Services, to the chairs and ranking minority members of the house of representatives and senate policy and finance committees with jurisdiction over health and human services. This report must contain any recommended legislation and funding requests necessary to implement the transition plan.

Sec. 75. **PROVIDER RATE AND GRANT INCREASES EFFECTIVE JULY 1, 2014.**

(a) The commissioner of human services shall increase reimbursement rates, grants, allocations, individual limits, and rate limits, as applicable, by five percent for the rate period beginning July 1, 2014, for services rendered on or after July 1, 2014. County or tribal contracts for services, grants, and programs under paragraph (b) must be amended to pass through these rate increases by September 1, 2014.

(b) The rate changes described in this section must be provided to:

(1) home and community-based waived services for persons with developmental disabilities, including consumer-directed community supports, under Minnesota Statutes, section 256B.092;

(2) waived services under community alternatives for disabled individuals, including consumer-directed community supports, under Minnesota Statutes, section 256B.49;

(3) community alternative care waived services, including consumer-directed community supports, under Minnesota Statutes, section 256B.49;

(4) brain injury waived services, including consumer-directed community supports, under Minnesota Statutes, section 256B.49;

(5) home and community-based waived services for the elderly under Minnesota Statutes, section 256B.0915;

(6) nursing services and home health services under Minnesota Statutes, section 256B.0625, subdivision 6a;

(7) personal care services and qualified professional supervision of personal care services under Minnesota Statutes, section 256B.0625, subdivisions 6a and 19a;

(8) private duty nursing services under Minnesota Statutes, section 256B.0625, subdivision 7;

(9) community first services and supports under Minnesota Statutes, section 256B.85;

(10) essential community supports under Minnesota Statutes, section 256B.0922;

(11) day training and habilitation services for adults with developmental disabilities under Minnesota Statutes, sections 252.41 to 252.46, including the additional cost to counties of the rate adjustments on day training and habilitation services, provided as a social service;

(12) alternative care services under Minnesota Statutes, section 256B.0913;

(13) living skills training programs for persons with intractable epilepsy who need assistance in the transition to independent living under Laws 1988, chapter 689;

(14) semi-independent living services (SILS) under Minnesota Statutes, section 252.275;

(15) consumer support grants under Minnesota Statutes, section 256.476;

(16) family support grants under Minnesota Statutes, section 252.32;

(17) housing access grants under Minnesota Statutes, section 256B.0658;

(18) self-advocacy grants under Laws 2009, chapter 101;

(19) technology grants under Laws 2009, chapter 79;

(20) aging grants under Minnesota Statutes, sections 256.975 to 256.977 and 256B.0917;

(21) deaf and hard-of-hearing grants, including community support services for deaf and hard-of-hearing adults with mental illness who use or wish to use sign language as their primary means of communication under Minnesota Statutes, section 256.01, subdivision 2;

(22) deaf and hard-of-hearing grants under Minnesota Statutes, sections 256C.233, 256C.25, and 256C.261;

(23) Disability Linkage Line grants under Minnesota Statutes, section 256.01, subdivision 24;

(24) transition initiative grants under Minnesota Statutes, section 256.478;

(25) employment support grants under Minnesota Statutes, section 256B.021, subdivision 6; and

(26) grants provided to people who are eligible for the Housing Opportunities for Persons with AIDS program under Minnesota Statutes, section 256B.492.

(c) A managed care plan or county-based purchasing plan receiving state payments for the services grants and programs in paragraph (b) must include these increases in their payments to providers. To implement the rate increase in paragraph (a), capitation rates paid by the

commissioner to managed care plans and county-based purchasing plans under Minnesota Statutes, section 256B.69, shall reflect a five percent increase for the services and programs specified in paragraph (b) for the period beginning July 1, 2014.

(d) Counties shall increase the budget for each recipient of consumer-directed community supports by the amount in paragraph (a) on July 1, 2014.

(e) To receive the rate increase described in this section, providers under paragraphs (a) and (b) must submit to the commissioner documentation that identifies a quality improvement project that the provider will implement by June 30, 2015. Documentation must be provided in a format specified by the commissioner. Projects must:

(1) improve the quality of life of home and community-based services recipients in a meaningful way;

(2) improve the quality of services in a measurable way; or

(3) deliver good quality service more efficiently while using the savings to enhance services for the participants served.

Providers listed in paragraph (b), clauses (7), (9), (10), and (13) to (26), are not subject to this requirement.

(f) For a provider that fails to submit documentation described in paragraph (e) by a date or in a format specified by the commissioner, the commissioner shall reduce the provider's rate by one percent effective January 1, 2015.

(g) Providers that receive a rate increase under paragraph (a) shall use 80 percent of the additional revenue to increase compensation-related costs for employees directly employed by the program on or after July 1, 2014, except:

(1) persons employed in the central office of a corporation or entity that has an ownership interest in the provider or exercises control over the provider; and

(2) persons paid by the provider under a management contract.

This requirement is subject to audit by the commissioner.

(h) Compensation-related costs include:

(1) wages and salaries;

(2) the employer's share of FICA taxes, Medicare taxes, state and federal unemployment taxes, workers' compensation, and mileage reimbursement;

(3) the employer's share of health and dental insurance, life insurance, disability insurance, long-term care insurance, uniform allowance, pensions, and contributions to employee retirement accounts; and

(4) other benefits provided and workforce needs, including the recruiting and training of employees as specified in the distribution plan required under paragraph (m).

(i) For public employees under a collective bargaining agreement, the increase for wages and benefits is available and pay rates must be increased only to the extent that the increases comply with laws governing public employees' collective bargaining. Money received by a provider for pay

increases for public employees under paragraph (g) must be used only for pay increases implemented between July 1, 2014, and August 1, 2014.

(j) For a provider that has employees that are represented by an exclusive bargaining representative, the provider shall obtain a letter of acceptance of the distribution plan required under paragraph (m), in regard to the members of the bargaining unit, signed by the exclusive bargaining agent. Upon receipt of the letter of acceptance, the provider shall be deemed to have met all the requirements of this section in regard to the members of the bargaining unit. Upon request, the provider shall produce the letter of acceptance for the commissioner.

(k) The commissioner shall amend state grant contracts that include direct personnel-related grant expenditures to include the allocation for the portion of the contract related to employee compensation. Grant contracts for compensation-related services must be amended to pass through these adjustments by September 1, 2014, and must be retroactive to July 1, 2014.

(l) The Board on Aging and its area agencies on aging shall amend their grants that include direct personnel-related grant expenditures to include the rate adjustment for the portion of the grant related to employee compensation. Grants for compensation-related services must be amended to pass through these adjustments by September 1, 2014, and must be retroactive to July 1, 2014.

(m) A provider that receives a rate adjustment under paragraph (a) that is subject to paragraph (g) shall prepare, and upon request submit to the commissioner, a distribution plan that specifies the amount of money the provider expects to receive that is subject to the requirements of paragraph (g), including how that money will be distributed to increase compensation for employees. The commissioner may recover funds from a provider that fails to comply with this requirement.

(n) By January 1, 2015, the provider shall post the distribution plan required under paragraph (m) for a period of at least six weeks in an area of the provider's operation to which all eligible employees have access and shall provide instructions for employees who do not believe they have received the wage and other compensation-related increases specified in the distribution plan. The instructions must include a mailing address, e-mail address, and telephone number that the employee may use to contact the commissioner or the commissioner's representative.

(o) For providers with rates established under Minnesota Statutes, section 256B.4914, and with a historical rate established under Minnesota Statutes, section 256B.4913, subdivision 4a, paragraph (b), that is greater than the rate established under Minnesota Statutes, section 256B.4914, the requirements in paragraph (g) must only apply to the portion of the rate increase that exceeds the difference between the rate established under Minnesota Statutes, section 256B.4914, and the banding value established under Minnesota Statutes, section 256B.4913, subdivision 4a, paragraph (b).

Sec. 76. **DISABILITY WAIVER REIMBURSEMENT RATE ADJUSTMENTS.**

Subdivision 1. **Historical rate.** The commissioner of human services shall adjust the historical rates calculated in Minnesota Statutes, section 256B.4913, subdivision 4a, paragraph (b), in effect during the banding period under Minnesota Statutes, section 256B.4913, subdivision 4a, paragraph (a), for the reimbursement rate increases effective April 1, 2014, and any rate modification enacted during the 2014 legislative session.

Subd. 2. **Residential support services.** The commissioner of human services shall adjust the rates calculated in Minnesota Statutes, section 256B.4914, subdivision 6, paragraphs (b), clause

(4), and (c), for the reimbursement rate increases effective April 1, 2014, and any rate modification enacted during the 2014 legislative session.

Subd. 3. **Day programs.** The commissioner of human services shall adjust the rates calculated in Minnesota Statutes, section 256B.4914, subdivision 7, paragraph (a), clauses (15) to (17), for the reimbursement rate increases effective April 1, 2014, and any rate modification enacted during the 2014 legislative session.

Subd. 4. **Unit-based services with programming.** The commissioner of human services shall adjust the rate calculated in Minnesota Statutes, section 256B.4914, subdivision 8, paragraph (a), clause (14), for the reimbursement rate increases effective April 1, 2014, and any rate modification enacted during the 2014 legislative session.

Subd. 5. **Unit-based services without programming.** The commissioner of human services shall adjust the rate calculated in Minnesota Statutes, section 256B.4914, subdivision 9, paragraph (a), clause (23), for the reimbursement rate increases effective April 1, 2014, and any rate modification enacted during the 2014 legislative session.

Sec. 77. **REVISOR'S INSTRUCTION.**

(a) In each section of Minnesota Statutes or part of Minnesota Rules referred to in column A, the revisor of statutes shall delete the word or phrase in column B and insert the phrase in column C. The revisor shall also make related grammatical changes and changes in headnotes.

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>
<u>section 158.13</u>	<u>defective persons</u>	<u>persons with developmental disabilities</u>
<u>section 158.14</u>	<u>defective persons</u>	<u>persons with developmental disabilities</u>
<u>section 158.17</u>	<u>defective persons</u>	<u>persons with developmental disabilities</u>
<u>section 158.18</u>	<u>persons not defective</u>	<u>persons without developmental disabilities</u>
	<u>defective person</u>	<u>person with developmental disabilities</u>
	<u>defective persons</u>	<u>persons with developmental disabilities</u>
<u>section 158.19</u>	<u>defective</u>	<u>person with developmental disabilities</u>
<u>section 256.94</u>	<u>defective</u>	<u>children with developmental disabilities and</u>
<u>section 257.175</u>	<u>defective</u>	<u>children with developmental disabilities and</u>
<u>part 2911.1350</u>	<u>retardation</u>	<u>developmental disability</u>

(b) The revisor of statutes shall change the term "health and safety" to "health and welfare" in the following statutes: Minnesota Statutes, sections 245D.03, 245D.061, 245D.071, 245D.10, 245D.11, 245D.31, 256B.0915, and 256B.092.

ARTICLE 28

PUBLIC ASSISTANCE SIMPLIFICATION

Section 1. Minnesota Statutes 2012, section 254B.04, subdivision 3, is amended to read:

Subd. 3. **Amount of contribution.** The commissioner shall adopt a sliding fee scale to determine the amount of contribution to be required from persons under this section. The commissioner may adopt rules to amend existing fee scales. The commissioner may establish a separate fee scale for recipients of chemical dependency transitional and extended care rehabilitation services that provides for the collection of fees for board and lodging expenses. The fee schedule shall ensure that employed persons are allowed the income disregards and savings accounts that are allowed residents of community mental illness facilities under section 256D.06, ~~subdivisions~~ subdivision 1 and 1b. The fee scale must not provide assistance to persons whose income is more than 115 percent of the state median income. Payments of liabilities under this section are medical expenses for purposes of determining spenddown under sections 256B.055, 256B.056, 256B.06, and 256D.01 to 256D.21. The required amount of contribution established by the fee scale in this subdivision is also the cost of care responsibility subject to collection under section 254B.06, subdivision 1.

EFFECTIVE DATE. This section is effective October 1, 2015.

Sec. 2. Minnesota Statutes 2012, section 256D.02, subdivision 8, is amended to read:

Subd. 8. **Income.** "Income" means any form of income, including remuneration for services performed as an employee and ~~net earnings~~ earned income from rental income and self-employment earnings, reduced by the amount attributable to employment expenses as defined by the commissioner. The amount attributable to employment expenses shall include amounts paid or withheld for federal and state personal income taxes and federal Social Security taxes as described under section 256P.05.

Income includes any payments received as an annuity, retirement, or disability benefit, including veteran's or workers' compensation; old age, survivors, and disability insurance; railroad retirement benefits; unemployment benefits; and benefits under any federally aided categorical assistance program, supplementary security income, or other assistance program; rents, dividends, interest and royalties; and support and maintenance payments. Such payments may not be considered as available to meet the needs of any person other than the person for whose benefit they are received, unless that person is a family member or a spouse and the income is not excluded under section 256D.01, subdivision 1a. Goods and services provided in lieu of cash payment shall be excluded from the definition of income, except that payments made for room, board, tuition or fees by a parent, on behalf of a child enrolled as a full-time student in a postsecondary institution, and payments made on behalf of an applicant or recipient participant which the applicant or recipient participant could legally demand to receive personally in cash, must be included as income. Benefits of an applicant or recipient participant, such as those administered by the Social Security Administration, that are paid to a representative payee, and are spent on behalf of the applicant or recipient participant, are considered available income of the applicant or recipient participant.

EFFECTIVE DATE. This section is effective February 1, 2015.

Sec. 3. Minnesota Statutes 2012, section 256D.02, subdivision 12, is amended to read:

Subd. 12. **County Agency.** "County agency" means the agency designated by the county board of commissioners, human services boards, local social services agencies in the several counties of the state or multicounty local social services agencies or departments where those have been established in accordance with law. "Agency" has the meaning given in section 256P.01, subdivision 2.

Sec. 4. Minnesota Statutes 2012, section 256D.05, subdivision 5, is amended to read:

Subd. 5. **Transfers of property.** The equity value of real and personal property transferred without reasonable compensation within 12 months preceding the date of application for general assistance must be included in determining the resources of an assistance unit in the same manner as in the Minnesota family investment program under chapter 256J as described in section 256P.02, subdivision 1, paragraph (c).

EFFECTIVE DATE. This section is effective June 1, 2016.

Sec. 5. Minnesota Statutes 2012, section 256D.06, subdivision 1, is amended to read:

Subdivision 1. **Eligibility; amount of assistance.** General assistance shall be granted in an amount that when added to the nonexempt income actually available to the assistance unit, the total amount equals the applicable standard of assistance for general assistance. In determining eligibility for and the amount of assistance for an individual or married couple, the county agency shall apply the earned income disregard the first \$50 of earned income per month as determined in section 256P.03.

EFFECTIVE DATE. This section is effective October 1, 2015.

Sec. 6. Minnesota Statutes 2012, section 256D.08, subdivision 1, is amended to read:

Subdivision 1. **Eligibility; excluded resources.** In determining eligibility of an assistance unit, the following resources shall be excluded:

(1) real or personal property or liquid assets which do not exceed \$1,000; and

(2) other property which has been determined, according to limitations contained in rules promulgated by the commissioner, to be essential to the assistance unit as a means of self-support or self-care or which is producing income that is being used for the support of the assistance unit. The commissioner shall further provide by rule the conditions for those situations in which property not excluded under this subdivision may be retained by the assistance unit where there is a reasonable probability that in the foreseeable future the property will be used for the self-support of the assistance unit; and

(3) payments, made according to litigation and subsequent appropriation by the United States Congress, of funds to compensate members of Indian tribes for the taking of tribal land by the federal government. To establish eligibility for general assistance under this chapter, an agency must use the procedures established in section 256P.02.

EFFECTIVE DATE. This section is effective June 1, 2016.

Sec. 7. Minnesota Statutes 2012, section 256D.08, is amended by adding a subdivision to read:

Subd. 3. **Verification.** To verify eligibility for general assistance under this chapter, an agency must use the procedures established in section 256P.04.

EFFECTIVE DATE. This section is effective February 1, 2015.

Sec. 8. Minnesota Statutes 2012, section 256D.10, is amended to read:

256D.10 ADMINISTRATIVE HEARING PRIOR TO ADVERSE ACTION.

No grant of general assistance except one made pursuant to section 256D.06, subdivision 2; ~~or 256D.08, subdivision 2~~, shall be reduced, terminated, or suspended unless the recipient receives notice and is afforded an opportunity to be heard prior to any action by the county agency.

Nothing herein shall deprive a recipient of the right to full administrative and judicial review of an order or determination of a county agency as provided for in section 256.045 subsequent to any action taken by a county agency after a prior hearing.

EFFECTIVE DATE. This section is effective June 1, 2016.

Sec. 9. Minnesota Statutes 2012, section 256D.405, subdivision 1, is amended to read:

Subdivision 1. **Verification of information.** ~~The county agency shall request, and applicants and recipients shall provide and verify, all information necessary to determine initial and continuing eligibility and assistance payment amounts. If necessary, the county agency shall assist the applicant or recipient in obtaining verifications. If the applicant or recipient refuses or fails without good cause to provide the information or verification, the county agency shall deny or terminate assistance.~~ An agency must apply section 256P.04 when documenting, verifying, and recertifying eligibility under this chapter. An agency must only require verification of information necessary to determine eligibility under this chapter and the amount of the assistance payment.

EFFECTIVE DATE. This section is effective February 1, 2015.

Sec. 10. Minnesota Statutes 2012, section 256D.405, subdivision 3, is amended to read:

Subd. 3. **Reports.** ~~Recipients~~ Participants must report changes in circumstances that affect eligibility or assistance payment amounts within ten days of the change. ~~Recipients~~ Participants who do not receive SSI because of excess income must complete a monthly report form if they have earned income, if they have income deemed to them from a financially responsible relative with whom the ~~recipient~~ participant resides, or if they have income deemed to them by a sponsor. If the report form is not received before the end of the month in which it is due, the county agency must terminate assistance. The termination shall be effective on the first day of the month following the month in which the report was due. If a complete report is received within the month the assistance was terminated, the assistance unit is considered to have continued its application for assistance, effective the first day of the month the assistance was terminated.

EFFECTIVE DATE. This section is effective February 1, 2015.

Sec. 11. Minnesota Statutes 2012, section 256D.425, subdivision 2, is amended to read:

Subd. 2. **Resource standards.** (a) For persons receiving supplemental security income benefits, the resource standards and restrictions for supplemental aid under this section shall be those used to determine eligibility for disabled individuals in the supplemental security income program.

(b) For persons not receiving supplemental security income benefits due to excess income or resources, but whose income and resources are within the limits of the Minnesota supplemental aid program, the resource standards shall be those in section 256P.02.

EFFECTIVE DATE. This section is effective June 1, 2016.

Sec. 12. Minnesota Statutes 2012, section 256I.03, is amended by adding a subdivision to read:

Subd. 1a. **Agency.** "Agency" has the meaning given in section 256P.01, subdivision 2.

Sec. 13. Minnesota Statutes 2012, section 256I.04, subdivision 1, is amended to read:

Subdivision 1. **Individual eligibility requirements.** An individual is eligible for and entitled to a group residential housing payment to be made on the individual's behalf if the county agency has approved the individual's residence in a group residential housing setting and the individual meets the requirements in paragraph (a) or (b).

(a) The individual is aged, blind, or is over 18 years of age and disabled as determined under the criteria used by the title II program of the Social Security Act, and meets the resource restrictions and standards of ~~the supplemental security income program~~ section 256P.02, and the individual's countable income after deducting the (1) exclusions and disregards of the SSI program, (2) the medical assistance personal needs allowance under section 256B.35, and (3) an amount equal to the income actually made available to a community spouse by an elderly waiver recipient participant under the provisions of sections 256B.0575, paragraph (a), clause (4), and 256B.058, subdivision 2, is less than the monthly rate specified in the county agency's agreement with the provider of group residential housing in which the individual resides.

(b) The individual meets a category of eligibility under section 256D.05, subdivision 1, paragraph (a), and the individual's resources are less than the standards specified by section ~~256D.08~~ 256P.02, and the individual's countable income as determined under sections 256D.01 to 256D.21, less the medical assistance personal needs allowance under section 256B.35 is less than the monthly rate specified in the county agency's agreement with the provider of group residential housing in which the individual resides.

EFFECTIVE DATE. This section is effective June 1, 2016.

Sec. 14. Minnesota Statutes 2012, section 256J.08, is amended by adding a subdivision to read:

Subd. 2a. **Agency.** "Agency" has the meaning given in section 256P.01, subdivision 2.

Sec. 15. Minnesota Statutes 2012, section 256J.08, subdivision 47, is amended to read:

Subd. 47. **Income.** "Income" means cash or in-kind benefit, whether earned or unearned, received by or available to an applicant or participant that is not ~~an asset~~ property under section ~~256J.20~~ 256P.02.

EFFECTIVE DATE. This section is effective June 1, 2016.

Sec. 16. Minnesota Statutes 2012, section 256J.08, subdivision 57, is amended to read:

Subd. 57. **Minnesota family investment program or MFIP.** "Minnesota family investment program" or "MFIP" means the assistance program authorized in this chapter ~~and chapter 256K~~.

Sec. 17. Minnesota Statutes 2012, section 256J.08, subdivision 83, is amended to read:

Subd. 83. **Significant change.** "Significant change" means a decline in gross income of the amount of the disregard as defined in ~~subdivision 24~~ section 256P.03 or more from the income used to determine the grant for the current month.

EFFECTIVE DATE. This section is effective October 1, 2015.

Sec. 18. Minnesota Statutes 2012, section 256J.10, is amended to read:

256J.10 MFIP ELIGIBILITY REQUIREMENTS.

To be eligible for MFIP, applicants must meet the general eligibility requirements in sections 256J.11 to 256J.15, the property limitations in section ~~256J.20~~ 256P.02, and the income limitations in section 256J.21.

EFFECTIVE DATE. This section is effective June 1, 2016.

Sec. 19. Minnesota Statutes 2013 Supplement, section 256J.21, subdivision 3, is amended to read:

Subd. 3. **Initial income test.** The county agency shall determine initial eligibility by considering all earned and unearned income that is not excluded under subdivision 2. To be eligible for MFIP, the assistance unit's countable income minus the earned income disregards in ~~paragraphs~~ paragraph (a) and ~~(b)~~ section 256P.03 must be below the family wage level according to section 256J.24 for that size assistance unit.

(a) The initial eligibility determination must disregard the following items:

(1) the employment earned income disregard is ~~18 percent of the gross earned income whether or not the member is working full time or part time~~ as determined in section 256P.03;

(2) dependent care costs must be deducted from gross earned income for the actual amount paid for dependent care up to a maximum of \$200 per month for each child less than two years of age, and \$175 per month for each child two years of age and older ~~under this chapter and chapter 119B~~;

(3) all payments made according to a court order for spousal support or the support of children not living in the assistance unit's household shall be disregarded from the income of the person with the legal obligation to pay support, ~~provided that, if there has been a change in the financial circumstances of the person with the legal obligation to pay support since the support order was entered, the person with the legal obligation to pay support has petitioned for a modification of the support order~~; and

(4) an allocation for the unmet need of an ineligible spouse or an ineligible child under the age of 21 for whom the caregiver is financially responsible and who lives with the caregiver according to section 256J.36.

(b) ~~Notwithstanding paragraph (a), when determining initial eligibility for applicant units when at least one member has received MFIP in this state within four months of the most recent application for MFIP, apply the disregard as defined in section 256J.08, subdivision 24, for all unit members.~~

After initial eligibility is established, the assistance payment calculation is based on the monthly income test.

EFFECTIVE DATE. This section is effective October 1, 2015.

Sec. 20. Minnesota Statutes 2012, section 256J.21, subdivision 4, is amended to read:

Subd. 4. **Monthly income test and determination of assistance payment.** The county agency shall determine ongoing eligibility and the assistance payment amount according to the monthly

income test. To be eligible for MFIP, the result of the computations in paragraphs (a) to (e) must be at least \$1.

(a) Apply an income disregard as defined in section ~~256J.08, subdivision 24~~ 256P.03, to gross earnings and subtract this amount from the family wage level. If the difference is equal to or greater than the MFIP ~~transitional standard of need~~, the assistance payment is equal to the MFIP transitional standard of need. If the difference is less than the MFIP transitional standard of need, the assistance payment is equal to the difference. The employment earned income disregard in this paragraph must be deducted every month there is earned income.

(b) All payments made according to a court order for spousal support or the support of children not living in the assistance unit's household must be disregarded from the income of the person with the legal obligation to pay support, ~~provided that, if there has been a change in the financial circumstances of the person with the legal obligation to pay support since the support order was entered, the person with the legal obligation to pay support has petitioned for a modification of the court order.~~

(c) An allocation for the unmet need of an ineligible spouse or an ineligible child under the age of 21 for whom the caregiver is financially responsible and who lives with the caregiver must be made according to section 256J.36.

(d) Subtract unearned income dollar for dollar from the MFIP transitional standard of need to determine the assistance payment amount.

(e) When income is both earned and unearned, the amount of the assistance payment must be determined by first treating gross earned income as specified in paragraph (a). After determining the amount of the assistance payment under paragraph (a), unearned income must be subtracted from that amount dollar for dollar to determine the assistance payment amount.

(f) When the monthly income is greater than the MFIP transitional standard of need after deductions and the income will only exceed the standard for one month, the county agency must suspend the assistance payment for the payment month.

EFFECTIVE DATE. This section is effective October 1, 2015.

Sec. 21. Minnesota Statutes 2012, section 256J.30, subdivision 4, is amended to read:

Subd. 4. **Participant's completion of recertification of eligibility form.** A participant must complete forms prescribed by the commissioner which are required for recertification of eligibility according to section ~~256J.32, subdivision 6~~ 256P.04, subdivisions 8 and 9.

EFFECTIVE DATE. This section is effective February 1, 2015.

Sec. 22. Minnesota Statutes 2013 Supplement, section 256J.30, subdivision 9, is amended to read:

Subd. 9. **Changes that must be reported.** A caregiver must report the changes or anticipated changes specified in clauses (1) to ~~(16)~~ (15) within ten days of the date they occur, at the time of the periodic recertification of eligibility under section ~~256J.32, subdivision 6~~ 256P.04, subdivisions 8 and 9, or within eight calendar days of a reporting period as in subdivision 5, whichever occurs first. A caregiver must report other changes at the time of the periodic recertification of eligibility under section ~~256J.32, subdivision 6~~ 256P.04, subdivisions 8 and 9, or at the end of a reporting

period under subdivision 5, as applicable. A caregiver must make these reports in writing to the ~~county~~ agency. When ~~a county~~ an agency could have reduced or terminated assistance for one or more payment months if a delay in reporting a change specified under clauses (1) to ~~(15)~~ (14) had not occurred, the ~~county~~ agency must determine whether a timely notice under section 256J.31, subdivision 4, could have been issued on the day that the change occurred. When a timely notice could have been issued, each month's overpayment subsequent to that notice must be considered a client error overpayment under section 256J.38. Calculation of overpayments for late reporting under clause ~~(16)~~ (15) is specified in section 256J.09, subdivision 9. Changes in circumstances which must be reported within ten days must also be reported on the MFIP household report form for the reporting period in which those changes occurred. Within ten days, a caregiver must report:

- (1) a change in initial employment;
- (2) a change in initial receipt of unearned income;
- (3) a recurring change in unearned income;
- (4) a nonrecurring change of unearned income that exceeds \$30;
- (5) the receipt of a lump sum;
- (6) an increase in assets that may cause the assistance unit to exceed asset limits;
- (7) a change in the physical or mental status of an incapacitated member of the assistance unit if the physical or mental status is the basis for reducing the hourly participation requirements under section 256J.55, subdivision 1, or the type of activities included in an employment plan under section 256J.521, subdivision 2;
- (8) a change in employment status;
- ~~(9) information affecting an exception under section 256J.24, subdivision 9;~~
- ~~(10)~~ (9) the marriage or divorce of an assistance unit member;
- ~~(11)~~ (10) the death of a parent, minor child, or financially responsible person;
- ~~(12)~~ (11) a change in address or living quarters of the assistance unit;
- ~~(13)~~ (12) the sale, purchase, or other transfer of property;
- ~~(14)~~ (13) a change in school attendance of a caregiver under age 20 or an employed child;
- ~~(15)~~ (14) filing a lawsuit, a workers' compensation claim, or a monetary claim against a third party; and
- ~~(16)~~ (15) a change in household composition, including births, returns to and departures from the home of assistance unit members and financially responsible persons, or a change in the custody of a minor child.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 23. Minnesota Statutes 2012, section 256J.32, subdivision 1, is amended to read:

Subdivision 1. **Verification of information.** A county An agency must apply section 256P.04 when documenting, verifying, and recertifying MFIP eligibility. An agency must only require

verification of information necessary to determine MFIP eligibility and the amount of the assistance payment.

EFFECTIVE DATE. This section is effective February 1, 2015.

Sec. 24. Minnesota Statutes 2012, section 256J.33, subdivision 2, is amended to read:

Subd. 2. **Prospective eligibility.** ~~A county~~ An agency must determine whether the eligibility requirements that pertain to an assistance unit, including those in sections 256J.11 to 256J.15 and ~~256J.20~~ 256P.02, will be met prospectively for the payment month. Except for the provisions in section 256J.34, subdivision 1, the income test will be applied retrospectively.

EFFECTIVE DATE. This section is effective June 1, 2016.

Sec. 25. Minnesota Statutes 2012, section 256J.37, as amended by Laws 2013, chapter 107, article 4, section 15, is amended to read:

256J.37 TREATMENT OF INCOME AND LUMP SUMS.

Subdivision 1. **Deemed income from ineligible household assistance unit members.** ~~Unless otherwise provided under subdivision 1a or 1b,~~ The income of ineligible household assistance unit members must be deemed after allowing the following disregards:

(1) ~~the first 18 percent of the ineligible family member's gross~~ an earned income ~~disregard as determined under section 256P.03;~~

(2) ~~amounts the ineligible person actually paid to individuals not living in the same household but whom the ineligible person claims or could claim as dependents for determining federal personal income tax liability;~~

(3) ~~(2) all payments made by the ineligible person according to a court order for spousal support or the support of children not living in the assistance unit's household, provided that, if there has been a change in the financial circumstances of the ineligible person since the support order was entered, the ineligible person has petitioned for a modification of the support order; and~~

(4) ~~(3) an amount for the unmet needs of the ineligible person and other persons who live in the household but are not included in the assistance unit and are or could be claimed by an ineligible person as dependents for determining federal personal income tax liability who, if eligible, would be assistance unit members under section 256J.24, subdivision 2 or 4, paragraph (b). This amount is equal to the difference between the MFIP transitional standard of need when the ineligible person is persons are included in the assistance unit and the MFIP transitional standard of need when the ineligible person is persons are not included in the assistance unit.~~

Subd. 1a. **Deemed income from disqualified assistance unit members.** The income of disqualified members must be deemed after allowing the following disregards:

(1) ~~the first 18 percent of the disqualified member's gross~~ an earned income ~~disregard as determined under section 256P.03;~~

(2) ~~amounts the disqualified member actually paid to individuals not living in the same household but whom the disqualified member claims or could claim as dependents for determining federal personal income tax liability;~~

~~(3) (2) all payments made by the disqualified member according to a court order for spousal support or the support of children not living in the assistance unit's household, provided that, if there has been a change in the financial circumstances of the disqualified member's legal obligation to pay support since the support order was entered, the disqualified member has petitioned for a modification of the support order; and~~

~~(4) (3) an amount for the unmet needs of other ineligible persons who live in the household but are not included in the assistance unit and are or could be claimed by the disqualified member as dependents for determining federal personal income tax liability who, if eligible, would be assistance unit members under section 256J.24, subdivision 2 or 4, paragraph (b). This amount is equal to the difference between the MFIP transitional standard of need when the ineligible person is persons are included in the assistance unit and the MFIP transitional standard of need when the ineligible person is persons are not included in the assistance unit. An amount shall not be allowed for the needs of a disqualified member members.~~

Subd. 1b. **Deemed income from parents of minor caregivers.** In households where minor caregivers live with a parent or parents who do not receive MFIP for themselves or their minor children, the income of the parents must be deemed after allowing the following disregards:

(1) income of the parents equal to 200 percent of the federal poverty guideline for a family size not including the minor parent and the minor parent's child in the household according to section 256J.21, subdivision 2, clause (43); and

(2) 18 percent of the parents' gross earned income;

(3) amounts the parents actually paid to individuals not living in the same household but whom the parents claim or could claim as dependents for determining federal personal income tax liability; and

~~(4) (2) all payments made by parents according to a court order for spousal support or the support of children not living in the parent's household, provided that, if there has been a change in the financial circumstances of the parent's legal obligation to pay support since the support order was entered, the parents have petitioned for a modification of the support order.~~

Subd. 2. **Deemed income and assets of sponsor of noncitizens.** (a) If a noncitizen applies for or receives MFIP, the county agency must deem the income and assets of the noncitizen's sponsor and the sponsor's spouse as provided in this paragraph and paragraph (b) or (c), whichever is applicable. The deemed income of a sponsor and the sponsor's spouse is considered unearned income of the noncitizen. The deemed assets of a sponsor and the sponsor's spouse are considered available assets of the noncitizen.

(b) The income and assets of a sponsor who signed an affidavit of support under title IV, sections 421, 422, and 423, of Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, and the income and assets of the sponsor's spouse, must be deemed to the noncitizen to the extent required by those sections of Public Law 104-193.

(c) The income and assets of a sponsor and the sponsor's spouse to whom the provisions of paragraph (b) do not apply must be deemed to the noncitizen to the full extent allowed under title V, section 5505, of Public Law 105-33, the Balanced Budget Act of 1997.

Subd. 3. **Earned income of wage, salary, and contractual employees.** The county agency must include gross earned income less any disregards in the initial and monthly income test. Gross earned income received by persons employed on a contractual basis must be prorated over the period covered by the contract even when payments are received over a lesser period of time.

Subd. 3a. **Rental subsidies; unearned income.** (a) Effective July 1, 2003, the county agency shall count \$50 of the value of public and assisted rental subsidies provided through the Department of Housing and Urban Development (HUD) as unearned income to the cash portion of the MFIP grant. The full amount of the subsidy must be counted as unearned income when the subsidy is less than \$50. The income from this subsidy shall be budgeted according to section 256J.34.

(b) The provisions of this subdivision shall not apply to an MFIP assistance unit which includes a participant who is:

(1) age 60 or older;

(2) a caregiver who is suffering from an illness, injury, or incapacity that has been certified by a qualified professional when the illness, injury, or incapacity is expected to continue for more than 30 days and severely limits the person's ability to obtain or maintain suitable employment; or

(3) a caregiver whose presence in the home is required due to the illness or incapacity of another member in the assistance unit, a relative in the household, or a foster child in the household when the illness or incapacity and the need for the participant's presence in the home has been certified by a qualified professional and is expected to continue for more than 30 days.

(c) The provisions of this subdivision shall not apply to an MFIP assistance unit where the parental caregiver is an SSI recipient participant.

Subd. 4. **Self-employment.** ~~Self-employed individuals are those who are responsible for their own work schedule and do not have coverage under an employer's liability insurance or workers' compensation. Self-employed individuals generally work for themselves rather than an employer. However, individuals employed in some types of services may be self-employed even if they have an employer or work out of another's business location. For example, real estate sales people, individuals who work for commission sales, manufacturer's representatives, and independent contractors may be self-employed. Self-employed individuals may or may not have FICA deducted from the check issued to them by an employer or another party.~~

~~Self-employed individuals may own a business singularly or in partnership. Individuals operating more than one self-employment business may use the loss from one business to offset self-employment income from another business. A loss from a self-employment business may not offset income earned under subdivision 3.~~

Self-employment has the meaning given in section 256P.01, subdivision 7.

Subd. 5. **Self-employment earnings.** The county agency must determine self-employment income according to ~~the following:~~ section 256P.05, subdivision 2.

~~(a) Subtract allowable business expenses from total gross receipts. Allowable business expenses include:~~

~~(1) interest on mortgages and loans;~~

~~(2) employee wages, except for persons who are part of the assistance unit or whose income is deemed to the participant;~~

~~(3) FICA funds paid on employees' wages, payment of employee workers' compensation, and unemployment benefits;~~

~~(4) livestock and veterinary or breeding fees;~~

~~(5) raw material;~~

~~(6) seed and fertilizer;~~

~~(7) maintenance and repairs that are not capital expenditures;~~

~~(8) tax return preparation fees;~~

~~(9) license fees, professional fees, franchise fees, and professional dues;~~

~~(10) tools and supplies that are not capital expenditures;~~

~~(11) fuel and transportation expenses other than fuel costs covered by the flat rate transportation deduction;~~

~~(12) advertising costs;~~

~~(13) meals eaten when required to be away from the local work site;~~

~~(14) property expenses such as rent, insurance, taxes, and utilities;~~

~~(15) postage;~~

~~(16) purchase cost of inventory at time of sale;~~

~~(17) loss from another self-employment business;~~

~~(18) attorney fees allowed by the Internal Revenue Service; and~~

~~(19) tuition for classes necessary to maintain or improve job skills or required by law to maintain job status or salary as allowed by the Internal Revenue Service.~~

~~(b) The county agency shall not allow a deduction for the following expenses:~~

~~(1) purchases of capital assets;~~

~~(2) payments on the principals of loans for capital assets;~~

~~(3) depreciation;~~

~~(4) amortization;~~

~~(5) the wholesale costs of items purchased, processed, or manufactured which are unsold inventory;~~

~~(6) transportation costs that exceed the maximum standard mileage rate allowed for use of a personal car in the Internal Revenue Code;~~

~~(7) costs, in any amount, for mileage between an applicant's or participant's home and place of employment;~~

(8) salaries and other employment deductions made for members of an assistance unit or persons who live in the household for whom an employer is legally responsible;

(9) monthly expenses in excess of \$71 for each roomer;

(10) monthly expenses in excess of the Thrifty Food Plan amount for one person for each boarder. For purposes of this clause and clause (11), "Thrifty Food Plan" has the meaning given it in Code of Federal Regulations;

(11) monthly expenses in excess of the roomer rate plus the Thrifty Food Plan amount for one person for each roomer-boarder. If there is more than one boarder or roomer-boarder, use the total number of boarders as the unit size to determine the Thrifty Food Plan amount;

(12) an amount greater than actual expenses or two percent of the estimated market value on a county tax assessment form, whichever is greater, as a deduction for upkeep and repair against rental income;

(13) expenses not allowed by the Internal Revenue Code;

(14) expenses in excess of 60 percent of gross receipts for in-home child care unless a higher amount can be documented; and

(15) expenses that are reimbursed under the child and adult care food program as authorized under the National School Lunch Act, United States Code, title 42.

Subd. 6. **Self-employment budget period.** The self-employment budget period begins in the month of application or in the first month of self-employment. Gross receipts must be budgeted in the month received. Expenses must be budgeted against gross receipts in the month the expenses are paid, except for paragraphs (a) to (c):

(a) The purchase cost of inventory items, including materials which are processed or manufactured, must be deducted as an expense at the time payment is received for the sale of the inventory items.

(b) A 12-month rolling average based on clauses (1) to (3) must be used to budget monthly income:

(1) For a business in operation for at least 12 months, the county agency shall use the average monthly self-employment income from the most current income tax report for the 12 months before the month of application. The county agency shall determine a new monthly average by adding in the actual self-employment income and expenses from the previous month and dropping the first month from the averaging period.

(2) For a business in operation for less than 12 months, the county agency shall compute the average for the number of months the business has been in operation to determine a monthly average. When data are available for 12 or more months, average monthly self-employment income is determined under clause (1).

(3) If the business undergoes a major change, the county agency shall compute a new rolling average beginning with the first month of the major change. For the purpose of this clause, major change means a change that affects the nature and scale of the business and is not merely the result of normal business fluctuations.

(c) For seasonal self-employment, the caregiver may choose whether to use actual income in the month of receipt and expenses in the month incurred or the rolling average method of computation. The choice must be made once per year at the time of application or recertification. For the purpose of this paragraph, seasonal means working six or less months per year.

The agency must budget self-employment earned income according to section 256P.05, subdivision 3.

Subd. 7. **Farm income.** Farm income is the difference between gross receipts and operating expenses. The county agency must not allow a deduction for expenses listed in subdivision 5, paragraph (b). Gross receipts include sales, rents, subsidies, soil conservation payments, production derived from livestock, and income from home-produced food. Farm income shall be treated as self-employment income under section 256P.05, subdivision 2. The agency must budget farm income as self-employment earned income according to section 256P.05, subdivision 3.

Subd. 8. **Rental income.** The county agency must treat income from rental property as earned or unearned income. Income from rental property is unearned income unless the assistance unit spends an average of ten hours per week on maintenance or management of the property. When the owner spends more than ten hours per week on maintenance or repairs, the earnings are considered self-employment earnings. An amount must be deducted for upkeep and repairs, as specified in subdivision 5, paragraph (b), clause (12), real estate taxes, insurance, utilities, and interest on principal payments. When the applicant or participant lives on the rental property, expenses for upkeep, taxes, insurance, utilities, and interest must be divided by the number of rooms to determine expense per room and expenses deducted must be deducted only for the number of rooms rented. Rental income is subject to the requirements of section 256P.05.

Subd. 9. **Unearned income.** (a) The county agency must apply unearned income to the MFIP transitional standard of need. When determining the amount of unearned income, the county agency must deduct the costs necessary to secure payments of unearned income. These costs include legal fees, medical fees, and mandatory deductions such as federal and state income taxes.

(b) The county agency must convert unearned income received on a periodic basis to monthly amounts by prorating the income over the number of months represented by the frequency of the payments. The county agency must begin counting the monthly amount in the month the periodic payment is received and budget it according to the assistance unit's budget cycle.

Subd. 10. **Treatment of lump sums.** (a) The county agency must treat lump-sum payments as earned or unearned income. If the lump-sum payment is included in the category of income identified in subdivision 9, it must be treated as unearned income. A lump sum is counted as income in the month received and budgeted either prospectively or retrospectively depending on the budget cycle at the time of receipt. When an individual receives a lump-sum payment, that lump sum must be combined with all other earned and unearned income received in the same budget month, and it must be applied according to paragraphs (a) to (c). A lump sum may not be carried over into subsequent months. Any funds that remain in the third month after the month of receipt are counted in the asset limit.

(b) For a lump sum received by an applicant during the first two months, prospective budgeting is used to determine the payment and the lump sum must be combined with other earned or unearned income received and budgeted in that prospective month.

(c) For a lump sum received by a participant after the first two months of MFIP eligibility, the lump sum must be combined with other income received in that budget month, and the combined amount must be applied retrospectively against the applicable payment month.

(d) When a lump sum, combined with other income under paragraphs (b) and (c), is less than the MFIP ~~transitional~~ ~~standard of need~~ for the appropriate payment month, the assistance payment must be reduced according to the amount of the countable income. When the countable income is greater than the MFIP standard or family wage level, the assistance payment must be suspended for the payment month.

EFFECTIVE DATE. The amendments to subdivisions 1, 1a, 1b, and 2 are effective October 1, 2015. The amendments to subdivisions 4, 5, 6, 7, and 8 are effective February 1, 2015. The amendments to subdivisions 9 and 10 are effective January 1, 2015.

Sec. 26. Minnesota Statutes 2012, section 256J.425, subdivision 1, is amended to read:

Subdivision 1. **Eligibility.** (a) To be eligible for a hardship extension, a participant in an assistance unit subject to the time limit under section 256J.42, subdivision 1, must be in compliance in the participant's 60th counted month. For purposes of determining eligibility for a hardship extension, a participant is in compliance in any month that the participant has not been sanctioned. In order to maintain eligibility for any of the hardship extension categories a participant shall develop and comply with either an employment plan or a family stabilization services plan, whichever is appropriate.

(b) If one participant in a two-parent assistance unit is determined to be ineligible for a hardship extension, the county shall give the assistance unit the option of disqualifying the ineligible participant from MFIP. In that case, the assistance unit shall be treated as a one-parent assistance unit ~~and the assistance unit's MFIP grant shall be calculated using the shared household standard under section 256J.08, subdivision 82a.~~

(c) Prior to denying an extension, the county must review the sanction status and determine whether the sanction is appropriate or if good cause exists under section 256J.57. If the sanction was inappropriately applied or the participant is granted a good cause exception before the end of month 60, the participant shall be considered for an extension.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 27. Minnesota Statutes 2012, section 256J.425, subdivision 7, is amended to read:

Subd. 7. **Status of disqualified participants.** (a) An assistance unit that is disqualified under subdivision 6, paragraph (a), may be approved for MFIP if the participant complies with MFIP program requirements and demonstrates compliance for up to one month. No assistance shall be paid during this period.

(b) An assistance unit that is disqualified under subdivision 6, paragraph (a), and that reapplies under paragraph (a) is subject to sanction under section 256J.46, subdivision 1, paragraph (c), clause (1), for a first occurrence of noncompliance. A subsequent occurrence of noncompliance results in a permanent disqualification.

(c) If one participant in a two-parent assistance unit receiving assistance under a hardship extension under subdivision 3 or 4 is determined to be out of compliance with the employment and training services requirements under sections 256J.521 to 256J.57, the county shall give the

assistance unit the option of disqualifying the noncompliant participant from MFIP. In that case, the assistance unit shall be treated as a one-parent assistance unit for the purposes of meeting the work requirements under subdivision 4 ~~and the assistance unit's MFIP grant shall be calculated using the shared household standard under section 256J.08, subdivision 82a.~~ An applicant who is disqualified from receiving assistance under this paragraph may reapply under paragraph (a). If a participant is disqualified from MFIP under this subdivision a second time, the participant is permanently disqualified from MFIP.

(d) Prior to a disqualification under this subdivision, a county agency must review the participant's case to determine if the employment plan is still appropriate and attempt to meet with the participant face-to-face. If a face-to-face meeting is not conducted, the county agency must send the participant a notice of adverse action as provided in section 256J.31. During the face-to-face meeting, the county agency must:

(1) determine whether the continued noncompliance can be explained and mitigated by providing a needed preemployment activity, as defined in section 256J.49, subdivision 13, clause (9);

(2) determine whether the participant qualifies for a good cause exception under section 256J.57;

(3) inform the participant of the family violence waiver criteria and make appropriate referrals if the waiver is requested;

(4) inform the participant of the participant's sanction status and explain the consequences of continuing noncompliance;

(5) identify other resources that may be available to the participant to meet the needs of the family; and

(6) inform the participant of the right to appeal under section 256J.40.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 28. Minnesota Statutes 2012, section 256J.95, subdivision 8, is amended to read:

Subd. 8. **Verification requirements.** (a) A county agency must only require verification of information necessary to determine DWP eligibility and the amount of the payment. The applicant or participant must document the information required or authorize the county agency to verify the information. The applicant or participant has the burden of providing documentary evidence to verify eligibility. The county agency shall assist the applicant or participant in obtaining required documents when the applicant or participant is unable to do so.

(b) A county agency must not request information about an applicant or participant that is not a matter of public record from a source other than county agencies, the Department of Human Services, or the United States Department of Health and Human Services without the person's prior written consent. An applicant's signature on an application form constitutes consent for contact with the sources specified on the application. A county agency may use a single consent form to contact a group of similar sources, but the sources to be contacted must be identified by the county agency prior to requesting an applicant's consent.

(c) Factors to be verified shall follow section 256J.32, ~~subdivision 256P.04~~, subdivisions 4 and 5. Except for personal needs, family maintenance needs must be verified before the expense can be allowed in the calculation of the DWP grant.

EFFECTIVE DATE. This section is effective February 1, 2015.

Sec. 29. Minnesota Statutes 2012, section 256J.95, subdivision 9, is amended to read:

Subd. 9. **Property and income limitations.** The asset limits and exclusions in section ~~256J.20~~ 256P.02 apply to applicants and ~~recipients~~ participants of DWP. All payments, unless excluded in section 256J.21, must be counted as income to determine eligibility for the diversionary work program. The county agency shall treat income as outlined in section 256J.37, except for subdivision 3a. The initial income test and the disregards in section 256J.21, subdivision 3, shall be followed for determining eligibility for the diversionary work program.

EFFECTIVE DATE. This section is effective June 1, 2016.

Sec. 30. Minnesota Statutes 2012, section 256J.95, subdivision 10, is amended to read:

Subd. 10. **Diversionary work program grant.** (a) The amount of cash benefits that a family unit is eligible for under the diversionary work program is based on the number of persons in the family unit, the family maintenance needs, personal needs allowance, and countable income. The county agency shall evaluate the income of the family unit that is requesting payments under the diversionary work program. Countable income means gross earned and unearned income not excluded or disregarded under MFIP. The same disregards for earned income that are allowed under MFIP are allowed for the diversionary work program.

(b) The DWP grant is based on the family maintenance needs for which the DWP family unit is responsible plus a personal needs allowance. Housing and utilities, except for telephone service, shall be vendor paid. Unless otherwise stated in this section, actual housing and utility expenses shall be used when determining the amount of the DWP grant.

(c) The maximum monthly benefit amount available under the diversionary work program is the difference between the family unit's needs under paragraph (b) and the family unit's countable income not to exceed the cash portion of the MFIP transitional standard of need as defined in section ~~sections~~ 256J.08, subdivision ~~55a~~ 85, and 256J.24, subdivision 5, for the family unit's size.

(d) Once the county has determined a grant amount, the DWP grant amount will not be decreased if the determination is based on the best information available at the time of approval and shall not be decreased because of any additional income to the family unit. The grant must be increased if a participant later verifies an increase in family maintenance needs or family unit size. The minimum cash benefit amount, if income and asset tests are met, is \$10. Benefits of \$10 shall not be vendor paid.

(e) When all criteria are met, including the development of an employment plan as described in subdivision 14 and eligibility exists for the month of application, the amount of benefits for the diversionary work program retroactive to the date of application is as specified in section 256J.35, paragraph (a).

(f) Any month during the four-month DWP period that a person receives a DWP benefit directly or through a vendor payment made on the person's behalf, that person is ineligible for MFIP or any

other TANF cash assistance program except for benefits defined in section 256J.626, subdivision 2, clause (1).

If during the four-month period a family unit that receives DWP benefits moves to a county that has not established a diversionary work program, the family unit may be eligible for MFIP the month following the last month of the issuance of the DWP benefit.

EFFECTIVE DATE. This section is effective January 1, 2015.

Sec. 31. **[256P.001] APPLICABILITY.**

General assistance and Minnesota supplemental aid under chapter 256D and programs governed by chapter 256I or 256J are subject to the requirements of this chapter, unless otherwise specified or exempted.

Sec. 32. **[256P.01] DEFINITIONS.**

Subdivision 1. **Scope.** For purposes of this chapter, the terms defined in this section have the meanings given them.

Subd. 2. **Agency.** "Agency" means any county, federally recognized Indian tribe, or multicounty social services collaboratives.

Subd. 3. **Earned income.** "Earned income" means cash or in-kind income earned through the receipt of wages, salary, commissions, profit from employment activities, net profit from self-employment activities, payments made by an employer for regularly accrued vacation or sick leave, and any other profit from activity earned through effort or labor. The income must be in return for, or as a result of, legal activity.

Subd. 4. **Earned income disregard.** "Earned income disregard" means earned income that is not counted according to section 256P.03 when determining eligibility and calculating the amount of the assistance payment.

Subd. 5. **Equity value.** "Equity value" means the amount of equity in personal property owned by a person and is determined by subtracting any outstanding encumbrances from the fair market value of the personal property.

Subd. 6. **Personal property.** "Personal property" means an item of value that is not real property.

Subd. 7. **Self-employment.** "Self-employment" means employment by an individual who:

(1) incurs costs in producing income and deducts these costs in order to equate the individual's income with income from sources where there are no production costs; and

(2) controls the individual's work by working either independently of an employer or freelance, or by running the business; or

(3) pays self-employment taxes.

Sec. 33. **[256P.02] PERSONAL PROPERTY LIMITATIONS.**

Subdivision 1. **Property ownership.** (a) The agency must apply paragraphs (b) to (e) to determine the value of personal property. The agency must use the equity value of legally available personal property to determine whether an applicant or participant is eligible for assistance.

(b) When personal property is jointly owned by two or more persons, the agency shall assume that each person owns an equal share, except that either person owns the entire sum of a joint personal checking or savings account. When an applicant or participant documents greater or lesser ownership, the agency must use that greater or lesser share to determine the equity value held by the applicant or participant. Other types of ownership must be evaluated according to law.

(c) Personal property owned by the applicant or participant must be presumed legally available to the applicant or participant unless the applicant or participant documents that the property is not legally available to the applicant or participant. When personal property is not legally available, its equity value must not be applied against the limits of subdivision 2.

(d) An applicant must disclose whether the applicant has transferred personal property valued in excess of the property limits in subdivision 2 for which reasonable compensation was not received within one year prior to application. A participant must disclose all transfers of property valued in excess of these limits, according to the reporting requirements in section 256J.30, subdivision 9. When a transfer of personal property without reasonable compensation has occurred:

(1) the person who transferred the property must provide the property's description, information needed to determine the property's equity value, the names of the persons who received the property, and the circumstances of and reasons for the transfer; and

(2) when the transferred property can be reasonably reacquired, or when reasonable compensation can be secured, the property is presumed legally available to the applicant or participant.

(e) A participant may build the equity value of personal property to the limits in subdivision 2.

Subd. 2. **Personal property limitations.** (a) The equity value of an assistance unit's personal property listed in clauses (1) to (4) must not exceed \$10,000 for applicants and participants. For purposes of this subdivision, personal property is limited to:

(1) cash;

(2) bank accounts;

(3) liquid stocks and bonds that can be readily accessed without a financial penalty; and

(4) vehicles not excluded under subdivision 3.

Subd. 3. **Vehicle exception.** One vehicle per assistance unit member age 16 or older shall be excluded when determining the equity value of personal property. If the assistance unit owns more than one vehicle per assistance unit member age 16 or older, the agency shall determine the trade-in values of all additional vehicles and apply the values to the personal property limitations in subdivision 2. To establish the trade-in values of vehicles, an agency must use the National Automobile Dealers Association online car values and car prices guide. When a vehicle is not listed in the online guide, or when the applicant or participant disputes the trade-in value listed in the online guide as unreasonable given the condition of the particular vehicle, the agency may require the applicant or participant to document the trade-in value by securing a written statement from a motor vehicle dealer licensed under section 168.27, stating the amount that the dealer would pay to purchase the vehicle. The agency shall reimburse the applicant or participant for the cost of a written statement that documents a lower loan value.

EFFECTIVE DATE. This section is effective June 1, 2016.

Sec. 34. [256P.03] EARNED INCOME DISREGARD.

Subdivision 1. Exempted programs. Participants who qualify for Minnesota supplemental aid under chapter 256D and for group residential housing under chapter 256I on the basis of eligibility for Supplemental Security Income are exempt from this section.

Subd. 2. Earned income disregard. The agency shall disregard the first \$65 of earned income plus one-half of the remaining earned income per month.

EFFECTIVE DATE. This section is effective October 1, 2015.

Sec. 35. [256P.04] DOCUMENTING, VERIFYING, AND RECERTIFYING ELIGIBILITY.

Subdivision 1. Exemption. Participants who receive Minnesota supplemental aid and who maintain Supplemental Security Income eligibility under chapters 256D and 256I are exempt from the reporting requirements of this section, except that the policies and procedures for transfers of assets are those used by the medical assistance program under section 256B.0595.

Subd. 2. Verification of information. An agency must only require verification of information necessary to determine eligibility and the amount of the assistance payment. If necessary, the agency shall assist the applicant or participant in obtaining verifications and required documents when the applicant or participant is unable to do so.

Subd. 3. Documentation. The applicant or participant must document the information required under subdivisions 4 to 7 or authorize the agency to verify the information. The applicant or participant has the burden of providing documentary evidence to verify eligibility. The agency must accept a signed personal statement from the applicant or participant when determining personal property values under section 256P.02. The signed personal statement must include general penalty warnings and a disclaimer that any false or misrepresented information is subject to prosecution for fraud under sections 609.52 and 609.821 and perjury under section 609.48.

Subd. 4. Factors to be verified. (a) The agency shall verify the following at application:

- (1) identity of adults;
- (2) age, if necessary to determine eligibility;
- (3) immigration status;
- (4) income;
- (5) spousal support and child support payments made to persons outside the household;
- (6) vehicles;
- (7) checking and savings accounts;
- (8) inconsistent information, if related to eligibility;
- (9) residence; and
- (10) Social Security number.

(b) Applicants who are qualified noncitizens and victims of domestic violence as defined under section 256J.08, subdivision 73, clause (7), are not required to verify the information in paragraph (a), clause (10). When a Social Security number is not provided to the agency for verification, this requirement is satisfied when each member of the assistance unit cooperates with the procedures for verification of Social Security numbers, issuance of duplicate cards, and issuance of new numbers which have been established jointly between the Social Security Administration and the commissioner.

Subd. 5. **MFIP-only verifications.** In addition to subdivision 4, the agency shall verify the following for programs under chapter 256J:

- (1) the presence of the minor child in the home, if questionable;
- (2) the relationship of a minor child to caregivers in the assistance unit;
- (3) pregnancy, if related to eligibility;
- (4) school attendance, if related to eligibility;
- (5) a claim of family violence, if used as a basis to qualify for the family violence waiver under chapter 256J; and
- (6) disability, if used as the basis for reducing the hourly participation requirements under section 256J.55, subdivision 1, or for the type of activity included in an employment plan under section 256J.521, subdivision 2.

Subd. 6. **Personal property inconsistent information.** If there is inconsistent information known to the agency when reporting personal property under section 256P.02, an agency must require the applicant or participant to document the information required under section 256P.02 or authorize the county agency to verify the information. The applicant or participant has the burden of providing documentary evidence to verify eligibility. The agency shall assist the applicant or participant in obtaining required documents when the applicant or participant is unable to do so.

Subd. 7. **Documenting and verifying inconsistent information.** When the agency verifies inconsistent information under subdivision 4, paragraph (a), clause (8); subdivision 6; or subdivision 8, clause (3), the reason for verifying the information must be documented in the financial case record.

Subd. 8. **Recertification.** The agency shall recertify eligibility in an annual interview with the participant. The interview may be conducted by telephone, by Internet telepresence, or face-to-face in the county office or in another location mutually agreed upon. A participant must be given the option of a telephone interview or Internet telepresence to recertify eligibility. During the interview, the agency shall verify the following:

- (1) income, unless excluded, including self-employment earnings;
- (2) assets when the value is within \$200 of the asset limit; and
- (3) inconsistent information, if related to eligibility.

Subd. 9. **MFIP-only recertification.** In addition to subdivision 8, the agency shall verify the following for programs under chapter 256J:

- (1) the presence of the minor child in the home, if questionable; and

(2) whether a single-caregiver household meets the requirements in section 256J.575, subdivision 3.

Subd. 10. **Participant's completion of form for recertification of eligibility.** A participant must complete forms prescribed by the commissioner which are required for recertification of eligibility according to subdivisions 8 and 9. An agency must end benefits when the participant fails to submit the recertification form and verifications before the end of the certification period. If the participant submits the recertification form within 30 days of the termination of benefits, benefits must be reinstated and made available retroactively for the full benefit month.

Subd. 11. **Participant's completion of household report form.** (a) When a participant is required to complete a household report form, the following paragraphs apply.

(b) If the agency receives an incomplete household report form, the agency must immediately return the incomplete form and clearly state what the participant must do for the form to be complete.

(c) The automated eligibility system must send a notice of proposed termination of assistance to the participant if a complete household report form is not received by the agency. The automated notice must be mailed to the participant by approximately the 16th of the month. When a participant submits an incomplete form on or after the date a notice of proposed termination has been sent, the termination is valid unless the participant submits a complete form before the end of the month.

(d) The submission of a household report form is considered to have continued the participant's application for assistance if a complete household report form is received within a calendar month after the month in which the form was due. Assistance shall be paid for the period beginning with the first day of that calendar month.

(e) An agency must allow good cause exemptions for a participant required to complete a household report form when any of the following factors cause a participant to fail to submit a completed household report form before the end of the month in which the form is due:

(1) an employer delays completion of employment verification;

(2) the agency does not help a participant complete the household report form when the participant asks for help;

(3) a participant does not receive a household report form due to a mistake on the part of the department or the agency or a reported change in address;

(4) a participant is ill or physically or mentally incapacitated; or

(5) some other circumstance occurs that a participant could not avoid with reasonable care which prevents the participant from providing a completed household report form before the end of the month in which the form is due.

Subd. 12. **Contacting third parties.** An agency must not request information about an applicant or participant that is not of public record from a source other than agencies, the department, or the United States Department of Health and Human Services without the applicant's or participant's prior written consent. An applicant's signature on an application form constitutes consent for contact with the sources specified on the application. An agency may use a single consent form to contact a group of similar sources, such as banks or insurance agencies, but the sources to be contacted must be identified by the agency prior to requesting an applicant's consent.

Subd. 13. **Notice to undocumented persons; release of private data.** Agencies, in consultation with the commissioner of human services, shall provide notification to undocumented persons regarding the release of personal data to the United States Citizenship and Immigration Services and develop protocols regarding the release or sharing of data about undocumented persons with the United States Citizenship and Immigration Services as required under sections 404, 411A, and 434 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

Subd. 14. **Requirement to report to United States Citizenship and Immigration Services.** The commissioner shall comply with the reporting requirements under United States Code, title 42, section 611a, and any federal regulation or guidance adopted under that law.

Subd. 15. **Personal statement.** The agency may accept a signed personal statement from the applicant or participant explaining the reasons that the documentation requested in subdivision 3 is unavailable as sufficient documentation at the time of application, recertification, or change related to eligibility only for the following factors:

(1) a claim of family violence, if used as a basis to qualify for the family violence waiver;

(2) relationship of a minor child to caregivers in the assistance unit;

(3) citizenship status from a noncitizen who reports to be, or is identified as, a victim of severe forms of trafficking in persons, if the noncitizen reports that the noncitizen's immigration documents are being held by an individual or group of individuals against the noncitizen's will. The noncitizen must follow up with the Office of Refugee Resettlement (ORR) to pursue certification. If verification that certification is being pursued is not received within 30 days, the case must be closed and the agency shall pursue overpayments. The ORR documents certifying the noncitizen's status as a victim of severe forms of trafficking in persons, or the reason for the delay in processing, must be received within 90 days, or the case must be closed and the agency shall pursue overpayments; and

(4) other documentation unavailable for reasons beyond the control of the applicant or participant. The applicant or participant must have made reasonable attempts to obtain the documents requested under subdivision 3.

Subd. 16. **Excluded resources.** Payments of funds made according to litigation and subsequent appropriation by the United States Congress to compensate members of Indian tribes for the taking of tribal lands by the federal government are excluded.

EFFECTIVE DATE. This section is effective February 1, 2015.

Sec. 36. **[256P.05] SELF-EMPLOYMENT EARNINGS.**

Subdivision 1. **Exempted programs.** Participants who qualify for Minnesota supplemental aid under chapter 256D and for group residential housing under chapter 256I on the basis of eligibility for Supplemental Security Income are exempt from this section.

Subd. 2. **Self-employment income determinations.** An agency must determine self-employment income, which is either:

(1) one-half of gross earnings from self-employment; or

(2) taxable income as determined from an Internal Revenue Service tax form that has been filed with the Internal Revenue Service within the last year. A 12-month average using net taxable income shall be used to budget monthly income.

Subd. 3. **Self-employment budgeting.** (a) The self-employment budget period begins in the month of application or in the first month of self-employment. Applicants and participants must choose one of the methods described in subdivision 2 for determining self-employment earned income.

(b) Applicants and participants who elect to use taxable income as described in subdivision 2, clause (2), to determine self-employment income must continue to use this method until recertification, unless there is an unforeseen significant change in gross income equaling a decline in gross income of the amount equal to or greater than the earned income disregard as defined in section 256P.03 from the income used to determine the benefit for the current month.

(c) For applicants and participants who elect to use one-half of gross earnings as described in subdivision 2, clause (1), to determine self-employment income, earnings must be counted as income in the month received.

EFFECTIVE DATE. This section is effective February 1, 2015.

Sec. 37. **REPEALER.**

(a) Minnesota Statutes 2012, sections 256J.08, subdivisions 55a and 82a; and 256J.24, subdivision 9, are repealed effective January 1, 2015.

(b) Minnesota Statutes 2012, sections 256D.405, subdivisions 1a and 2; 256J.08, subdivision 42; and 256J.32, subdivisions 2, 3, 4, 5a, 6, 7, 7a, and 8, are repealed effective February 1, 2015.

(c) Minnesota Statutes 2012, section 256D.06, subdivision 1b, is repealed effective October 1, 2015.

(d) Minnesota Statutes 2013 Supplement, section 256J.08, subdivision 24, is repealed effective October 1, 2015.

(e) Minnesota Statutes 2012, sections 256D.08, subdivision 2; and 256J.20, are repealed effective June 1, 2016.

ARTICLE 29

CHEMICAL AND MENTAL HEALTH

Section 1. Minnesota Statutes 2012, section 245.466, is amended by adding a subdivision to read:

Subd. 3a. **Transition plan related to termination of contract.** Counties must prepare a transition plan that provides for continuity of care in the event of contract termination with a community mental health center under section 245.715, or a community support services program under section 245.462, subdivision 6. The county shall provide at least 90 days' notice of the termination to the contracted agency and the commissioner of human services. The transition plan must provide information to clients on how to access medical records and how to transfer to other providers.

Sec. 2. Minnesota Statutes 2012, section 245A.04, is amended by adding a subdivision to read:

Subd. 15a. **Plan for transfer of clients and records upon closure.** (a) Except for child care providers, an applicant for initial or continuing licensure must submit a written plan indicating how

the agency will provide for the transfer of clients and records for both open and closed cases if the agency closes. The plan must provide for managing private and confidential information concerning agency clients. The plan must also provide for notifying affected clients of the closure at least 25 days prior to closure, including information on how to access their medical records. A controlling individual of the agency must annually review and sign the plan.

(b) Plans for the transfer of open cases and case records must specify arrangements the agency will make to transfer clients to another agency or county agency for continuation of services and to transfer the case record with the client.

(c) Plans for the transfer of closed case records must be accompanied by a signed agreement or other documentation indicating that a county or a similarly licensed agency has agreed to accept and maintain the agency's closed case records and to provide follow-up services as necessary to affected clients.

Sec. 3. Minnesota Statutes 2012, section 253B.066, subdivision 1, is amended to read:

Subdivision 1. **Treatment alternatives.** If the court orders early intervention under section 253B.065, subdivision 5, the court may include in its order a variety of treatment alternatives including, but not limited to, day treatment, medication compliance monitoring, assertive community treatment, crisis assessment and stabilization, partial hospitalization, and short-term hospitalization not to exceed 21 days.

If the court orders short-term hospitalization and the proposed patient will not go voluntarily, the court may direct a health officer, peace officer, or other person to take the person into custody and transport the person to the hospital.

Sec. 4. Minnesota Statutes 2012, section 254B.12, is amended to read:

254B.12 RATE METHODOLOGY.

Subdivision 1. **CCDTF rate methodology established.** The commissioner shall establish a new rate methodology for the consolidated chemical dependency treatment fund. The new methodology must replace county-negotiated rates with a uniform statewide methodology that must include a graduated reimbursement scale based on the patients' level of acuity and complexity. At least biennially, the commissioner shall review the financial information provided by vendors to determine the need for rate adjustments.

Subd. 2. **Payment methodology for highly specialized vendors.** (a) Notwithstanding subdivision 1, the commissioner shall seek federal authority to develop separate payment methodologies for chemical dependency treatment services provided under the consolidated chemical dependency treatment fund: (1) by a state-operated vendor; or (2) for persons who have been civilly committed to the commissioner, present the most complex and difficult care needs, and are a potential threat to the community. A payment methodology under this subdivision is effective for services provided on or after October 1, 2015, or on or after the receipt of federal approval, whichever is later.

(b) Before implementing an approved payment methodology under paragraph (a), the commissioner must also receive any necessary legislative approval of required changes to state law or funding.

Sec. 5. Minnesota Statutes 2013 Supplement, section 256B.06, subdivision 4, is amended to read:

Subd. 4. **Citizenship requirements.** (a) Eligibility for medical assistance is limited to citizens of the United States, qualified noncitizens as defined in this subdivision, and other persons residing lawfully in the United States. Citizens or nationals of the United States must cooperate in obtaining satisfactory documentary evidence of citizenship or nationality according to the requirements of the federal Deficit Reduction Act of 2005, Public Law 109-171.

(b) "Qualified noncitizen" means a person who meets one of the following immigration criteria:

- (1) admitted for lawful permanent residence according to United States Code, title 8;
- (2) admitted to the United States as a refugee according to United States Code, title 8, section 1157;
- (3) granted asylum according to United States Code, title 8, section 1158;
- (4) granted withholding of deportation according to United States Code, title 8, section 1253(h);
- (5) paroled for a period of at least one year according to United States Code, title 8, section 1182(d)(5);
- (6) granted conditional entrant status according to United States Code, title 8, section 1153(a)(7);
- (7) determined to be a battered noncitizen by the United States Attorney General according to the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, title V of the Omnibus Consolidated Appropriations Bill, Public Law 104-200;
- (8) is a child of a noncitizen determined to be a battered noncitizen by the United States Attorney General according to the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, title V, of the Omnibus Consolidated Appropriations Bill, Public Law 104-200; or
- (9) determined to be a Cuban or Haitian entrant as defined in section 501(e) of Public Law 96-422, the Refugee Education Assistance Act of 1980.

(c) All qualified noncitizens who were residing in the United States before August 22, 1996, who otherwise meet the eligibility requirements of this chapter, are eligible for medical assistance with federal financial participation.

(d) Beginning December 1, 1996, qualified noncitizens who entered the United States on or after August 22, 1996, and who otherwise meet the eligibility requirements of this chapter are eligible for medical assistance with federal participation for five years if they meet one of the following criteria:

- (1) refugees admitted to the United States according to United States Code, title 8, section 1157;
- (2) persons granted asylum according to United States Code, title 8, section 1158;
- (3) persons granted withholding of deportation according to United States Code, title 8, section 1253(h);
- (4) veterans of the United States armed forces with an honorable discharge for a reason other than noncitizen status, their spouses and unmarried minor dependent children; or

(5) persons on active duty in the United States armed forces, other than for training, their spouses and unmarried minor dependent children.

Beginning July 1, 2010, children and pregnant women who are noncitizens described in paragraph (b) or who are lawfully present in the United States as defined in Code of Federal Regulations, title 8, section 103.12, and who otherwise meet eligibility requirements of this chapter, are eligible for medical assistance with federal financial participation as provided by the federal Children's Health Insurance Program Reauthorization Act of 2009, Public Law 111-3.

(e) Nonimmigrants who otherwise meet the eligibility requirements of this chapter are eligible for the benefits as provided in paragraphs (f) to (h). For purposes of this subdivision, a "nonimmigrant" is a person in one of the classes listed in United States Code, title 8, section 1101(a)(15).

(f) Payment shall also be made for care and services that are furnished to noncitizens, regardless of immigration status, who otherwise meet the eligibility requirements of this chapter, if such care and services are necessary for the treatment of an emergency medical condition.

(g) For purposes of this subdivision, the term "emergency medical condition" means a medical condition that meets the requirements of United States Code, title 42, section 1396b(v).

(h)(1) Notwithstanding paragraph (g), services that are necessary for the treatment of an emergency medical condition are limited to the following:

(i) services delivered in an emergency room or by an ambulance service licensed under chapter 144E that are directly related to the treatment of an emergency medical condition;

(ii) services delivered in an inpatient hospital setting following admission from an emergency room or clinic for an acute emergency condition; and

(iii) follow-up services that are directly related to the original service provided to treat the emergency medical condition and are covered by the global payment made to the provider.

(2) Services for the treatment of emergency medical conditions do not include:

(i) services delivered in an emergency room or inpatient setting to treat a nonemergency condition;

(ii) organ transplants, stem cell transplants, and related care;

(iii) services for routine prenatal care;

(iv) continuing care, including long-term care, nursing facility services, home health care, adult day care, day training, or supportive living services;

(v) elective surgery;

(vi) outpatient prescription drugs, unless the drugs are administered or dispensed as part of an emergency room visit;

(vii) preventative health care and family planning services;

(viii) rehabilitation services;

(ix) physical, occupational, or speech therapy;

- (x) transportation services;
- (xi) case management;
- (xii) prosthetics, orthotics, durable medical equipment, or medical supplies;
- (xiii) dental services;
- (xiv) hospice care;
- (xv) audiology services and hearing aids;
- (xvi) podiatry services;
- (xvii) chiropractic services;
- (xviii) immunizations;
- (xix) vision services and eyeglasses;
- (xx) waiver services;
- (xxi) individualized education programs; or
- (xxii) chemical dependency treatment.

(i) Pregnant noncitizens who are ineligible for federally funded medical assistance because of immigration status, are not covered by a group health plan or health insurance coverage according to Code of Federal Regulations, title 42, section 457.310, and who otherwise meet the eligibility requirements of this chapter, are eligible for medical assistance through the period of pregnancy, including labor and delivery, and 60 days postpartum, to the extent federal funds are available under title XXI of the Social Security Act, and the state children's health insurance program.

(j) Beginning October 1, 2003, persons who are receiving care and rehabilitation services from a nonprofit center established to serve victims of torture and are otherwise ineligible for medical assistance under this chapter are eligible for medical assistance without federal financial participation. These individuals are eligible only for the period during which they are receiving services from the center. Individuals eligible under this paragraph shall not be required to participate in prepaid medical assistance. The nonprofit center referenced under this paragraph may establish itself as a provider of mental health targeted case management services through a county contract under section 256.0112, subdivision 6. If the nonprofit center is unable to secure a contract with a lead county in its service area, then, notwithstanding the requirements of section 256B.0625, subdivision 20, the commissioner may negotiate a contract with the nonprofit center for provision of mental health targeted case management services. When serving clients who are not the financial responsibility of their contracted lead county, the nonprofit center must gain the concurrence of the county of financial responsibility prior to providing mental health targeted case management services for those clients.

(k) Notwithstanding paragraph (h), clause (2), the following services are covered as emergency medical conditions under paragraph (f) except where coverage is prohibited under federal law:

- (1) dialysis services provided in a hospital or freestanding dialysis facility; and

(2) surgery and the administration of chemotherapy, radiation, and related services necessary to treat cancer if the recipient has a cancer diagnosis that is not in remission and requires surgery, chemotherapy, or radiation treatment.

(1) Effective July 1, 2013, recipients of emergency medical assistance under this subdivision are eligible for coverage of the elderly waiver services provided under section 256B.0915, and coverage of rehabilitative services provided in a nursing facility. The age limit for elderly waiver services does not apply. In order to qualify for coverage, a recipient of emergency medical assistance is subject to the assessment and reassessment requirements of section 256B.0911. Initial and continued enrollment under this paragraph is subject to the limits of available funding.

Sec. 6. Minnesota Statutes 2012, section 256B.0615, subdivision 3, is amended to read:

Subd. 3. **Eligibility.** Peer support services may be made available to consumers of (1) the intensive rehabilitative mental health services under section 256B.0622; (2) adult rehabilitative mental health services under section 256B.0623; and (3) crisis stabilization and mental health mobile crisis intervention services under section 256B.0624.

Sec. 7. Minnesota Statutes 2012, section 256B.0624, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of this section, the following terms have the meanings given them.

(a) "Mental health crisis" is an adult behavioral, emotional, or psychiatric situation which, but for the provision of crisis response services, would likely result in significantly reduced levels of functioning in primary activities of daily living, or in an emergency situation, or in the placement of the recipient in a more restrictive setting, including, but not limited to, inpatient hospitalization.

(b) "Mental health emergency" is an adult behavioral, emotional, or psychiatric situation which causes an immediate need for mental health services and is consistent with section 62Q.55.

A mental health crisis or emergency is determined for medical assistance service reimbursement by a physician, a mental health professional, or crisis mental health practitioner with input from the recipient whenever possible.

(c) "Mental health crisis assessment" means an immediate face-to-face assessment by a physician, a mental health professional, or mental health practitioner under the clinical supervision of a mental health professional, following a screening that suggests that the adult may be experiencing a mental health crisis or mental health emergency situation. It includes, when feasible, assessing whether the person might be willing to voluntarily accept treatment, determining whether the person has an advance directive, and obtaining information and history from involved family members or caretakers.

(d) "Mental health mobile crisis intervention services" means face-to-face, short-term intensive mental health services initiated during a mental health crisis or mental health emergency to help the recipient cope with immediate stressors, identify and utilize available resources and strengths, engage in voluntary treatment, and begin to return to the recipient's baseline level of functioning. The services, including screening and treatment plan recommendations, must be culturally and linguistically appropriate.

(1) This service is provided on site by a mobile crisis intervention team outside of an inpatient hospital setting. Mental health mobile crisis intervention services must be available 24 hours a day, seven days a week.

(2) The initial screening must consider other available services to determine which service intervention would best address the recipient's needs and circumstances.

(3) The mobile crisis intervention team must be available to meet promptly face-to-face with a person in mental health crisis or emergency in a community setting or hospital emergency room.

(4) The intervention must consist of a mental health crisis assessment and a crisis treatment plan.

(5) The team must be available to individuals who are experiencing a co-occurring substance use disorder, who do not need the level of care provided in a detoxification facility.

~~(5)~~ (6) The treatment plan must include recommendations for any needed crisis stabilization services for the recipient, including engagement in treatment planning and family psychoeducation.

(e) "Mental health crisis stabilization services" means individualized mental health services provided to a recipient following crisis intervention services which are designed to restore the recipient to the recipient's prior functional level. Mental health crisis stabilization services may be provided in the recipient's home, the home of a family member or friend of the recipient, another community setting, or a short-term supervised, licensed residential program. Mental health crisis stabilization does not include partial hospitalization or day treatment. Mental health crisis stabilization services includes family psychoeducation.

Sec. 8. Minnesota Statutes 2012, section 256B.0624, subdivision 5, is amended to read:

Subd. 5. **Mobile crisis intervention staff qualifications.** For provision of adult mental health mobile crisis intervention services, a mobile crisis intervention team is comprised of at least two mental health professionals as defined in section 245.462, subdivision 18, clauses (1) to (6), or a combination of at least one mental health professional and one mental health practitioner as defined in section 245.462, subdivision 17, with the required mental health crisis training and under the clinical supervision of a mental health professional on the team. The team must have at least two people with at least one member providing on-site crisis intervention services when needed. Team members must be experienced in mental health assessment, crisis intervention techniques, treatment engagement strategies, working with families, and clinical decision-making under emergency conditions and have knowledge of local services and resources. The team must recommend and coordinate the team's services with appropriate local resources such as the county social services agency, mental health services, and local law enforcement when necessary.

Sec. 9. Minnesota Statutes 2012, section 256B.0624, subdivision 6, is amended to read:

Subd. 6. **Crisis assessment and mobile intervention treatment planning.** (a) Prior to initiating mobile crisis intervention services, a screening of the potential crisis situation must be conducted. The screening may use the resources of crisis assistance and emergency services as defined in sections 245.462, subdivision 6, and 245.469, subdivisions 1 and 2. The screening must gather information, determine whether a crisis situation exists, identify parties involved, and determine an appropriate response.

(b) If a crisis exists, a crisis assessment must be completed. A crisis assessment evaluates any immediate needs for which emergency services are needed and, as time permits, the recipient's

current life situation, sources of stress, mental health problems and symptoms, strengths, cultural considerations, support network, vulnerabilities, current functioning, and the recipient's preferences as communicated directly by the recipient, or as communicated in a health care directive as described in chapters 145C and 253B, the treatment plan described under paragraph (d), a crisis prevention plan, or a wellness recovery action plan.

(c) If the crisis assessment determines mobile crisis intervention services are needed, the intervention services must be provided promptly. As opportunity presents during the intervention, at least two members of the mobile crisis intervention team must confer directly or by telephone about the assessment, treatment plan, and actions taken and needed. At least one of the team members must be on site providing crisis intervention services. If providing on-site crisis intervention services, a mental health practitioner must seek clinical supervision as required in subdivision 9.

(d) The mobile crisis intervention team must develop an initial, brief crisis treatment plan as soon as appropriate but no later than 24 hours after the initial face-to-face intervention. The plan must address the needs and problems noted in the crisis assessment and include measurable short-term goals, cultural considerations, and frequency and type of services to be provided to achieve the goals and reduce or eliminate the crisis. The treatment plan must be updated as needed to reflect current goals and services.

(e) The team must document which short-term goals have been met and when no further crisis intervention services are required.

(f) If the recipient's crisis is stabilized, but the recipient needs a referral to other services, the team must provide referrals to these services. If the recipient has a case manager, planning for other services must be coordinated with the case manager. If the recipient is unable to follow up on the referral, the team must link the recipient to the service and follow up to ensure the recipient is receiving the service.

(g) If the recipient's crisis is stabilized and the recipient does not have an advance directive, the case manager or crisis team shall offer to work with the recipient to develop one.

Sec. 10. Minnesota Statutes 2012, section 256B.0624, subdivision 10, is amended to read:

Subd. 10. **Recipient file.** Providers of mobile crisis intervention or crisis stabilization services must maintain a file for each recipient containing the following information:

(1) individual crisis treatment plans signed by the recipient, mental health professional, and mental health practitioner who developed the crisis treatment plan, or if the recipient refused to sign the plan, the date and reason stated by the recipient as to why the recipient would not sign the plan;

(2) signed release forms;

(3) recipient health information and current medications;

(4) emergency contacts for the recipient;

(5) case records which document the date of service, place of service delivery, signature of the person providing the service, and the nature, extent, and units of service. Direct or telephone contact with the recipient's family or others should be documented;

(6) required clinical supervision by mental health professionals;

- (7) summary of the recipient's case reviews by staff; ~~and~~
- (8) any written information by the recipient that the recipient wants in the file; and
- (9) an advance directive, if there is one available.

Documentation in the file must comply with all requirements of the commissioner.

Sec. 11. Minnesota Statutes 2012, section 256I.05, subdivision 2, is amended to read:

Subd. 2. **Monthly rates; exemptions.** ~~The maximum group residential housing rate does not apply~~ This subdivision applies to a residence that on August 1, 1984, was licensed by the commissioner of health only as a boarding care home, certified by the commissioner of health as an intermediate care facility, and licensed by the commissioner of human services under Minnesota Rules, parts 9520.0500 to 9520.0690. Notwithstanding the provisions of subdivision 1c, the rate paid to a facility reimbursed under this subdivision shall be determined under section 256B.431, or under section 256B.434 if the facility is accepted by the commissioner for participation in the alternative payment demonstration project. The rate paid to this facility shall also include adjustments to the group residential housing rate according to subdivision 1, and any adjustments applicable to supplemental service rates statewide.

Sec. 12. DIRECTION TO COMMISSIONER; REPORT ON PROGRAM WAITING LISTS.

In preparing background materials for the 2016-2017 biennium, the commissioner of human services shall prepare a listing of all of the waiting lists for services that the department oversees and directs. The listing shall identify the number of persons on those waiting lists as of October 1, 2014, and an estimate of the cost of serving them based on current average costs. The commissioner is encouraged to engage postsecondary students in the assembly, analysis, and reporting of this information. The information shall be provided to the governor, the chairs and ranking minority members of the legislative committees with jurisdiction over health and human services policy and finance, and the Legislative Reference Library in electronic form by December 1, 2014.

Sec. 13. MENTALLY ILL OFFENDERS ARRESTED OR SUBJECT TO ARREST; WORKING GROUP.

Subdivision 1. **Working group established; study and draft legislation required.** The commissioner of human services may convene a working group to address issues related to offenders with mental illness who are arrested or subject to arrest. The working group shall consider the special needs of these offenders and determine how best to provide for these needs. Specifically, the group shall consider the efficacy of a facility that would serve as a central point for accepting, assessing, and addressing the needs of offenders with mental illness brought in by law enforcement as an alternative to arrest or following arrest. The facility would consolidate and coordinate existing resources as well as offer new resources that would provide a continuum of care addressing the immediate, short-term, and long-term needs of these offenders. The facility would do the following for these offenders: perform timely, credible, and useful mental health assessments; identify community placement opportunities; coordinate community care; make recommendations concerning pretrial release when appropriate; and, in some cases, provide direct services to offenders at the facility or in nearby jails. The working group shall establish criteria to determine which offenders may be admitted to the facility. The facility would be located in the metropolitan region and serve the needs of nearby counties. The facility would represent a

partnership between the state, local units of government, and the private sector. In addition, the working group may consider how similar facilities could function in outstate areas. When studying this issue, the working group shall examine what other states have done in this area to determine what programs have been successful and use those programs as models in developing the program in Minnesota. The working group may also study and make recommendations on other ways to improve the process for addressing and assisting these offenders. The commissioner shall enter into an agreement with NAMI Minnesota to carry out the work of the working group.

Subd. 2. **Membership.** The commissioner shall ensure that the working group has expertise and a broad range of interests represented, including, but not limited to: prosecutors; law enforcement, including jail staff; correctional officials; community corrections staff; probation officials; criminal defense attorneys; judges; county and city officials; mental health advocates; mental health professionals; and hospital and health care officials.

Subd. 3. **Administrative issues.** (a) The commissioner shall convene the first meeting of the working group by September 1, 2014. NAMI Minnesota shall provide meeting space and administrative support to the working group. The working group shall select a chair from among its members.

(b) The commissioner may solicit in-kind support from work group member agencies to accomplish its assigned duties.

Subd. 4. **Report required.** By January 1, 2015, the working group shall submit a report to the chairs and ranking minority members of the senate and house of representatives committees and divisions having jurisdiction over human services and public safety. The report must summarize the working group's activities and include its recommendations and draft legislation. The recommendations must be specific and include estimates of the costs involved in implementing the recommendations, including the funding sources that might be used to pay for it. The working group shall explore potential funding sources at the federal, local, and private levels, and provide this information in the report. In addition, the report must include draft legislation to implement the recommendations.

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

Sec. 14. **DETOXIFICATION SERVICES PLAN.**

The commissioner of human services shall develop a plan to include detoxification services as a covered medical assistance benefit and present the plan to the members of the legislative committees having jurisdiction over health and human services provisions and funding by December 15, 2014.

Sec. 15. **REPORT ON RATE SETTING METHODOLOGY FOR MENTAL HEALTH SERVICES.**

The commissioner of human services shall provide a report to the chairs of the Health and Human Services Finance Division by February 1, 2015, that assesses the current rate setting methodology for intensive residential treatment services (IRTS), adult crisis, and assertive community treatment (ACT). The report will include an assessment of alternative payment structures consistent with the intent and direction of the federal centers for Medicare and Medicaid services which could provide adequate reimbursement to sustain community-based mental health services regardless of geographic location. Stakeholders will be included in the development of the report and the report

will also include concerns regarding payment rates for other mental health services that may require further analysis in the future.

ARTICLE 30

HEALTH AND HUMAN SERVICES APPROPRIATIONS

Section 1. **HEALTH AND HUMAN SERVICES APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are added to or, if shown in parentheses, subtracted from the appropriations in Laws 2013, chapter 108, articles 14 and 15, to the agencies and for the purposes specified in this article. The appropriations are from the general fund and are available for the fiscal years indicated for each purpose. The figures "2014" and "2015" used in this article mean that the addition to or subtraction from the appropriation listed under them is available for the fiscal year ending June 30, 2014, or June 30, 2015, respectively. Supplemental appropriations and reductions to appropriations for the fiscal year ending June 30, 2014, are effective the day following final enactment unless a different effective date is explicit.

		<u>APPROPRIATIONS</u>	
		<u>Available for the Year</u>	
		<u>Ending June 30</u>	
		<u>2014</u>	<u>2015</u>
Sec. 2. <u>COMMISSIONER OF HUMAN SERVICES</u>			
Subdivision 1. <u>Total Appropriation</u>		<u>(2,120,000)</u>	<u>105,844,000</u>
<u>Appropriations by Fund</u>			
<u>General</u>	<u>(2,120,000)</u>	<u>104,944,000</u>	
<u>Federal TANF</u>	<u>-0-</u>	<u>900,000</u>	
<u>The appropriation modifications for each purpose are shown in the following subdivisions.</u>			
Subd. 2. <u>Central Office Operations</u>			
(a) <u>Operations</u>		<u>-0-</u>	<u>99,000</u>
<u>Base adjustment. The general fund base is increased by \$112,000 in fiscal year 2016 and decreased by \$45,000 in fiscal year 2017.</u>			
(b) <u>Health Care</u>		<u>-0-</u>	<u>113,000</u>
<u>Base adjustment. The general fund base is increased by \$112,000 in fiscal years 2016 and 2017.</u>			

(c) Continuing Care-0-2,668,000

Autism resource Web site. \$769,000 is for the development of an interagency Web site with autism-related resources for children and adults with autism spectrum disorder, their family members, and other interested parties. The commissioners of education, employment and economic development, and health are requested to provide technical assistance to the commissioner in the development of the Web site in order to consolidate autism-related resources that are under the jurisdiction of affected agencies, and any other related resources of which the agencies are aware, in an effort to provide a comprehensive intra-agency Web site for interested users. This is a onetime appropriation and expires on June 30, 2017.

Base adjustment. The general fund base is decreased by \$2,220,000 in fiscal year 2016 and \$2,362,000 in fiscal year 2017.

(d) Chemical and Mental Health-0-115,000

Base adjustment. The general fund base is decreased by \$115,000 in fiscal years 2016 and 2017.

Subd. 3. Forecasted Programs**(a) MFIP/DWP**Appropriations by Fund

<u>General</u>	<u>-0-</u>	<u>122,000</u>
<u>Federal TANF</u>	<u>-0-</u>	<u>548,000</u>

(b) General Assistance-0-21,000**(c) Group Residential Housing**-0-681,000**(d) Medical Assistance**(2,930,000)77,863,000

Critical access nursing facilities. \$1,500,000 in fiscal year 2015 is for critical access nursing facilities under Minnesota Statutes, section 256.441, subdivision 63.

Base adjustment. The health care access fund base for medical assistance is \$221,035,000 in fiscal year 2016 and \$221,035,000 in fiscal year 2017.

(e) Alternative Care -0- 965,000

Subd. 4. Grant Programs

(a) Children's Services Grants -0- (3,000)

Base adjustment. The general fund base is increased by \$9,000 in fiscal year 2017.

(b) Child and Economic Support Grants -0- 1,526,000

Stearns County. \$26,000 in fiscal year 2015 is for a grant to Stearns County to provide administrative funding to support a group residential housing services provider serving veterans in Stearns County. This is a onetime appropriation.

Safe harbor. \$500,000 in fiscal year 2015 from the general fund is for housing and supportive services for sexually exploited youth.

Homeless youth. \$1,000,000 in fiscal year 2015 is for purposes of Minnesota Statutes, section 256K.45.

Base adjustment. The general fund base is decreased by \$26,000 in fiscal years 2016 and 2017.

(c) Aging and Adult Services Grants (15,000) 1,212,000

Senior nutrition. \$250,000 in fiscal year 2015 from the general fund is for congregate dining services under Minnesota Statutes, section 256.9752. This is a onetime appropriation.

Base adjustment. The general fund base is decreased by \$5,000 in fiscal year 2016 and is increased by \$8,000 in fiscal year 2017.

(d) Deaf and Hard-of-Hearing Grants -0- 81,000

Base adjustment. The general fund base is increased by \$9,000 in fiscal years 2016 and 2017.

(e) Disabilities Grants

-0-

1,548,000

Autism respite services development. \$2,500,000 in fiscal year 2015 is to establish service development grants for in-home and out-of-home respite for children and adults with autism spectrum disorder. In developing out-of-home respite services, the commissioner may authorize exceptions to the licensing moratorium in Minnesota Statutes, section 245A.03, subdivision 7, of up to eight beds. This is a onetime appropriation and expires on June 30, 2017.

HIV grants. The general fund appropriation for the HIV drug and insurance grant program is reduced by \$2,219,000 in fiscal year 2015. This reduction is onetime and must not be applied to the base.

Services for individuals living with HIV/AIDS. The commissioner shall work with community stakeholders, including the HIV Planning Council, to identify gaps in services for individuals living with HIV/AIDS and, within allowable state and federal law and guidelines, develop and implement a plan to use funds in the ADAP drug rebates special revenue account to enhance existing service levels and establish an amount to retain in the account to ensure long-term stability of services. The commissioner shall report the results of this work with stakeholders and the progress on implementing the plan to the chairs and ranking minority members of the senate health and human services finance division and the house of representatives health and human services finance committee by December 15, 2014.

Base adjustment. The general fund base is increased by \$11,000 in fiscal year 2017.

(f) Adult Mental Health Grants

-0-

-0-

Intensive community rehabilitation services. The commissioner shall continue to fund intensive community rehabilitation services with existing funds through fiscal year 2015.

<u>(g) CD Treatment Support Grants</u>	<u>(175,000)</u>	<u>(175,000)</u>
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Subd. 5. State-Operated Services

<u>(a) SOS Mental Health</u>	<u>-0-</u>	<u>8,111,000</u>
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Online training program. \$35,000 in fiscal year 2015 is to develop an online training program to promote better clarity and interpretation of the civil commitment laws for interested individuals and personnel, specifically county and hospital staff and mental health providers, to understand, clarify, and interpret the Civil Commitment Act under Minnesota Statutes, chapter 253B, as it pertains to persons with mental illnesses. The training must be developed in collaboration with the ombudsman for mental health and developmental disabilities, Minnesota County Attorneys Association, National Alliance on Mental Illness of Minnesota, State Advisory Council on Mental Health, Mental Health Consumer/Survivor Network of Minnesota, Mental Health Association, Minnesota Psychiatric Society, Hennepin Commitment Defense Panel, Minnesota Disability Law Center, Minnesota Association of Community Mental Health Programs, Minnesota Hospital Association, and Minnesota Board of Public Defense. This is a onetime appropriation.

Base adjustment. The general fund base is increased by \$178,000 in fiscal years 2016 and 2017.

<u>(b) SOS Enterprise Services</u>	<u>1,000,000</u>	<u>1,000,000</u>
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Community Addiction Recovery Enterprise (C.A.R.E.) deficiency funding.

(1) Notwithstanding Minnesota Statutes, section 254B.06, subdivision 1, the

commissioner shall transfer up to \$4,000,000, if available, in each of fiscal years 2014 and 2015 only from the consolidated chemical dependency treatment fund administrative account in the special revenue fund to the enterprise fund for the Community Addiction Recovery Enterprise.

(2) \$1,000,000 in fiscal year 2014 and \$1,000,000 in fiscal year 2015 from the general fund is for the C.A.R.E. program. The commissioner must transfer \$1,000,000 in fiscal year 2014 and \$1,000,000 in fiscal year 2015 to the enterprise fund for the Community Addiction Recovery Enterprise. This is a onetime appropriation.

(3) Clauses (1) and (2) are effective the day following final enactment.

Base adjustment. The general fund base is reduced by \$1,000,000 in fiscal years 2016 and 2017.

(c) SOS Minnesota Security Hospital -0- 4,820,000

Subd. 6. Sex Offender Program -0- 4,177,000

Court-ordered experts. \$3,000,000 in fiscal year 2015 is for the commissioner to comply with the United States District Court order of February 20, 2014, in the matter of Karsjens et al. v. Jesson et al. For purposes of Minnesota Statutes, section 246B.10, activities funded by this appropriation are not considered part of the cost of care. This appropriation is onetime and is available until June 30, 2017. This paragraph expires June 30, 2017.

Base adjustment. The general fund base is decreased by \$4,177,000 in fiscal years 2016 and 2017.

Subd. 7. Technical Activities -0- 352,000

This appropriation is from the federal TANF fund.

Base adjustment. The federal TANF fund base is increased by \$684,000 in fiscal year 2016 and \$1,207,000 in fiscal year 2017.

Subd. 8. Transfer

Supplemental security interim assistance reimbursement funds. \$642,000 in fiscal year 2015 and \$637,000 in fiscal year 2016 of uncommitted revenue available to the commissioner of human services under Minnesota Statutes, section 256D.06, must be transferred to and deposited into the general fund. This paragraph expires on June 30, 2016.

Sec. 3. COMMISSIONER OF HEALTH.

Subdivision 1. <u>Total Appropriation</u>	\$	<u>767,000</u>	\$	<u>3,418,000</u>
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Appropriations by Fund

	<u>2014</u>	<u>2015</u>
<u>General</u>	<u>950,000</u>	<u>3,611,000</u>
<u>State Government</u>		
<u>Special Revenue</u>	<u>817,000</u>	<u>807,000</u>
<u>Health Care Access</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>

Subd. 2. <u>Health Improvement</u>	<u>(25,000)</u>	<u>1,526,000</u>
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Health equity grants. \$501,000 in fiscal year 2015 is for grants under Minnesota Statutes, section 145.928, subdivision 8, except that grants are not limited to the conditions listed in Minnesota Statutes, section 145.928, subdivision 8, paragraph (a), or for other activities to address health equity issues, with an emphasis on refugee populations. A portion of the funds must be used to address health equity issues facing East African communities, conduct a conference focused on mental health in immigrant and refugee communities, and fund women's reproductive health and dementia outreach projects. This is a onetime appropriation and is available until expended. The commissioner may use up to \$10,000 to administer these grants.

Safe harbor. \$1,000,000 of the general fund appropriation is for grants for comprehensive services, including trauma-informed, culturally specific services, for youth who are sexually exploited. The commissioner may use up to \$100,000 for the administration of these grants.

Base level adjustment. The general fund base is decreased by \$551,000 in fiscal year 2016 and \$501,000 in fiscal year 2017.

Subd. 3. Policy Quality and Compliance

<u>Appropriations by Fund</u>		
<u>General</u>	<u>-0-</u>	<u>1,785,000</u>
<u>State Government</u>		
<u>Special Revenue</u>	<u>-0-</u>	<u>159,000</u>
<u>Health Care Access</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>

Legislative health care workforce commission. \$75,000 in fiscal year 2015 is for the health care workforce commission in article 23, section 9. This is a onetime appropriation and expires on June 30, 2017. The commissioner may transfer part of this appropriation to the Legislative Coordinating Commission to provide per diem and expense reimbursements to health care workforce commission members.

Spoken language health care interpreters. \$81,000 in fiscal year 2015 from the state government special revenue fund is to develop a proposal to promote health equity and quality health outcomes through changes to laws governing spoken language health care interpreters. The commissioner shall consult with a broad range of spoken language health care interpreters, including independent contractors and those who speak rare languages, organizations that employ these interpreters, organizations that pay for interpreter services, health care providers who use interpreters, clients who use interpreters, community organizations serving non-English-speaking populations,

and other relevant organizations including but not limited to Interpreter Agencies of Minnesota and the Interpreters Stakeholder Group. The commissioner shall draft legislation and submit a report that documents the process followed and the rationale for the recommendations to the committees with jurisdiction over health and human services by January 15, 2015. In drafting the legislation and report, the commissioner must consider input received from individuals and organizations consulted and must address issues related to:

(1) qualifications for spoken language health care interpreters that assure quality service to health care providers and their patients, considering differences for common and rare languages;

(2) methods to support the education and skills development of spoken language health care interpreters serving Minnesotans;

(3) the role of an advisory council in maintaining a quality system for spoken language health care interpreting in Minnesota;

(4) management of complaints regarding spoken language health care interpreters, including investigation and enforcement actions;

(5) an appropriate structure for oversight of spoken language health care interpreters, including administrative and technology requirements; and

(6) other issues that address qualifications, quality, access, and affordability of spoken language interpreter services.

This is a onetime appropriation.

Health care grants for uninsured individuals. (a) \$100,000 of the general fund appropriation in fiscal year 2015 is for dental provider grants in Minnesota Statutes, section 145.929, subdivision 1. The base for this

appropriation is \$50,000 in fiscal years 2016 and 2017.

(b) \$300,000 of the general fund appropriation in fiscal year 2015 is for community mental health program grants in Minnesota Statutes, section 145.929, subdivision 2. The base for this appropriation is \$175,000 in fiscal years 2016 and 2017.

(c) \$1,000,000 of the general fund appropriation in fiscal year 2015 is for the emergency medical assistance outlier grant program in Minnesota Statutes, section 145.929, subdivision 3. The base for this appropriation is \$600,000 in fiscal years 2016 and 2017.

(d) \$300,000 of the general fund appropriation in fiscal year 2015 is for community health center grants under Minnesota Statutes, section 145.9269. A community health center that receives a grant from this appropriation is not eligible for a grant under paragraph (b). The base for this appropriation is \$175,000 in fiscal years 2016 and 2017.

(e) The commissioner may use up to \$20,000 of the appropriations for health care grants for uninsured individuals in fiscal year 2015 and up to \$10,000 in fiscal years 2016 and 2017 for grant administration.

Base level adjustment. The general fund base is decreased by \$775,000 in fiscal years 2016 and 2017. The state government special revenue fund base is decreased by \$77,000 in fiscal years 2016 and 2017.

Subd. 4. **Health Protection**

	<u>Appropriations by Fund</u>	
<u>General</u>	<u>0</u>	<u>300,000</u>
<u>State Government</u>		
<u>Special Revenue</u>	<u>817,000</u>	<u>648,000</u>

Healthy housing grants. (a) \$60,000 of the general fund appropriation in fiscal year 2015

is for lead poisoning prevention and healthy homes activities under Minnesota Statutes, sections 144.9501 to 144.9513.

(b) \$240,000 of the general fund appropriation in fiscal year 2015 is for healthy housing implementation grants under Minnesota Statutes, section 144.9513, subdivision 3. The commissioner is encouraged to geographically balance the distribution of the grant funding between the seven-county metropolitan area and nonmetropolitan communities.

Subd. 5. Administrative Support Services	<u>975,000</u>	<u>-0-</u>
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Lawsuit settlement. In fiscal year 2014, \$975,000 from the general fund is a onetime appropriation for the cost of settling the lawsuit Bearder v. State.

Sec. 4. BOARD OF NURSING.	\$	<u>-0-</u> \$	<u>75,000</u>
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Chronic pain therapies. \$75,000 in fiscal year 2015 from the state government special revenue fund is transferred to the commissioner of health to gather data and complete a report on the provision of chronic pain therapies by physicians, doctors of osteopathy, and certified registered nurse anesthetists.

Sec. 5. OMBUDSMAN FOR MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES.	\$	<u>-0-</u> \$	<u>150,000</u>
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Sec. 6. Laws 2013, chapter 1, section 6, as amended by Laws 2013, chapter 108, article 6, section 32, is amended to read:

Sec. 6. **TRANSFER.**

(a) The commissioner of management and budget shall transfer from the health care access fund to the general fund up to \$21,319,000 in fiscal year 2014; up to \$42,314,000 in fiscal year 2015; up to \$56,147,000 in fiscal year 2016; and up to \$64,683,000 in fiscal year 2017.

(b) The commissioner of human services shall determine the difference between the actual or forecasted cost to the medical assistance program of adding 19- and 20-year-olds and parents and relative caretaker populations with income between 100 and 138 percent of the federal poverty guidelines and the cost of adding those populations that was estimated during the 2013 legislative session based on the data from the February 2013 forecast.

(c) For each fiscal year from 2014 to 2017, the commissioner of human services shall certify and report to the commissioner of management and budget the actual or ~~forecasted~~ estimated cost difference of adding 19- and 20-year-olds and parents and relative caretaker populations with income between 100 and 138 percent of the federal poverty guidelines, as determined under paragraph (b), to the commissioner of management and budget at least four weeks prior to the release of a forecast under Minnesota Statutes, section 16A.103, of each fiscal year.

~~(d) No later than three weeks before the release of the forecast~~ For fiscal years 2014 to 2017, forecasts under Minnesota Statutes, section 16A.103, ~~prepared by the commissioner of management and budget shall reduce the~~ include actual or estimated adjustments to health care access fund transfer transfers in paragraph (a), ~~by the cumulative differences in costs reported by the commissioner of human services under~~ according to paragraph (c) (e). ~~If, for any fiscal year, the amount of the cumulative cost differences determined under paragraph (b) is positive, no change is made to the appropriation. If, for any fiscal year, the amount of the cumulative cost differences determined under paragraph (b) is less than the amount of the original appropriation, the appropriation for that year must be zero.~~

(e) For each fiscal year from 2014 to 2017, the commissioner of management and budget must adjust the transfer amounts in paragraph (a) by the cumulative difference in costs reported by the commissioner of human services under paragraph (c). If, for any fiscal year, the amount of the cumulative difference in costs reported under paragraph (c) is positive, no adjustment shall be made.

EFFECTIVE DATE. This section is effective retroactively from July 1, 2013.

Sec. 7. Laws 2013, chapter 108, article 14, section 2, subdivision 3, is amended to read:

Subd. 3. TANF Transfer to Federal Child Care and Development Fund

(a) The following TANF fund amounts are appropriated to the commissioner for purposes of MFIP/transition year child care assistance under Minnesota Statutes, section 119B.05:

(1) fiscal year 2014; \$14,020,000; ~~and~~

(2) ~~fiscal year 2015;—\$14,020,000;~~
\$14,372,000;

(3) fiscal year 2016; \$1,036,000; and

(4) fiscal year 2017; \$1,559,000.

(b) The commissioner shall authorize the transfer of sufficient TANF funds to the federal child care and development fund to meet this appropriation and shall ensure that all transferred funds are expended according to federal child care and development fund regulations.

Sec. 8. Laws 2013, chapter 108, article 14, section 3, subdivision 1, is amended to read:

Subdivision 1. Total Appropriation	\$	<u>169,326,000</u>	\$	<u>165,531,000</u>
		<u>169,026,000</u>		<u>165,231,000</u>

Appropriations by Fund

	2014	2015
General	79,476,000	74,256,000
State Government		
Special Revenue	48,094,000	50,119,000
Health Care Access	29,743,000	29,143,000
Federal TANF	11,713,000	11,713,000
Special Revenue	300,000	300,000

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

Sec. 9. Laws 2013, chapter 108, article 14, section 3, subdivision 4, is amended to read:

Subd. 4. **Health Protection**

Appropriations by Fund

General	9,201,000	9,201,000
State Government		
Special Revenue	32,633,000	32,636,000
Special Revenue	300,000	300,000

Infectious Disease Laboratory. Of the general fund appropriation, \$200,000 in fiscal year 2014 and \$200,000 in fiscal year 2015 are to monitor infectious disease trends and investigate infectious disease outbreaks.

Surveillance for Elevated Blood Lead Levels. Of the general fund appropriation, \$100,000 in fiscal year 2014 and \$100,000 in fiscal year 2015 are for the blood lead surveillance system under Minnesota Statutes, section 144.9502.

Base Level Adjustment. The state government special revenue base is increased by \$6,000 in fiscal year 2016 and by \$13,000 in fiscal year 2017.

Sec. 10. Laws 2013, chapter 108, article 14, section 4, subdivision 8, is amended to read:

Subd. 8. Board of Nursing Home Administrators	3,742,000	2,252,000
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Administrative Services Unit - Operating Costs. Of this appropriation, \$676,000 in fiscal year 2014 and \$626,000 in fiscal year 2015 are for operating costs of the administrative services unit. The administrative services unit may receive and expend reimbursements for services performed by other agencies.

Administrative Services Unit - Volunteer Health Care Provider Program. Of this appropriation, \$150,000 in fiscal year 2014 and \$150,000 in fiscal year 2015 are to pay for medical professional liability coverage required under Minnesota Statutes, section 214.40.

Administrative Services Unit - Contested Cases and Other Legal Proceedings. Of this appropriation, \$200,000 in fiscal year 2014 and \$200,000 in fiscal year 2015 are for costs of contested case hearings and other unanticipated costs of legal proceedings involving health-related boards funded under this section. Upon certification of a health-related board to the administrative services unit that the costs will be incurred and that there is insufficient money available to pay for the costs out of money currently available to that board, the administrative services unit is authorized to transfer money from this appropriation to the board for payment of those costs with the approval of the commissioner of management and budget. This appropriation does not cancel and is available until expended.

This appropriation includes \$44,000 in fiscal year 2014 for rulemaking. This is a onetime appropriation. \$1,441,000 in fiscal year 2014 and \$420,000 in fiscal year 2015 are for the development of a shared disciplinary, regulatory, licensing, and information management system. \$391,000 in fiscal year 2014 is a onetime appropriation for retirement costs in the health-related

boards. This funding may be transferred to the health boards incurring retirement costs. These funds are available either year of the biennium.

This appropriation includes \$16,000 in fiscal years 2014 and 2015 for evening security, \$2,000 in fiscal years 2014 and 2015 for a state vehicle lease, and \$18,000 in fiscal years 2014 and 2015 for shared office space and administrative support. \$205,000 in fiscal year 2014 and \$221,000 in fiscal year 2015 are for shared information technology services, equipment, and maintenance.

The remaining balance of the state government special revenue fund appropriation in Laws 2011, First Special Session chapter 9, article 10, section 8, subdivision 8, for Board of Nursing Home Administrators rulemaking, estimated to be \$44,000, is canceled, and the remaining balance of the state government special revenue fund appropriation in Laws 2011, First Special Session chapter 9, article 10, section 8, subdivision 8, for electronic licensing system adaptors, estimated to be \$761,000, and for the development and implementation of a disciplinary, regulatory, licensing, and information management system, estimated to be \$1,100,000, are canceled. This paragraph is effective the day following final enactment.

Base Adjustment. The base is decreased by \$370,000 in fiscal years 2016 and 2017.

EFFECTIVE DATE. This section is effective retroactively from July 1, 2013.

Sec. 11. Laws 2013, chapter 108, article 14, section 12, is amended to read:

Sec. 12. APPROPRIATION ADJUSTMENTS.

(a) The general fund appropriation in section 2, subdivision 5, paragraph (g), includes up to \$53,391,000 in fiscal year 2014; \$216,637,000 in fiscal year 2015; \$261,660,000 in fiscal year 2016; and \$279,984,000 in fiscal year 2017, for medical assistance eligibility and administration changes related to:

(1) eligibility for children age two to 18 with income up to 275 percent of the federal poverty guidelines;

(2) eligibility for pregnant women with income up to 275 percent of the federal poverty guidelines;

(3) Affordable Care Act enrollment and renewal processes, including elimination of six-month renewals, ex parte eligibility reviews, preprinted renewal forms, changes in verification requirements, and other changes in the eligibility determination and enrollment and renewal process;

(4) automatic eligibility for children who turn 18 in foster care until they reach age 26;

(5) eligibility related to spousal impoverishment provisions for waiver recipients; and

(6) presumptive eligibility determinations by hospitals.

(b) the commissioner of human services shall determine the difference between the actual or ~~forecasted~~ estimated costs to the medical assistance program attributable to the program changes in paragraph (a), clauses (1) to (6), and the costs of paragraph (a), clauses (1) to (6), that were estimated during the 2013 legislative session based on data from the 2013 February forecast. ~~The costs in this paragraph must be calculated between January 1, 2014, and June 30, 2017.~~

(c) For each fiscal year from 2014 to 2017, the commissioner of human services shall certify the actual or ~~forecasted~~ estimated cost differences to the medical assistance program determined under paragraph (b), and report the difference in costs to the commissioner of management and budget at least four weeks prior to a forecast under Minnesota Statutes, section 16A.103. ~~No later than three weeks before the release of the forecast~~ For fiscal years 2014 to 2017, forecasts under Minnesota Statutes, section 16A.103, prepared by the commissioner of management and budget shall ~~reduce~~ include actual or estimated adjustments to the health care access fund appropriation in section 2, subdivision 5, paragraph (g), by the cumulative difference in costs determined in according to paragraph (b) (d). If for any fiscal year, the amount of the cumulative cost differences determined under paragraph (b) is positive, no adjustment shall be made to the health care access fund appropriation. If for any fiscal year, the amount of the cumulative cost differences determined under paragraph (b) is less than the original appropriation, the appropriation for that fiscal year is zero.

(d) For each fiscal year from 2014 to 2017, the commissioner of management and budget must adjust the health care access fund appropriation by the cumulative difference in costs reported by the commissioner of human services under paragraph (b). If, for any fiscal year, the amount of the cumulative difference in costs determined under paragraph (b) is positive, no adjustment shall be made to the health care access fund appropriation.

(e) This section expires on January 1, 2018.

EFFECTIVE DATE. This section is effective retroactively from July 1, 2013.

Sec. 12. DEDICATED FUNDS REPORT.

By October 1, 2014, and with each February forecast thereafter, the commissioner of human services must provide to the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over health and human services finance a report of all dedicated funds and accounts. The report must include the name of the dedicated fund or account; a description of its purpose, and the legal citation for its creation; the beginning balance, projected receipts, and expenditures; and the ending balance for each fund and account. This section shall not expire.

Sec. 13. **EXPIRATION OF UNCODIFIED LANGUAGE.**

All uncodified language in this article expires on June 30, 2015, unless a different expiration date is specified.

ARTICLE 31

HUMAN SERVICES FORECAST ADJUSTMENTS

Section 1. **HUMAN SERVICES APPROPRIATION.**

The sums shown in the columns marked "Appropriations" are added to or, if shown in parentheses, are subtracted from the appropriations in Laws 2013, chapter 108, article 14, from the general fund or any fund named to the Department of Human Services for the purposes specified in this article, to be available for the fiscal year indicated for each purpose. The figures "2014" and "2015" used in this article mean that the appropriations listed under them are available for the fiscal years ending June 30, 2014, or June 30, 2015, respectively. "The first year" is fiscal year 2014. "The second year" is fiscal year 2015. "The biennium" is fiscal years 2014 and 2015.

	<u>APPROPRIATIONS</u>	
	<u>Available for the Year</u>	
	<u>Ending June 30</u>	
	<u>2014</u>	<u>2015</u>
Sec. 2. <u>COMMISSIONER OF HUMAN SERVICES</u>		
Subdivision 1. <u>Total Appropriation</u>	\$ (196,275,000)	\$ 64,288,000
	<u>Appropriations by Fund</u>	
General Fund	(152,845,000)	(25,282,000)
Health Care Access Fund	(36,533,000)	91,294,000
Federal TANF	(6,897,000)	(1,724,000)
Subd. 2. <u>Forecasted Programs</u>		
(a) <u>MFIP/DWP</u>		
	<u>Appropriations by Fund</u>	
General Fund	3,571,000	173,000
Federal TANF	(6,475,000)	(1,298,000)
(b) <u>MFIP Child Care Assistance</u>	(684,000)	11,114,000
(c) <u>General Assistance</u>	(2,569,000)	(1,940,000)

<u>(d) Minnesota Supplemental Aid</u>	<u>(690,000)</u>	<u>(614,000)</u>
<u>(e) Group Residential Housing</u>	<u>250,000</u>	<u>(1,740,000)</u>
<u>(f) MinnesotaCare</u>	<u>(34,838,000)</u>	<u>96,340,000</u>

These appropriations are from the health care access fund.

(g) Medical Assistance

Appropriations by Fund

<u>General Fund</u>	<u>(149,494,000)</u>	<u>(27,075,000)</u>
<u>Health Care Access Fund</u>	<u>(1,695,000)</u>	<u>(5,046,000)</u>

<u>(h) Alternative Care Program</u>	<u>(6,936,000)</u>	<u>(13,260,000)</u>
<u>(i) CCDTF Entitlements</u>	<u>3,707,000</u>	<u>8,060,000</u>
<u>Subd. 3. Technical Activities</u>	<u>(422,000)</u>	<u>(426,000)</u>

These appropriations are from the federal TANF fund.

Sec. 3. Laws 2013, chapter 108, article 14, section 2, subdivision 1, is amended to read:

	<u>6,438,485,000</u>	<u>6,457,117,000</u>
Subdivision 1. Total Appropriation	\$ <u>6,437,815,000</u>	\$ <u>6,456,311,000</u>

Appropriations by Fund

	2014	2015
General	<u>5,654,765,000</u>	<u>5,677,458,000</u>
State Government	<u>5,654,095,000</u>	<u>5,676,652,000</u>
Special Revenue	4,099,000	4,510,000
Health Care Access	519,816,000	518,446,000
Federal TANF	257,915,000	254,813,000
Lottery Prize Fund	1,890,000	1,890,000

Receipts for Systems Projects.

Appropriations and federal receipts for information systems projects for MAXIS, PRISM, MMIS, and SSIS must be deposited in the state system account authorized in Minnesota Statutes, section 256.014.

Money appropriated for computer projects approved by the commissioner of Minnesota information technology services, funded by the legislature, and approved by the commissioner of management and budget, may be transferred from one project to another and from development to operations as the commissioner of human services considers necessary. Any unexpended balance in the appropriation for these projects does not cancel but is available for ongoing development and operations.

Nonfederal Share Transfers. The nonfederal share of activities for which federal administrative reimbursement is appropriated to the commissioner may be transferred to the special revenue fund.

ARRA Supplemental Nutrition Assistance Benefit Increases. The funds provided for food support benefit increases under the Supplemental Nutrition Assistance Program provisions of the American Recovery and Reinvestment Act (ARRA) of 2009 must be used for benefit increases beginning July 1, 2009.

Supplemental Nutrition Assistance Program Employment and Training. (1) Notwithstanding Minnesota Statutes, sections 256D.051, subdivisions 1a, 6b, and 6c, and 256J.626, federal Supplemental Nutrition Assistance employment and training funds received as reimbursement of MFIP consolidated fund grant expenditures for diversionary work program participants and child care assistance program expenditures must be deposited in the general fund. The amount of funds must be limited to \$4,900,000 per year in fiscal years 2014 and 2015, and to \$4,400,000 per year in fiscal years 2016 and 2017, contingent on approval by the federal Food and Nutrition Service.

(2) Consistent with the receipt of the federal funds, the commissioner may adjust the level of working family credit expenditures claimed as TANF maintenance of effort.

Notwithstanding any contrary provision in this article, this rider expires June 30, 2017.

TANF Maintenance of Effort. (a) In order to meet the basic maintenance of effort (MOE) requirements of the TANF block grant specified under Code of Federal Regulations, title 45, section 263.1, the commissioner may only report nonfederal money expended for allowable activities listed in the following clauses as TANF/MOE expenditures:

(1) MFIP cash, diversionary work program, and food assistance benefits under Minnesota Statutes, chapter 256J;

(2) the child care assistance programs under Minnesota Statutes, sections 119B.03 and 119B.05, and county child care administrative costs under Minnesota Statutes, section 119B.15;

(3) state and county MFIP administrative costs under Minnesota Statutes, chapters 256J and 256K;

(4) state, county, and tribal MFIP employment services under Minnesota Statutes, chapters 256J and 256K;

(5) expenditures made on behalf of legal noncitizen MFIP recipients who qualify for the MinnesotaCare program under Minnesota Statutes, chapter 256L;

(6) qualifying working family credit expenditures under Minnesota Statutes, section 290.0671;

(7) qualifying Minnesota education credit expenditures under Minnesota Statutes, section 290.0674; and

(8) qualifying Head Start expenditures under Minnesota Statutes, section 119A.50.

(b) The commissioner shall ensure that sufficient qualified nonfederal expenditures are made each year to meet the state's TANF/MOE requirements. For the activities listed in paragraph (a), clauses (2) to

(8), the commissioner may only report expenditures that are excluded from the definition of assistance under Code of Federal Regulations, title 45, section 260.31.

(c) For fiscal years beginning with state fiscal year 2003, the commissioner shall ensure that the maintenance of effort used by the commissioner of management and budget for the February and November forecasts required under Minnesota Statutes, section 16A.103, contains expenditures under paragraph (a), clause (1), equal to at least 16 percent of the total required under Code of Federal Regulations, title 45, section 263.1.

(d) The requirement in Minnesota Statutes, section 256.011, subdivision 3, that federal grants or aids secured or obtained under that subdivision be used to reduce any direct appropriations provided by law, do not apply if the grants or aids are federal TANF funds.

(e) For the federal fiscal years beginning on or after October 1, 2007, the commissioner may not claim an amount of TANF/MOE in excess of the 75 percent standard in Code of Federal Regulations, title 45, section 263.1(a)(2), except:

(1) to the extent necessary to meet the 80 percent standard under Code of Federal Regulations, title 45, section 263.1(a)(1), if it is determined by the commissioner that the state will not meet the TANF work participation target rate for the current year;

(2) to provide any additional amounts under Code of Federal Regulations, title 45, section 264.5, that relate to replacement of TANF funds due to the operation of TANF penalties; and

(3) to provide any additional amounts that may contribute to avoiding or reducing TANF work participation penalties through the operation of the excess MOE provisions of Code of Federal Regulations, title 45, section 261.43 (a)(2).

For the purposes of clauses (1) to (3), the commissioner may supplement the MOE claim with working family credit expenditures or other qualified expenditures to the extent such expenditures are otherwise available after considering the expenditures allowed in this subdivision and subdivisions 2 and 3.

(f) Notwithstanding any contrary provision in this article, paragraphs (a) to (e) expire June 30, 2017.

Working Family Credit Expenditures as TANF/MOE. The commissioner may claim as TANF maintenance of effort up to \$6,707,000 per year of working family credit expenditures in each fiscal year.

EFFECTIVE DATE. This section is effective retroactively from July 1, 2013.

Sec. 4. Laws 2013, chapter 108, article 14, section 2, subdivision 4, as amended by Laws 2013, chapter 144, section 24, is amended to read:

Subd. 4. Central Office

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

(a) Operations

	Appropriations by Fund	
General	101,979,000	96,858,000
State Government		
Special Revenue	3,974,000	4,385,000
Health Care Access	13,177,000	13,004,000
Federal TANF	100,000	100,000

DHS Receipt Center Accounting. The commissioner is authorized to transfer appropriations to, and account for DHS receipt center operations in, the special revenue fund.

Administrative Recovery; Set-Aside. The commissioner may invoice local entities through the SWIFT accounting system as an alternative means to recover the actual cost of administering the following provisions:

- (1) Minnesota Statutes, section 125A.744, subdivision 3;
- (2) Minnesota Statutes, section 245.495, paragraph (b);
- (3) Minnesota Statutes, section 256B.0625, subdivision 20, paragraph (k);
- (4) Minnesota Statutes, section 256B.0924, subdivision 6, paragraph (g);
- (5) Minnesota Statutes, section 256B.0945, subdivision 4, paragraph (d); and
- (6) Minnesota Statutes, section 256F.10, subdivision 6, paragraph (b).

Systems Modernization. The following amounts are appropriated for transfer to the state systems account authorized in Minnesota Statutes, section 256.014:

- (1) \$1,825,000 in fiscal year 2014 and \$2,502,000 in fiscal year 2015 is for the state share of Medicaid-allocated costs of the health insurance exchange information technology and operational structure. The funding base is \$3,222,000 in fiscal year 2016 and \$3,037,000 in fiscal year 2017 but shall not be included in the base thereafter; and
- (2) \$9,344,000 in fiscal year 2014 and \$3,660,000 in fiscal year 2015 are for the modernization and streamlining of agency eligibility and child support systems. The funding base is \$5,921,000 in fiscal year 2016 and \$1,792,000 in fiscal year 2017 but shall not be included in the base thereafter.

The unexpended balance of the \$9,344,000 appropriation in fiscal year 2014 and the \$3,660,000 appropriation in fiscal year 2015 must be transferred from the Department of Human Services state systems account to the Office of Enterprise Technology when the Office of Enterprise Technology has negotiated a federally approved internal service fund rates and billing process with sufficient internal accounting controls to properly maximize federal reimbursement

to Minnesota for human services system modernization projects, but not later than June 30, 2015.

If contingent funding is fully or partially disbursed under article 15, section 3, and transferred to the state systems account, the unexpended balance of that appropriation must be transferred to the Office of Enterprise Technology in accordance with this clause. Contingent funding must not exceed \$11,598,000 for the biennium.

Base Adjustment. The general fund base is increased by \$2,868,000 in fiscal year 2016 and decreased by \$1,206,000 in fiscal year 2017. The health access fund base is decreased by \$551,000 in fiscal years 2016 and 2017. The state government special revenue fund base is increased by \$4,000 in fiscal year 2016 and decreased by \$236,000 in fiscal year 2017.

(b) Children and Families

Appropriations by Fund		
General	8,023,000	8,015,000
Federal TANF	2,282,000	2,282,000

Financial Institution Data Match and Payment of Fees. The commissioner is authorized to allocate up to \$310,000 each year in fiscal years 2014 and 2015 from the PRISM special revenue account to make payments to financial institutions in exchange for performing data matches between account information held by financial institutions and the public authority's database of child support obligors as authorized by Minnesota Statutes, section 13B.06, subdivision 7.

Base Adjustment. The general fund base is decreased by \$300,000 in fiscal years 2016 and 2017. The TANF fund base is increased by \$300,000 in fiscal years 2016 and 2017.

(c) Health Care

Appropriations by Fund		
General	14,028,000	13,826,000
Health Care Access	28,442,000	31,137,000

Base Adjustment. The general fund base is decreased by \$86,000 in fiscal year 2016 and by \$86,000 in fiscal year 2017. The health care access fund base is increased by \$6,954,000 in fiscal year 2016 and by \$5,489,000 in fiscal year 2017.

(d) Continuing Care

Appropriations by Fund		
General	20,993,000	22,359,000
State Government		
Special Revenue	125,000	125,000

Base Adjustment. The general fund base is increased by \$1,690,000 in fiscal year 2016 and by \$798,000 in fiscal year 2017.

(e) Chemical and Mental Health

Appropriations by Fund		
	4,639,000	4,490,000
General	<u>4,571,000</u>	<u>4,431,000</u>
Lottery Prize Fund	157,000	157,000

~~Of the general fund appropriation, \$68,000 in fiscal year 2014 and \$59,000 in fiscal year 2015 are for compulsive gambling treatment under Minnesota Statutes, section 297E.02, subdivision 3, paragraph (c).~~

EFFECTIVE DATE. This section is effective retroactively from July 1, 2013.

Sec. 5. Laws 2013, chapter 108, article 14, section 2, subdivision 6, as amended by Laws 2013, chapter 144, section 25, is amended to read:

Subd. 6. Grant Programs

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

(a) Support Services Grants

Appropriations by Fund		
General	8,915,000	13,333,000
Federal TANF	94,611,000	94,611,000

Paid Work Experience. \$2,168,000 each year in fiscal years 2015 and 2016 is from the general fund for paid work experience for long-term MFIP recipients. Paid work includes full and partial wage subsidies and other related services such as job development, marketing, preworksite training, job coaching, and postplacement services. These are onetime appropriations. Unexpended funds for fiscal year 2015 do not cancel, but are available to the commissioner for this purpose in fiscal year 2016.

Work Study Funding for MFIP Participants. \$250,000 each year in fiscal years 2015 and 2016 is from the general fund to pilot work study jobs for MFIP recipients in approved postsecondary education programs. This is a onetime appropriation. Unexpended funds for fiscal year 2015 do not cancel, but are available for this purpose in fiscal year 2016.

Local Strategies to Reduce Disparities. \$2,000,000 each year in fiscal years 2015 and 2016 is from the general fund for local projects that focus on services for subgroups within the MFIP caseload who are experiencing poor employment outcomes. These are onetime appropriations. Unexpended funds for fiscal year 2015 do not cancel, but are available to the commissioner for this purpose in fiscal year 2016.

Home Visiting Collaborations for MFIP Teen Parents. \$200,000 per year in fiscal years 2014 and 2015 is from the general fund and \$200,000 in fiscal year 2016 is from the federal TANF fund for technical assistance and training to support local collaborations that provide home visiting services for MFIP teen parents. The general fund appropriation is onetime. The federal

TANF fund appropriation is added to the base.

Performance Bonus Funds for Counties.

The TANF fund base is increased by \$1,500,000 each year in fiscal years 2016 and 2017. The commissioner must allocate this amount each year to counties that exceed their expected range of performance on the annualized three-year self-support index as defined in Minnesota Statutes, section 256J.751, subdivision 2, clause (6). This is a permanent base adjustment. Notwithstanding any contrary provisions in this article, this provision expires June 30, 2016.

Base Adjustment. The general fund base is decreased by \$200,000 in fiscal year 2016 and \$4,618,000 in fiscal year 2017. The TANF fund base is increased by \$1,700,000 in fiscal years 2016 and 2017.

(b) Basic Sliding Fee Child Care Assistance Grants	36,836,000	42,318,000
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Base Adjustment. The general fund base is increased by \$3,778,000 in fiscal year 2016 and by \$3,849,000 in fiscal year 2017.

(c) Child Care Development Grants	1,612,000	1,737,000
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(d) Child Support Enforcement Grants	50,000	50,000
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Federal Child Support Demonstration Grants. Federal administrative reimbursement resulting from the federal child support grant expenditures authorized under United States Code, title 42, section 1315, is appropriated to the commissioner for this activity.

(e) Children's Services Grants

	Appropriations by Fund	
General	49,760,000	52,961,000
Federal TANF	140,000	140,000

Adoption Assistance and Relative Custody Assistance. \$37,453,000 in fiscal year 2014 and \$37,453,000 in fiscal year 2015 is for

the adoption assistance and relative custody assistance programs. The commissioner shall determine with the commissioner of Minnesota Management and Budget the appropriation for Northstar Care for Children effective January 1, 2015. The commissioner may transfer appropriations for adoption assistance, relative custody assistance, and Northstar Care for Children between fiscal years and among programs to adjust for transfers across the programs.

Title IV-E Adoption Assistance. Additional federal reimbursements to the state as a result of the Fostering Connections to Success and Increasing Adoptions Act's expanded eligibility for Title IV-E adoption assistance are appropriated for postadoption services, including a parent-to-parent support network.

Privatized Adoption Grants. Federal reimbursement for privatized adoption grant and foster care recruitment grant expenditures is appropriated to the commissioner for adoption grants and foster care and adoption administrative purposes.

Adoption Assistance Incentive Grants. Federal funds available during fiscal years 2014 and 2015 for adoption incentive grants are appropriated for postadoption services, including a parent-to-parent support network.

Base Adjustment. The general fund base is increased by \$5,913,000 in fiscal year 2016 and by \$10,297,000 in fiscal year 2017.

(f) Child and Community Service Grants	53,301,000	53,301,000
(g) Child and Economic Support Grants	21,047,000	20,848,000

Minnesota Food Assistance Program. Unexpended funds for the Minnesota food assistance program for fiscal year 2014 do not cancel but are available for this purpose in fiscal year 2015.

Transitional Housing. \$250,000 each year is for the transitional housing programs under Minnesota Statutes, section 256E.33.

Emergency Services. \$250,000 each year is for emergency services grants under Minnesota Statutes, section 256E.36.

Family Assets for Independence. \$250,000 each year is for the Family Assets for Independence Minnesota program. This appropriation is available in either year of the biennium and may be transferred between fiscal years.

Food Shelf Programs. \$375,000 in fiscal year 2014 and \$375,000 in fiscal year 2015 are for food shelf programs under Minnesota Statutes, section 256E.34. If the appropriation for either year is insufficient, the appropriation for the other year is available for it. Notwithstanding Minnesota Statutes, section 256E.34, subdivision 4, no portion of this appropriation may be used by Hunger Solutions for its administrative expenses, including but not limited to rent and salaries.

Homeless Youth Act. \$2,000,000 in fiscal year 2014 and \$2,000,000 in fiscal year 2015 is for purposes of Minnesota Statutes, section 256K.45.

Safe Harbor Shelter and Housing. \$500,000 in fiscal year 2014 and \$500,000 in fiscal year 2015 is for a safe harbor shelter and housing fund for housing and supportive services for youth who are sexually exploited.

(h) Health Care Grants

	Appropriations by Fund	
General	190,000	190,000
Health Care Access	190,000	190,000

Emergency Medical Assistance Referral and Assistance Grants. (a) The commissioner of human services shall award grants to nonprofit programs that provide immigration legal services based on indigency to provide legal services for immigration assistance to individuals with emergency medical conditions or complex

and chronic health conditions who are not currently eligible for medical assistance or other public health care programs, but who may meet eligibility requirements with immigration assistance.

(b) The grantees, in collaboration with hospitals and safety net providers, shall provide referral assistance to connect individuals identified in paragraph (a) with alternative resources and services to assist in meeting their health care needs. \$100,000 is appropriated in fiscal year 2014 and \$100,000 in fiscal year 2015. This is a onetime appropriation.

Base Adjustment. The general fund is decreased by \$100,000 in fiscal year 2016 and \$100,000 in fiscal year 2017.

(i) Aging and Adult Services Grants	14,827,000	15,010,000
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Base Adjustment. The general fund is increased by \$1,150,000 in fiscal year 2016 and \$1,151,000 in fiscal year 2017.

Community Service Development Grants and Community Services Grants. Community service development grants and community services grants are reduced by \$1,150,000 each year. This is a onetime reduction.

(j) Deaf and Hard-of-Hearing Grants	1,771,000	1,785,000
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(k) Disabilities Grants	18,605,000	18,823,000
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Advocating Change Together. \$310,000 in fiscal year 2014 is for a grant to Advocating Change Together (ACT) to maintain and promote services for persons with intellectual and developmental disabilities throughout the state. This appropriation is onetime. Of this appropriation:

(1) \$120,000 is for direct costs associated with the delivery and evaluation of peer-to-peer training programs administered throughout the state, focusing on education,

employment, housing, transportation, and voting;

(2) \$100,000 is for delivery of statewide conferences focusing on leadership and skill development within the disability community; and

(3) \$90,000 is for administrative and general operating costs associated with managing or maintaining facilities, program delivery, staff, and technology.

Base Adjustment. The general fund base is increased by \$535,000 in fiscal year 2016 and by \$709,000 in fiscal year 2017.

(l) Adult Mental Health Grants

	Appropriations by Fund	
	71,199,000	69,530,000
General	<u>70,597,000</u>	<u>68,783,000</u>
Health Care Access	750,000	750,000
Lottery Prize	1,733,000	1,733,000

~~**Compulsive Gambling Treatment.** Of the general fund appropriation, \$602,000 in fiscal year 2014 and \$747,000 in fiscal year 2015 are for compulsive gambling treatment under Minnesota Statutes, section 297E.02, subdivision 3, paragraph (c).~~

Problem Gambling. \$225,000 in fiscal year 2014 and \$225,000 in fiscal year 2015 is appropriated from the lottery prize fund for a grant to the state affiliate recognized by the National Council on Problem Gambling. The affiliate must provide services to increase public awareness of problem gambling, education and training for individuals and organizations providing effective treatment services to problem gamblers and their families, and research relating to problem gambling.

Funding Usage. Up to 75 percent of a fiscal year's appropriations for adult mental health grants may be used to fund allocations in that portion of the fiscal year ending December 31.

Base Adjustment. The general fund base is decreased by ~~\$4,427,000~~ \$4,441,000 in fiscal years 2016 and 2017.

Mental Health Pilot Project. \$230,000 each year is for a grant to the Zumbro Valley Mental Health Center. The grant shall be used to implement a pilot project to test an integrated behavioral health care coordination model. The grant recipient must report measurable outcomes and savings to the commissioner of human services by January 15, 2016. This is a onetime appropriation.

High-risk adults. \$200,000 in fiscal year 2014 is for a grant to the nonprofit organization selected to administer the demonstration project for high-risk adults under Laws 2007, chapter 54, article 1, section 19, in order to complete the project. This is a onetime appropriation.

(m) Child Mental Health Grants

18,246,000

20,636,000

Text Message Suicide Prevention Program. \$625,000 in fiscal year 2014 and \$625,000 in fiscal year 2015 is for a grant to a nonprofit organization to establish and implement a statewide text message suicide prevention program. The program shall implement a suicide prevention counseling text line designed to use text messaging to connect with crisis counselors and to obtain emergency information and referrals to local resources in the local community. The program shall include training within schools and communities to encourage the use of the program.

Mental Health First Aid Training. \$22,000 in fiscal year 2014 and \$23,000 in fiscal year 2015 is to train teachers, social service personnel, law enforcement, and others who come into contact with children with mental illnesses, in children and adolescents mental health first aid training.

Funding Usage. Up to 75 percent of a fiscal year's appropriation for child mental health

grants may be used to fund allocations in that portion of the fiscal year ending December 31.

(n) CD Treatment Support Grants

1,816,000

1,816,000

SBIRT Training. (1) \$300,000 each year is for grants to train primary care clinicians to provide substance abuse brief intervention and referral to treatment (SBIRT). This is a onetime appropriation. The commissioner of human services shall apply to SAMHSA for an SBIRT professional training grant.

(2) If the commissioner of human services receives a grant under clause (1) funds appropriated under this clause, equal to the grant amount, up to the available appropriation, shall be transferred to the Minnesota Organization on Fetal Alcohol Syndrome (MOFAS). MOFAS must use the funds for grants. Grant recipients must be selected from communities that are not currently served by federal Substance Abuse Prevention and Treatment Block Grant funds. Grant money must be used to reduce the rates of fetal alcohol syndrome and fetal alcohol effects, and the number of drug-exposed infants. Grant money may be used for prevention and intervention services and programs, including, but not limited to, community grants, professional education, public awareness, and diagnosis.

Fetal Alcohol Syndrome Grant. \$180,000 each year from the general fund is for a grant to the Minnesota Organization on Fetal Alcohol Syndrome (MOFAS) to support nonprofit Fetal Alcohol Spectrum Disorders (FASD) outreach prevention programs in Olmsted County. This is a onetime appropriation.

Base Adjustment. The general fund base is decreased by \$480,000 in fiscal year 2016 and \$480,000 in fiscal year 2017.

EFFECTIVE DATE. This section is effective retroactively from July 1, 2013.

Sec. 6. **EFFECTIVE DATE.**

Sections 1 and 2 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to state government; providing supplemental appropriations for Office of Higher Education, Board of Trustees of the Minnesota State Colleges and Universities, Board of Regents of the University of Minnesota; jobs, economic development, labor, commerce and housing finance; state government and veterans; public safety and corrections; transportation; agriculture, environment, natural resources and clean water; early childhood education; kindergarten through grade 12; community and adult education including general education; education excellence; special education; education facilities; nutrition; state education agencies; health and human services; making certain appropriations adjustments; modifying disposition of certain revenues; providing a grant to College Possible; providing funding for regenerative medicine research; regulating study abroad programs; providing resident tuition rates for certain military veterans; authorizing participation in the interstate reciprocity agreement; authorizing student loan refinancing; requiring a transfer from the assigned risk plan in the event of surplus; establishing broadband development grants; modifying workforce development outcomes; requiring workers' compensation reform; modifying an energy loan program; establishing deaf, deafblind, and hard-of-hearing grants; modifying distribution of a taconite tax; implementing an innovation voucher pilot program; establishing competency standards for certain industries; creating the Legislative Water Commission; making changes to the Compensation Council; expediting professional licensure for members of the military; transferring funds to a disaster assistance contingency account; modifying certain provisions pertaining to victims of domestic violence; permitting the court to continue a juvenile case without a finding of delinquency; continuing the fire safety advisory committee; lowering the penalty for the performance of acts prohibited by statutes for which no penalty is specified; extending University of Minnesota service of alcohol; providing for disaster assistance for public entities with and without federal assistance; providing for railroad and railroad yard safety and emergency preparedness; designating the Trooper Glen Skolman Memorial Highway; modifying various provisions governing fund use, driver's licenses and permits, license plates, speed limits, work zones, gross vehicle weights and permits, products and services billing, safety oversight, light rail vehicle design, transit shelters and stops, highway turnbacks, and watercraft decontamination sites; providing for federal conformity; establishing a community destination sign pilot program; providing for transit service on election day; modifying off-highway motorcycle provisions; creating accounts; providing for certain grants; providing for protection of pollinators; modifying the Water Law; modifying recycling provisions; providing for state parks and trails license plates; providing for establishment of Invasive Terrestrial Plants and Pests Center; providing for licensing commercial breeders of dogs and cats; providing for adoption of research dogs and cats; modifying provisions governing Health Department, Department of Human Services, health care, children and family services, Northstar Care for Children program, community first services and supports, continuing care, home and community-based services standards, public assistance programs simplification, and chemical and mental health services; making changes to hospital payment system; providing rate and grant increases for nursing facilities, ICFs/DD, and home and community-based services; requiring studies and reports; requiring rulemaking; amending Minnesota Statutes 2012, sections 12.03, by adding subdivisions; 12.221, subdivision 4, by adding a subdivision; 12A.02, subdivision 2, by adding subdivisions; 12A.03, subdivision 3; 12A.15, subdivision 1; 13.43, subdivision 16; 13.46, subdivision 4; 13.643, subdivision 6; 13.681, by adding a subdivision; 13.84, subdivisions 5, 6; 15A.082, subdivision 4; 16A.125, subdivision 5; 16A.28, by adding a subdivision; 16C.16, subdivision 6a; 16C.19; 18B.01,

by adding subdivisions; 18B.03, by adding a subdivision; 18B.04; 84.788, subdivision 2; 85.053, subdivision 2; 85.34, subdivision 7; 85A.02, subdivision 2; 103G.251; 103G.271, subdivisions 5, 6; 103G.281, by adding a subdivision; 115A.151, as amended; 115A.55, subdivision 4; 115A.551, subdivisions 1, 2a; 115A.557, subdivisions 2, 3; 115E.01, by adding subdivisions; 115E.08, by adding subdivisions; 116J.423, subdivision 2; 116J.8731, subdivision 5; 116L.98; 119B.09, subdivision 9a; 122A.18, by adding a subdivision; 122A.40, subdivision 13; 122A.41, subdivision 6; 122A.414, subdivision 2, as amended if enacted; 122A.415, subdivision 1; 123A.05, subdivision 2; 123A.64; 123B.57, subdivision 6; 123B.71, subdivisions 8, 9; 123B.72, subdivisions 1, 3; 124D.09, subdivisions 9, 13; 124D.111, by adding a subdivision; 124D.1158, subdivisions 3, 4; 124D.13, subdivisions 2, as amended, 4, 9, 13, by adding subdivisions; 124D.135, subdivisions 1, 3; 124D.16, subdivision 2; 124D.522; 124D.531, subdivision 3; 124D.59, subdivision 2; 125A.76, subdivision 2; 126C.10, subdivisions 25, 26; 127A.45, subdivisions 2, 3; 127A.49, subdivisions 2, 3; 129C.10, subdivision 3, by adding a subdivision; 136A.01, subdivision 2; 136A.1702; 136A.1785; 144.0724, as amended; 144.1501, subdivision 1; 144.551, subdivision 1; 144A.073, by adding a subdivision; 144A.33, subdivision 2; 148.624, by adding a subdivision; 148B.53, subdivision 3; 150A.091, by adding a subdivision; 153.16, by adding a subdivision; 154.11, as amended; 155A.27, by adding a subdivision; 161.14, by adding a subdivision; 165.15, subdivision 2; 169.011, by adding a subdivision; 169.06, subdivision 4, by adding a subdivision; 169.14, subdivision 5d, by adding a subdivision; 169.305, subdivision 1; 169.826, by adding a subdivision; 169.8261, by adding a subdivision; 169.86, subdivision 5; 169.863, by adding a subdivision; 169.865, subdivisions 1, 2, by adding a subdivision; 169.866, subdivision 3, by adding a subdivision; 171.02, subdivision 3; 171.06, subdivision 2; 171.13, subdivision 1; 174.02, by adding a subdivision; 174.56, subdivision 1; 179.02, by adding a subdivision; 181A.07, by adding a subdivision; 216B.241, subdivision 1d; 216C.145; 216C.146; 219.015, subdivisions 1, 2; 222.50, subdivision 7; 245.466, by adding a subdivision; 245A.03, subdivision 2c; 245A.04, by adding a subdivision; 245C.03, by adding a subdivision; 245C.04, by adding a subdivision; 245C.05, subdivision 5; 245C.10, by adding a subdivision; 245C.33, subdivisions 1, 4; 252.451, subdivision 2; 253B.066, subdivision 1; 254B.04, subdivision 3; 254B.12; 256.01, by adding a subdivision; 256.9685, subdivisions 1, 1a; 256.9686, subdivision 2; 256.969, subdivisions 1, 2, 2b, 3a, 3b, 3c, 6a, 8, 8a, 9, 10, 12, 14, 17, 18, 25, 30, by adding subdivisions; 256.9752, subdivision 2; 256B.04, by adding a subdivision; 256B.0615, subdivision 3; 256B.0624, subdivisions 2, 5, 6, 10; 256B.0625, subdivisions 18b, 18c, 18d, 18g, 30, by adding a subdivision; 256B.0751, by adding a subdivision; 256B.199; 256B.35, subdivision 1; 256B.441, by adding a subdivision; 256B.5012, by adding a subdivision; 256D.02, subdivisions 8, 12; 256D.05, subdivision 5; 256D.06, subdivision 1; 256D.08, subdivision 1, by adding a subdivision; 256D.10; 256D.405, subdivisions 1, 3; 256D.425, subdivision 2; 256I.03, by adding a subdivision; 256I.04, subdivision 1; 256I.05, subdivision 2; 256J.08, subdivisions 47, 57, 83, by adding a subdivision; 256J.10; 256J.21, subdivision 4; 256J.30, subdivision 4; 256J.32, subdivision 1; 256J.33, subdivision 2; 256J.37, as amended; 256J.425, subdivisions 1, 7; 256J.49, subdivision 13; 256J.53, subdivisions 1, 2, 5; 256J.531; 256J.95, subdivisions 8, 9, 10; 257.85, subdivision 11; 260B.198, subdivision 7; 260C.212, subdivision 1; 260C.515, subdivision 4; 260C.611; 268A.01, subdivision 14; 298.28, subdivisions 2, 7a, as added; 299F.012, subdivision 2; 326.04, as amended; 326.10, by adding a subdivision; 326.3382, by adding a subdivision; 326A.04, by adding a subdivision; 363A.44, subdivision 1, as added; 611A.06, by adding a subdivision; 645.241; Minnesota Statutes 2013 Supplement, sections 15A.082, subdivisions 1, 3; 16A.724, subdivision 3; 103I.205, subdivision 4; 116V.03; 123B.53, subdivisions 1, 5; 123B.54; 123B.75, subdivision 5; 124D.11, subdivision 1; 124D.111, subdivision 1; 124D.165, subdivisions 3, 4, 5; 124D.531, subdivision 1; 124D.862,

subdivisions 1, 2; 125A.0942; 125A.11, subdivision 1; 125A.76, subdivisions 1, 2a, 2b, 2c; 125A.79, subdivisions 1, 5, 8; 126C.05, subdivision 15; 126C.10, subdivisions 2, 2a, 2c, 2d, 24, 31; 126C.17, subdivisions 6, 7b, 9, 9a; 126C.40, subdivision 1; 126C.44; 126C.48, subdivision 8; 127A.47, subdivision 7; 145.4716, subdivision 2; 148B.17, subdivision 2; 174.12, subdivision 2; 174.42, subdivision 2; 245.8251; 245A.03, subdivision 7; 245A.042, subdivision 3; 245A.16, subdivision 1; 245C.08, subdivision 1; 245D.02, subdivisions 3, 4b, 8b, 11, 15b, 23, 29, 34, 34a, by adding a subdivision; 245D.03, subdivisions 1, 2, 3, by adding a subdivision; 245D.04, subdivision 3; 245D.05, subdivisions 1, 1a, 1b, 2, 4, 5; 245D.051; 245D.06, subdivisions 1, 2, 4, 6, 7, 8; 245D.071, subdivisions 3, 4, 5; 245D.081, subdivision 2; 245D.09, subdivisions 3, 4a; 245D.091, subdivisions 2, 3, 4; 245D.10, subdivisions 3, 4; 245D.11, subdivision 2; 252.27, subdivision 2a; 256B.04, subdivision 21; 256B.055, subdivision 1; 256B.06, subdivision 4; 256B.0625, subdivisions 17, 18e; 256B.0949, subdivisions 4, 5, 11, by adding a subdivision; 256B.439, subdivisions 1, 7; 256B.441, subdivision 63; 256B.4912, subdivision 1; 256B.4913, subdivision 4a; 256B.4914, subdivisions 2, 4, 5, 6, 7, 9, 10, 15; 256B.492; 256B.69, subdivision 34; 256B.766; 256B.767; 256B.85, subdivisions 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 23, 24, by adding subdivisions; 256J.21, subdivision 3; 256J.30, subdivision 9; 256N.02, by adding a subdivision; 256N.21, subdivision 2, by adding a subdivision; 256N.22, subdivisions 1, 2, 4, 6; 256N.23, subdivisions 1, 4; 256N.24, subdivisions 9, 10; 256N.25, subdivisions 2, 3; 256N.26, subdivision 1; 256N.27, subdivision 4; 297A.815, subdivision 3; 326A.04, subdivision 5; Laws 2008, chapter 363, article 5, section 4, subdivision 7, as amended; Laws 2009, chapter 83, article 1, section 10, subdivision 7; Laws 2010, chapter 189, sections 15, subdivision 12; 26, subdivision 4; Laws 2012, chapter 247, article 4, section 47; Laws 2012, chapter 263, section 1; Laws 2012, chapter 287, article 2, sections 1; 3; Laws 2012, First Special Session chapter 1, article 1, section 28; Laws 2013, chapter 1, section 6, as amended; Laws 2013, chapter 85, article 1, sections 3, subdivisions 2, 5, 6; 4, subdivisions 1, 2; 5; 13, subdivision 5; Laws 2013, chapter 86, article 1, sections 12, subdivisions 1, 3, as amended; 13; Laws 2013, chapter 108, article 1, section 24; article 7, sections 14; 49; article 14, sections 2, subdivisions 1, 3, 4, as amended, 6, as amended; 3, subdivisions 1, 4; 4, subdivision 8; 12; Laws 2013, chapter 114, article 3, sections 3, subdivision 6; 4, subdivision 3; article 4, section 47; Laws 2013, chapter 116, article 1, section 58, subdivisions 2, 3, 4, 5, 6, 7, 11; article 3, section 37, subdivisions 3, 4, 5, 6, 8, 15, 18, 20; article 4, section 9, subdivision 2; article 5, section 31, subdivisions 2, 3, 4, 5, 8; article 6, section 12, subdivisions 2, 3, 4, 6; article 7, section 21, subdivisions 2, 3, 4, 6, 7, 9; article 8, section 5, subdivisions 2, 3, 4, 8, 9, 10, 11, 14; article 9, sections 1, subdivision 2; 2; Laws 2013, chapter 117, article 1, sections 3, subdivisions 2, 3, 6; 4; 5, subdivisions 2, 3, 4; Laws 2013, chapter 143, article 11, section 10; Laws 2014, chapter 235, section 43; Laws 2014, chapter 240, section 26; 2014 H.F. No. 2180, section 11, if enacted; proposing coding for new law in Minnesota Statutes, chapters 3; 5; 18B; 84; 85; 87A; 103G; 115E; 116J; 123A; 123B; 124D; 129C; 135A; 136A; 144; 144A; 145; 148; 168; 171; 197; 219; 268A; 299A; 347; 473; proposing coding for new law as Minnesota Statutes, chapters 12B; 256P; repealing Minnesota Statutes 2012, sections 115A.551, subdivision 2; 116J.997; 123B.71, subdivisions 1, 4; 256.969, subdivisions 2c, 8b, 9a, 9b, 11, 13, 20, 21, 22, 26, 27, 28; 256.9695, subdivisions 3, 4; 256D.06, subdivision 1b; 256D.08, subdivision 2; 256D.405, subdivisions 1a, 2; 256J.08, subdivisions 42, 55a, 82a; 256J.20; 256J.24, subdivision 9; 256J.32, subdivisions 2, 3, 4, 5a, 6, 7, 7a, 8; Minnesota Statutes 2013 Supplement, sections 256B.0625, subdivision 18f; 256J.08, subdivision 24; 256N.26, subdivision 7; Laws 2014, chapter 272, article 1, section 22; article 3, section 32."

We request the adoption of this report and repassage of the bill.

House Conferees: Lyndon Carlson Sr., Thomas Huntley, Tim Mahoney, Paul Marquart, Jean Wagenius

Senate Conferees: Richard J. Cohen, David J. Tomassoni, Tony Lourey, Charles W. Wiger, Terri E. Bonoff

Senator Cohen moved that the foregoing recommendations and Conference Committee Report on H.F. No. 3172 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

H.F. No. 3172 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

The roll was called, and there were yeas 37 and nays 22, as follows:

Those who voted in the affirmative were:

Bakk	Dziedzic	Jensen	Pappas	Sparks
Bonoff	Eaton	Johnson	Reinert	Stumpf
Carlson	Eken	Kent	Saxhaug	Tomassoni
Champion	Franzen	Koenen	Scalze	Wiger
Clausen	Goodwin	Latz	Schmit	Wiklund
Cohen	Hawj	Lourey	Sheran	
Dahle	Hayden	Marty	Sieben	
Dibble	Hoffman	Metzen	Skoe	

Those who voted in the negative were:

Anderson	Fischbach	Newman	Pratt	Weber
Benson	Gazelka	Nienow	Rest	Westrom
Brown	Hall	Ortman	Rosen	
Chamberlain	Hann	Osmek	Senjem	
Dahms	Nelson	Pederson, J.	Thompson	

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

MESSAGES FROM THE HOUSE - CONTINUED

Madam President:

I have the honor to announce the passage by the House of the following House File, herewith transmitted: H.F. No. 3302.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 16, 2014

FIRST READING OF HOUSE BILLS

The following bill was read the first time.

H.F. No. 3302: A bill for an act relating to legislative enactments; correcting miscellaneous oversights, inconsistencies, ambiguities, unintended results, and technical errors; amending Minnesota Statutes 2012, sections 58A.12; 477A.20, as added if enacted; Minnesota Statutes

2013 Supplement, section 349.166, subdivision 1; Laws 2014, chapter 241, article 2, section 1, subdivision 8; 2014 S.F. No. 2336, section 26, if enacted.

MOTIONS AND RESOLUTIONS - CONTINUED

SUSPENSION OF RULES

Senator Bakk moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to H.F. No. 3302 and that the rules of the Senate be so far suspended as to give H.F. No. 3302 its second and third reading and place it on its final passage. The motion prevailed.

H.F. No. 3302 was read the second time.

H.F. No. 3302 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 58 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Dibble	Hoffman	Ortman	Sieben
Bakk	Dziedzic	Jensen	Osmek	Skoe
Benson	Eaton	Johnson	Pappas	Sparks
Bonoff	Eken	Kent	Pederson, J.	Stumpf
Brown	Fischbach	Koenen	Pratt	Thompson
Carlson	Franzen	Latz	Reinert	Tomassoni
Chamberlain	Gazelka	Lourey	Rosen	Weber
Champion	Goodwin	Marty	Saxhaug	Westrom
Clausen	Hall	Metzen	Scalze	Wiger
Cohen	Hann	Nelson	Schmit	Wiklund
Dahle	Hawj	Newman	Senjem	
Dahms	Hayden	Nienow	Sheran	

So the bill passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Senators Bakk and Hann introduced –

Senate Resolution No. 270: A Senate resolution relating to notifying the House of Representatives the Senate is about to adjourn sine die.

BE IT RESOLVED, by the Senate of the State of Minnesota:

That the Secretary of the Senate shall notify the House of Representatives the Senate is about to adjourn sine die.

Senator Bakk moved the adoption of the foregoing resolution. The motion prevailed. So the resolution was adopted.

Senators Bakk and Hann introduced –

Senate Resolution No. 271: A Senate resolution relating to notifying the Governor the Senate is about to adjourn sine die.

BE IT RESOLVED, by the Senate of the State of Minnesota:

That the Secretary of the Senate shall notify The Honorable Mark Dayton, Governor of the State of Minnesota, the Senate is ready to adjourn sine die.

Senator Bakk moved the adoption of the foregoing resolution. The motion prevailed. So the resolution was adopted.

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Order of Business of Messages From the House.

MESSAGES FROM THE HOUSE

Madam President:

I have the honor to inform you that the House of Representatives of the State of Minnesota is about to adjourn the 88th Session sine die.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 16, 2014

MEMBERS EXCUSED

Senator Kiffmeyer was excused from the Session of today. Senators Chamberlain and Latz were excused from the Session of today from 9:00 to 9:40 a.m. Senators Goodwin and Nienow were excused from the Session of today from 9:00 to 9:55 a.m. Senator Westrom was excused from the Session of today from 9:00 to 9:55 a.m. and from 4:00 to 4:15 p.m. Senator Torres Ray was excused from the Session of today from 9:00 to 10:45 a.m. and at 9:00 p.m. Senator Hayden was excused from the Session of today from 9:00 to 11:00 a.m. Senator Johnson was excused from the Session of today from 9:00 a.m. to 4:30 p.m. Senator Fischbach was excused from the Session of today from 10:30 a.m. to 9:00 p.m. Senator Lourey was excused from the Session of today from 10:55 to 11:05 a.m. Senator Miller was excused from the Session of today at 11:10 a.m. Senators Housley and Limmer were excused from the Session of today at 4:00 p.m. Senators Ingebrigtsen; Petersen, B. and Ruud were excused from the Session of today at 9:00 p.m. Senator Rest was excused from the Session of today at 10:00 p.m.

ADJOURNMENT

Senator Bakk moved that the Senate do now adjourn sine die. The motion prevailed.

JoAnne M. Zoff, Secretary of the Senate

