

## STATE OF MINNESOTA

## EIGHTY-FIRST SESSION — 1999

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 SIXTY-SEVENTH DAY

SAINT PAUL, MINNESOTA, MONDAY, MAY 17, 1999

The House of Representatives convened at 8:30 a.m. and was called to order by Steve Sviggum, Speaker of the House.

Prayer was offered by the Reverend Lonnie E. Titus, House Chaplain.

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

The roll was called and the following members were present:

Abeler	Dorn	Holsten	Lindner	Ozment	Stang
Abrams	Entenza	Howes	Luther	Paulsen	Storm
Anderson, B.	Erhardt	Huntley	Mahoney	Pawlenty	Swenson
Anderson, I.	Erickson	Jaros	Mares	Paymar	Sykora
Bakk	Finseth	Jennings	Mariani	Pelowski	Tingelstad
Biernat	Folliard	Johnson	Marko	Peterson	Tomassoni
Bishop	Fuller	Juhnke	McCollum	Pugh	Trimble
Boudreau	Gerlach	Kahn	McElroy	Rest	Tuma
Bradley	Gleason	Kalis	McGuire	Reuter	Tunheim
Broecker	Goodno	Kelliher	Milbert	Rhodes	Van Dellen
Buesgens	Gray	Kielkucki	Molnau	Rifenberg	Vandever
Carlson	Greenfield	Knoblach	Mulder	Rostberg	Wagenius
Carruthers	Greiling	Koskinen	Mullery	Rukavina	Wejcmán
Cassell	Gunther	Krinkie	Munger	Schumacher	Wenzel
Chaudhary	Haake	Kubly	Murphy	Seagren	Westerberg
Clark, J.	Haas	Kuisle	Ness	Seifert, J.	Westfall
Daggett	Hackbarth	Larsen, P.	Nornes	Seifert, M.	Westrom
Davids	Harder	Larson, D.	Olson	Skoe	Wilkin
Dawkins	Hasskamp	Leighton	Opatz	Skoglund	Winter
Dehler	Hausman	Lenczewski	Orfield	Smith	Wolf
Dempsey	Hilty	Leppik	Osskopp	Solberg	Workman
Dorman	Holberg	Lieder	Osthoff	Stanek	Spk. Sviggum

A quorum was present.

Clark, K., was excused.

Otremba was excused until 12:30 p.m.

The Chief Clerk proceeded to read the Journal of the preceding day. Winter moved that further reading of the Journal be suspended and that the Journal be approved as corrected by the Chief Clerk. The motion prevailed.

**PETITIONS AND COMMUNICATIONS**

The following communications were received:

STATE OF MINNESOTA  
OFFICE OF THE GOVERNOR  
SAINT PAUL 55155

May 13, 1999

The Honorable Steve Sviggum  
Speaker of the House of Representatives  
The State of Minnesota

Dear Speaker Sviggum:

It is my honor to inform you that I have received, approved, signed and deposited in the Office of the Secretary of State the following House Files:

H. F. No. 1414, relating to human services; making changes to deaf and hard-of-hearing services division; modifying interpreter services.

H. F. No. 371, relating to local government; removing the limit on the amount a local government may contribute for historical work; permitting local governments to make contributions to public or private, nonprofit senior citizen centers or youth centers.

H. F. No. 60, relating to health; allowing reimbursement for supplemental private duty nursing services provided by spouses of recipients under the community alternative care home and community-based waived services program.

Sincerely,

JESSE VENTURA  
Governor

STATE OF MINNESOTA  
OFFICE OF THE SECRETARY OF STATE  
ST. PAUL 55155

The Honorable Steve Sviggum  
Speaker of the House of Representatives

The Honorable Allan H. Spear  
President of the Senate

I have the honor to inform you that the following enrolled Acts of the 1999 Session of the State Legislature have been received from the Office of the Governor and are deposited in the Office of the Secretary of State for preservation, pursuant to the State Constitution, Article IV, Section 23:

<i>S.F. No.</i>	<i>H.F. No.</i>	<i>Session Laws Chapter No.</i>	<i>Time and Date Approved 1999</i>	<i>Date Filed 1999</i>
	1414	149	1:10 p.m. May 13	May 13
1471		150	1:12 p.m. May 13	May 13
1330		151	1:13 p.m. May 13	May 13
1615		152	1:15 p.m. May 13	May 13
1539		153	1:17 p.m. May 13	May 13
1645		154	1:18 p.m. May 13	May 13
	371	155	1:20 p.m. May 13	May 13
	60	156	1:21 p.m. May 13	May 13
1449		157	1:23 p.m. May 13	May 13
1541		158	1:25 p.m. May 13	May 13
1585		159	1:27 p.m. May 13	May 13
1047		160	1:28 p.m. May 13	May 13
626		161	1:30 p.m. May 13	May 13
383**		162		May 13
2120		163	1:32 p.m. May 13	May 13
1180		164	1:34 p.m. May 13	May 13
9		165	1:37 p.m. May 13	May 13

Sincerely,

MARY KIFFMEYER  
Secretary of State

[NOTE: \*\* S. F. No. 383 became law without the Governor's signature.]

## INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House Files were introduced:

Dawkins, Orfield, Van Dellen and Abrams introduced:

H. F. No. 2469, A bill for an act relating to children; adopting the Uniform Status of Children of Assisted Conception Act; proposing coding for new law as Minnesota Statutes, chapter 258A.

The bill was read for the first time and referred to the Committee on Civil Law.

Seifert, M.; Erickson; Mares; Paulsen; Sykora and Rifenberg introduced:

H. F. No. 2470, A resolution stating findings of the Legislature; voiding all previous applications by the Legislature of the State of Minnesota to the Congress of the United States of America to call a convention pursuant to Article V of the United States Constitution for proposing one or more amendments to that Constitution and urging the legislatures of other states to do the same.

The bill was read for the first time and referred to the Committee on Rules and Legislative Administration.

Daggett; Rest; Kielkucki; Rostberg; Carlson; Cassell; Anderson, B.; Swenson; Leppik; Osskopp; Dehler; Finseth; Davids; Tingelstad; Westerberg; Nornes; Haas; Kuisle; Gunther; Van Dellen and Westfall introduced:

H. F. No. 2471, A bill for an act proposing an amendment to the Minnesota Constitution, article IV, section 4; providing staggered four-year terms for representatives and senators.

The bill was read for the first time and referred to the Committee on Governmental Operations and Veterans Affairs Policy.

Westerberg, Vandever and Tingelstad introduced:

H. F. No. 2472, A bill for an act relating to transportation; appropriating money for work relating to highways 10, 65, and I-35W.

The bill was read for the first time and referred to the Committee on Transportation Finance.

Harder; Mares; Anderson, B.; Larsen, P.; Broecker and Swenson introduced:

H. F. No. 2473, A bill for an act proposing an amendment to the Minnesota Constitution, article IV, section 4; providing for four-year terms for representatives and for election of one-half of the representatives every two years.

The bill was read for the first time and referred to the Committee on Governmental Operations and Veterans Affairs Policy.

Anderson, B.; Rukavina; Harder; Osskopp; Kielkucki; Bakk; Erickson; Olson; Buesgens; Gerlach; Mulder; Westerberg; Cassell; Holberg; Finseth; Westfall; Lindner; Swenson; Larsen, P., and Hackbarth introduced:

H. F. No. 2474, A bill for an act relating to planning; removing provisions on community-based planning; repealing Minnesota Statutes 1998, sections 4A.08; 4A.09; 4A.10; 394.232; 462.3535; and 473.1455.

The bill was read for the first time and referred to the Committee on Local Government and Metropolitan Affairs.

Erickson; Olson; Cassell; Anderson, B.; Holberg; Mares; Lindner; Larsen, P.; Hackbarth and Boudreau introduced:

H. F. No. 2475, A bill for an act relating to state government; designating English as the official language; proposing coding for new law in Minnesota Statutes, chapter 1.

The bill was read for the first time and referred to the Committee on Governmental Operations and Veterans Affairs Policy.

Pawlenty moved that the House recess subject to the call of the Chair. The motion prevailed.

RECESS

RECONVENED

The House reconvened and was called to order by the Speaker.

**MESSAGES FROM THE SENATE**

The following message was received from the Senate:

**CALL OF THE HOUSE**

On the motion of Molnau and on the demand of 10 members, a call of the House was ordered. The following members answered to their names:

Abeler	Erhardt	Johnson	Marko	Pelowski	Sykora
Anderson, B.	Erickson	Juhnke	McCollum	Peterson	Tingelstad
Anderson, I.	Finseth	Kahn	McElroy	Pugh	Tomassoni
Bakk	Folliard	Kalis	McGuire	Rest	Trimble
Boudreau	Fuller	Kelliher	Milbert	Reuter	Tuma
Bradley	Gerlach	Kielkucki	Molnau	Rhodes	Tunheim
Broecker	Gleason	Knoblach	Mulder	Rifenberg	Van Dellen
Buesgens	Goodno	Koskinen	Mullery	Rostberg	Vandever
Carlson	Gray	Kubly	Munger	Rukavina	Wagenius
Carruthers	Greenfield	Kuisle	Murphy	Schumacher	Wenzel
Cassell	Greiling	Larsen, P.	Ness	Seagren	Westerberg
Chaudhary	Gunther	Larson, D.	Nornes	Seifert, J.	Westfall
Clark, J.	Haake	Leighton	Olson	Seifert, M.	Westrom
Daggett	Haas	Lenczewski	Opatz	Skoe	Wilkin
Davids	Hackbarth	Leppik	Orfield	Skoglund	Wolf
Dawkins	Harder	Lieder	Osskopp	Smith	Workman
Dehler	Hasskamp	Lindner	Osthoff	Solberg	Spk. Sviggum
Dempsey	Hilty	Luther	Ozment	Stanek	
Dorman	Holberg	Mahoney	Paulsen	Stang	
Dorn	Howes	Mares	Pawlenty	Storm	
Entenza	Jennings	Mariani	Paymar	Swenson	

Pawlenty moved that further proceedings of the roll call be suspended and that the Sergeant at Arms be instructed to bring in the absentees. The motion prevailed and it was so ordered.

Mr. Speaker:

I hereby announce the repassage by the Senate of the following Senate File, notwithstanding the veto by the Governor:

S. F. No. 303, A bill for an act relating to civil actions; clarifying admissibility of evidence regarding seat belts and child passenger restraint systems in certain actions; amending Minnesota Statutes 1998, section 169.685, subdivision 4.

The enrolled copy of S. F. No. 303 with all of the signatures of the officers of the Senate and the House together with the Governor's objections, is herewith transmitted to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

## MOTION TO OVERRIDE VETO

Fuller, McGuire and Tuma moved that S. F. No. 303, Chapter No. 106, be now reconsidered and repassed, the objections of the Governor notwithstanding, pursuant to Article IV, Section 23, of the Constitution of the State of Minnesota.

The question was taken on the Fuller et al motion to reconsider and repass S. F. No. 303, Chapter 106, the objections of the Governor notwithstanding, pursuant to Article IV, Section 23, of the Constitution of the State of Minnesota and the roll was called.

Pawlenty moved that those not voting be excused from voting. The motion prevailed.

There were 109 yeas and 19 nays as follows:

Those who voted in the affirmative were:

Abeler	Entenza	Huntley	Lindner	Peterson	Tingelstad
Abrams	Erhardt	Jaros	Mahoney	Pugh	Tomassoni
Anderson, B.	Erickson	Jennings	Mariani	Rest	Trimble
Anderson, I.	Finseth	Johnson	Marko	Reuter	Tuma
Bakk	Folliard	Juhnke	McCollum	Rhodes	Tunheim
Biernat	Fuller	Kahn	McGuire	Rifenberg	Vandever
Boudreau	Gerlach	Kalis	Molnau	Rostberg	Wagenius
Bradley	Gleason	Kelliher	Mullery	Rukavina	Wejcman
Broecker	Goodno	Kielkucki	Munger	Schumacher	Wenzel
Buesgens	Gray	Knoblach	Murphy	Seagren	Westerberg
Carlson	Greenfield	Koskinen	Normes	Seifert, J.	Westfall
Cassell	Greiling	Kubly	Olson	Skoe	Wilkin
Chaudhary	Gunther	Kuisle	Opatz	Skoglund	Winter
Clark, J.	Haas	Larsen, P.	Orfield	Smith	Spk. Sviggum
Daggett	Hackbarth	Larson, D.	Osthoff	Solberg	
Dawkins	Harder	Leighton	Paulsen	Stanek	
Dehler	Hasskamp	Lenczewski	Pawlenty	Stang	
Dorman	Hilty	Leppik	Paymar	Storm	
Dorn	Howes	Lieder	Pelowski	Sykora	

Those who voted in the negative were:

Davids	Holsten	Milbert	Ozment	Westrom
Dempsey	Krinkie	Mulder	Seifert, M.	Wolf
Haake	Luther	Ness	Swenson	Workman
Holberg	Mares	Osskopp	Van Dellen	

Having received the constitutionally required two-thirds vote, the bill was reconsidered and repassed, the objections of the Governor notwithstanding.

The following Conference Committee Reports were received:

## CONFERENCE COMMITTEE REPORT ON H. F. NO. 2387

A bill for an act relating to transportation; appropriating money for the department of transportation and other agencies; providing for a maximum percentage of the motorcycle safety fund that may be spent for certain activities; authorizing suspension of a vehicle's registration in certain circumstances; requiring a detachable postcard to be

provided in a vehicle's certificate of title and completed on transfer of the vehicle; modifying provisions relating to disability parking privileges; abolishing certain credit for vehicle registration fee; specifically authorizing cities to enact ordinances regulating long-term parking; requiring the department of public safety to provide photo identification equipment to certain driver's license agents; reducing cost of Minnesota identification card for persons with serious and persistent mental illness; authorizing siting of public safety radio communications towers; directing commissioner of transportation to establish a southern railway corridor improvement plan; clarifying snowmobile gas tax provision; regulating advertising in department of public safety publications; modifying provisions relating to special number plates for collector aircraft; amending Minnesota Statutes 1998, sections 121A.36, subdivision 3; 168.021, subdivision 2; 168.17; 168.301, subdivisions 3 and 4; 168A.05, subdivision 5; 168A.10, subdivisions 1, 2, and 5; 168A.30, subdivision 2; 169.345, subdivisions 1, 2, 3, and 4; 169.346, subdivision 3, and by adding a subdivision; 171.061, subdivision 4; 171.07, subdivision 3; 174.70; 296A.18, subdivision 3; 299A.01, by adding a subdivision; and 360.55, subdivision 4; Laws 1997, chapter 159, article 1, sections 2, subdivision 7; and 4, subdivision 3; proposing coding for new law in Minnesota Statutes, chapters 174; and 219.

May 16, 1999

The Honorable Steve Sviggum  
Speaker of the House of Representatives

The Honorable Allan H. Spear  
President of the Senate

We, the undersigned conferees for H. F. No. 2387, 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. 2387 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

TRANSPORTATION AND OTHER AGENCIES  
APPROPRIATIONS

Section 1. [TRANSPORTATION AND OTHER AGENCIES APPROPRIATIONS.]

The sums shown in the columns marked "APPROPRIATIONS" are appropriated from the general fund, or another named fund, to the agencies and for the purposes specified in this act, to be available for the fiscal years indicated for each purpose. The figures "1999," "2000," and "2001," where used in this act, mean that the appropriations listed under them are available for the year ending June 30, 1999, June 30, 2000, or June 30, 2001, respectively. If the figures are not used, the appropriations are available for the year ending June 30, 2000, or June 30, 2001, respectively. The term "first year" means the year ending June 30, 2000, and the term "second year" means the year ending June 30, 2001. Appropriations for the year ending June 30, 1999, are in addition to appropriations made in previous years.

SUMMARY BY FUND

	2000	2001	TOTAL
General	\$ 85,231,000	\$ 80,853,000	\$166,084,000
Airports	19,386,000	19,469,000	38,855,000
C.S.A.H.	365,063,000	366,624,000	731,687,000

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## JOURNAL OF THE HOUSE

[67TH DAY

Highway User	15,480,000	15,575,000	31,055,000
M.S.A.S.	105,549,000	107,394,000	212,943,000
Special Revenue	947,000	965,000	1,912,000
Trunk Highway	1,044,984,000	1,056,111,000	2,101,095,000
TOTAL	\$1,636,640,000	\$1,646,991,000	\$3,283,631,000

APPROPRIATIONS  
Available for the Year  
Ending June 30  
2000                      2001

## Sec. 2. TRANSPORTATION

Subdivision 1. Total Appropriation	\$1,468,751,000	\$1,482,072,000
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The appropriations in this section are from the trunk highway fund, except when another fund is named.

## Summary by Fund

	2000	2001
General	16,515,000	16,385,000
Airports	19,336,000	19,419,000
C.S.A.H.	365,063,000	366,624,000
M.S.A.S.	105,549,000	107,394,000
Trunk Highway	962,288,000	972,250,000

The amounts that may be spent from this appropriation for each program are specified in the following subdivisions.

Subd. 2. Aeronautics	19,327,000	19,410,000
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## Summary by Fund

Airports	19,266,000	19,349,000
General	50,000	50,000
Trunk Highway	11,000	11,000

Except as otherwise provided, the appropriations in this subdivision are from the state airports fund.

APPROPRIATIONS  
Available for the Year  
Ending June 30  
2000                      2001

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

(a) Airport Development and Assistance

	2000	2001
	13,948,000	13,948,000

\$12,846,000 the first year and \$12,846,000 the second year are for navigational aids, construction grants, and maintenance grants. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

These appropriations must be spent in accordance with Minnesota Statutes, section 360.305, subdivision 4.

(b) Aviation Support

	5,247,000	5,329,000
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\$65,000 the first year and \$65,000 the second year are for the civil air patrol.

(c) Air Transportation Services

	132,000	133,000
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Summary by Fund

Airports	71,000	72,000
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General	50,000	50,000
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Trunk Highway	11,000	11,000
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Subd. 3. Transit	16,206,000	16,224,000
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Summary by Fund

General	15,882,000	15,892,000
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Trunk Highway	324,000	332,000
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The amounts that may be spent from this appropriation for each activity are as follows:

(a) Greater Minnesota Transit Assistance

	15,406,000	15,406,000
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APPROPRIATIONS  
Available for the Year  
Ending June 30  
2000                      2001

This appropriation is from the general fund. Any unencumbered balance the first year does not cancel but is available for the second year. Of this amount, \$405,000 each year does not add to the base.

(b) Transit Administration

	800,000	818,000			
	Summary by Fund				
General	476,000	486,000			
Trunk Highway	324,000	332,000			
Subd. 4. Railroads and Waterways			1,623,000		1,565,000

	Summary by Fund				
General	359,000	266,000			
Trunk Highway	1,264,000	1,299,000			

\$100,000 the first year is from the general fund for the development of the southern railway corridor improvement plan under article 2, section 34. This appropriation may not be added to the agency's budget base.

Subd. 5. Motor Carrier Regulation			2,851,000		2,865,000
	Summary by Fund				
General	116,000	119,000			
Trunk Highway	2,735,000	2,746,000			

\$301,000 the first year and \$249,000 the second year from the trunk highway fund are for administration of passenger carrier registration.

Subd. 6. Local Roads			470,612,000		474,018,000
	Summary by Fund				
C.S.A.H.	365,063,000	366,624,000			
M.S.A.S.	105,549,000	107,394,000			



APPROPRIATIONS  
Available for the Year  
Ending June 30  
2000                      2001

Subd. 7. State Roads	912,625,000	923,769,000
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Summary by Fund

General	59,000	9,000
Trunk Highway	912,566,000	923,760,000

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

(a) State Road Construction

516,684,000	521,707,000
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It is estimated that these appropriations will be funded as follows:

Federal Highway Aid

275,000,000	275,000,000
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Highway User Taxes

241,684,000	246,707,000
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The commissioner of transportation shall notify the chair of the transportation budget division of the senate and chair of the transportation finance committee of the house of representatives quarterly of any events that should cause these estimates to change.

This appropriation is for the actual construction, reconstruction, and improvement of trunk highways. 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 commissioner may transfer up to \$15,000,000 each year to the trunk highway revolving loan account.

The commissioner may receive money covering other shares of the cost of partnership projects. These receipts are appropriated to the commissioner for these projects.

(b) Highway Debt Service

13,949,000	13,175,000
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\$3,949,000 the first year and \$3,175,000 the second year are for transfer to the state bond fund.









APPROPRIATIONS  
Available for the Year  
Ending June 30  
2000                      2001

Subd. 11. Use of State Road Construction Appropriations

Any money appropriated to the commissioner of transportation for state road construction for any fiscal year before fiscal year 2000 is available to the commissioner during fiscal years 2000 and 2001 to the extent that the commissioner spends the money on the state road construction project for which the money was originally encumbered during the fiscal year for which it was appropriated.

The commissioner of transportation shall report to the commissioner of finance by August 1, 2000, and August 1, 2001, on a form the commissioner of finance provides, on expenditures made during the previous fiscal year that are authorized by this subdivision.

Subd. 12. Contingent Appropriation

The commissioner of transportation, with the approval of the governor after consultation with the legislative advisory commission under Minnesota Statutes, section 3.30, may transfer all or part of the unappropriated balance in the trunk highway fund to an appropriation (1) for trunk highway design, construction, or inspection in order to take advantage of an unanticipated receipt of income to the trunk highway fund, (2) for trunk highway maintenance in order to meet an emergency, or (3) to pay tort or environmental claims. The amount transferred is appropriated for the purpose of the account to which it is transferred.

Sec. 3. METROPOLITAN COUNCIL TRANSIT	56,801,000	53,101,000
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The council may not spend more than \$38,100,000 for metro mobility in the 2000-2001 biennium except for proceeds from bond sales when use of those proceeds for metro mobility capital expenditures is authorized by law.

Sec. 4. PUBLIC SAFETY

Subdivision 1. Total Appropriation	110,046,000	110,776,000
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Summary by Fund

	2000	2001
General	11,915,000	11,367,000
Trunk Highway	81,829,000	82,994,000
Highway User	15,355,000	15,450,000
Special Revenue	947,000	965,000

APPROPRIATIONS  
Available for the Year  
Ending June 30

2000                      2001

Subd. 2. Administration and Related Services	12,740,000	12,976,000
Summary by Fund		
General	4,478,000	4,555,000
Trunk Highway	6,877,000	7,036,000
Highway User	1,385,000	1,385,000
(a) Office of Communications		
	374,000	382,000
Summary by Fund		
General	20,000	20,000
Trunk Highway	354,000	362,000
(b) Public Safety Support		
	7,653,000	7,811,000
Summary by Fund		
General	3,014,000	3,085,000
Trunk Highway	3,273,000	3,360,000
Highway User	1,366,000	1,366,000

\$326,000 the first year and \$326,000 the second year are 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.

\$244,000 the first year and \$314,000 the second year are to be deposited in the public safety officer's benefit account. This money is available for reimbursements under Minnesota Statutes, section 299A.465.

\$508,000 the first year and \$508,000 the second year are for soft body armor reimbursements under Minnesota Statutes, section 299A.38.

\$1,830,000 the first year and \$1,830,000 the second year are appropriated from the general fund for transfer by the commissioner of finance to the trunk highway fund on December 31, 1999, and





APPROPRIATIONS  
Available for the Year  
Ending June 30

2000                      2001

Subd. 4. Driver and Vehicle Services                      38,677,000                      39,214,000

Summary by Fund

2000                      2001

General                      3,938,000                      4,137,000

Trunk Highway                      20,860,000                      21,104,000

Highway User                      13,879,000                      13,973,000

(a) Vehicle Registration and Title

15,269,000                      15,510,000

Summary by Fund

General                      3,291,000                      3,473,000

Highway User                      11,978,000                      12,037,000

\$45,000 the first year is from the highway user tax distribution fund for purchase of an optical scanner. This appropriation may not be added to the agency's budget base.

\$548,000 the first year and \$415,000 the second year are from the highway user tax distribution fund for increased vehicle license plate costs.

\$98,000 the first year is from the highway user tax distribution fund for computer programming related to disabled parking records management and enforcement. This amount may not be added to the agency's budget base.

\$33,000 the first year and \$127,000 the second year are from the general fund for implementation of the vehicle transfer reporting system under article 2, sections 10 and 11.

(b) Interstate Registration and Reciprocity

1,584,000                      1,613,000

This appropriation is from the highway user tax distribution fund.

(c) Licensing Drivers

21,176,000                      21,429,000

APPROPRIATIONS  
Available for the Year  
Ending June 30  
2000                      2001

Summary by Fund

General	635,000	652,000
Trunk Highway	20,464,000	20,699,000
Highway User	77,000	78,000

\$1,095,000 the first year and \$800,000 the second year are from the trunk highway fund for improved driver testing services.

(d) Driver and Vehicle Services Support

	648,000	662,000
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Summary by Fund

General	12,000	12,000
Trunk Highway	396,000	405,000
Highway User	240,000	245,000

Subd. 5. Traffic Safety	304,000	310,000
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This appropriation is from the trunk highway fund.

Subd. 6. Pipeline Safety	947,000	965,000
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This appropriation is from the pipeline safety account in the special revenue fund.

Sec. 5. MINNESOTA SAFETY COUNCIL	67,000	67,000
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This appropriation is from the trunk highway fund.

Sec. 6. GENERAL CONTINGENT ACCOUNTS	375,000	375,000
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The appropriations in this section may only be spent with the approval of the governor after consultation with the legislative advisory commission pursuant to Minnesota Statutes, section 3.30.

If an appropriation in this section for either year is insufficient, the appropriation for the other year is available for it.

Summary by Fund

Trunk Highway	200,000	200,000
Highway User	125,000	125,000
Airports	50,000	50,000

APPROPRIATIONS Available for the Year Ending June 30		
2000	2001	
Sec. 7. TORT CLAIMS	600,000	600,000

To be spent by the commissioner of finance.

This appropriation is from the trunk highway fund.

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

Sec. 8. Laws 1997, chapter 159, article 1, section 2, subdivision 7, is amended to read:

	1997	1998	1999
Subd. 7. State Roads	9,000,000	807,314,000	817,712,000
Summary by Fund			
	1997	1998	1999
General		109,000	109,000
Trunk Highway	9,000,000	807,205,000	817,603,000

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

(a) State Road Construction

9,000,000	445,822,000	445,838,000
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It is estimated that these appropriations will be funded as follows:

Federal Highway Aid

225,000,000	225,000,000
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Highway User Taxes

220,822,000	220,838,000
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The commissioner of transportation shall notify the chair of the transportation budget division of the senate and chair of the transportation ~~budget division~~ finance committee of the house of representatives quarterly of any events that should cause these estimates to change.

This appropriation is for the actual construction, reconstruction, and improvement of trunk highways. 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 appropriation for fiscal year 1997 is for state road construction and is added to the appropriations in Laws 1995, chapter 265, article 2, section 2, subdivision 7, clause (a). The commissioner, with the approval of the commissioner of finance, may spend up to \$7,100,000 of this appropriation for state road operations for flood relief efforts.

Of this appropriation, up to \$15,000,000 the first year and up to \$15,000,000 the second year may be transferred by the commissioner to the trunk highway revolving loan account if this account is created in the trunk highway fund.

The commissioner of transportation may receive money covering other shares of the cost of partnership projects. These receipts are appropriated to the commissioner for these projects.

Before proceeding with a project, or a series of projects on a single highway, with a cost exceeding \$10,000,000, the commissioner shall consider the feasibility of alternative means of financing the project or series of projects, including but not limited to congestion pricing, tolls, mileage pricing, and public-private partnership.

(b) Highway Debt Service

15,161,000	13,539,000
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\$5,951,000 the first year and \$5,403,000 the second year are for transfer to the state bond fund.

If this appropriation is insufficient to make all transfers required in the year for which it is made, the commissioner of finance shall notify the committee on state government finance of the senate and the committee on ways and means of the house of representatives of the amount of the deficiency and shall then transfer that amount under the statutory open appropriation.

Any excess appropriation must be canceled to the trunk highway fund.

(c) Research and Investment Management

11,606,000	11,791,000
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\$600,000 the first year and \$600,000 the second year are available for grants for transportation studies outside the metropolitan area for transportation studies to identify critical concerns, problems, and issues. These grants are available to (1) regional development commissions, and (2) in regions where no regional development commission is functioning, 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, the department's district office for that region.

\$216,000 the first year and \$216,000 the second year are available for grants to metropolitan planning organizations outside the seven-county metropolitan area.

\$154,000 the first year and \$181,000 the second year are for development of an upgraded transportation information system for making investment decisions.

\$75,000 the first year and \$75,000 the second year are 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.

(d) Central Engineering Services

56,593,000	57,384,000
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Of these appropriations, \$2,190,000 the first year and \$2,190,000 the second year are for scientific equipment. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

(e) Design and Construction Engineering

69,445,000	70,879,000
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(f) State Road Operations

202,431,000	205,503,000
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Summary by Fund

General	100,000	100,000
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Trunk Highway	202,331,000	205,403,000
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\$11,689,000 the first year and \$11,689,000 the second year are for road equipment. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

\$805,000 each year is for the Orion intelligent transportation system research project.

\$100,000 the first year and \$100,000 the second year are from the general fund for grants to the Minnesota highway safety center at St. Cloud State University for driver education.

(g) Electronic Communications

	6,256,000	12,778,000
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Summary by Fund

General	9,000	9,000
Trunk Highway	6,247,000	12,769,000

\$9,000 the first year and \$9,000 the second year are from the general fund for equipment and operation of the Roosevelt signal tower for Lake of the Woods weather broadcasting.

\$1,730,000 the first year and \$8,170,000 the second year are for the purchase of ancillary equipment for the 800 MHz system and for personnel necessary to develop, install, and operate the system. This appropriation does not cancel but is available until spent.

Sec. 9. Laws 1997, chapter 159, article 1, section 4, subdivision 3, is amended to read:

	1997	1998	1999
Subd. 3. State Patrol	226,000	51,215,000	51,717,000
Summary by Fund			
	1997	1998	1999
General	226,000	2,058,000	2,181,000
Trunk Highway		49,067,000	49,446,000
Highway User		90,000	90,000

The commissioner of finance shall reduce the appropriations for the division of state patrol from the trunk highway fund and general fund as necessary to reflect legislation enacted in 1997 that (1) reduces state contributions for pensions for employees under the division of state patrol from the trunk highway fund or general fund, or (2) provides money for those pensions from police state aid.

Of the appropriation for fiscal year 1997, \$76,000 is for transfer to the trunk highway fund and \$150,000 is to reimburse the state patrol for general fund expenditures to cover the costs of deploying state patrol troopers to the city of Minneapolis to assist the city in combating violent crime.

\$600,000 the first year and \$1,200,000 the second year from the trunk highway fund are to implement wage increases for state patrol troopers, trooper 1s, and corporals. The wage adjustments are based on an internal Hay study conducted by the department of employee relations.

\$1,675,000 the first year and \$424,000 the second year from the trunk highway fund and \$93,000 the first year and \$22,000 the second year from the general fund are for the development and operational costs of computer-aided dispatching, records management, and station office automation systems.

\$78,000 the first year and \$78,000 the second year from the general fund are for additional capitol complex security positions.

The commissioner of public safety shall identify and implement measures to increase the representation of females and minorities in the state patrol so that the trooper population more accurately reflects the population served by the state patrol. These measures must include:

- (1) evaluation of hiring and training programs to identify and eliminate any biases against underutilized, protected groups;
- (2) expansion of outreach programs to high schools to include informational presentations on law enforcement careers and law enforcement degree programs;
- (3) intensification of recruitment efforts toward qualified members of protected groups;
- (4) provision of guidance and support to students in law enforcement degree programs;
- (5) publication of employment opportunities in newspapers with substantial readership among protected groups; and
- (6) development of other innovative ways to promote awareness, acceptance, and appreciation for diversity and affirmative action in the state patrol.

The commissioner shall report to the senate transportation committee and the house of representatives transportation and transit committee by January 30, 1998, on the measures implemented, results achieved, progress made in reaching affirmative action goals, and recommendations for future action.

When an otherwise qualified candidate does not have the educational credits to meet the current peace officer standards and training board licensing standards, the commissioner may provide the financial resources to obtain the education necessary to meet the licensing requirements. Of this appropriation, \$150,000 the second year from the general fund is for assistance to these otherwise qualified individuals to prepare them for the trooper candidate school ~~beginning in January 1999. This appropriation does not cancel but is available until spent.~~

## ARTICLE 2

### TRANSPORTATION DEVELOPMENT

Section 1. Minnesota Statutes 1998, section 121A.36, subdivision 3, is amended to read:

Subd. 3. [APPROPRIATION.] (a) All funds in the motorcycle safety fund created by section 171.06, subdivision 2a, are hereby annually appropriated to the commissioner of public safety to carry out the purposes of subdivisions 1 and 2. The commissioner of public safety may make grants from the fund to the commissioner of children, families, and learning at such times and in such amounts as the commissioner deems necessary to carry out the purposes of subdivisions 1 and 2.

(b) Of the money appropriated under paragraph (a):

(1) ~~In each of fiscal years 1997, 1998, and 1999, not more than \$25,000, and in subsequent years not more than five percent;~~ shall be expended to defray the administrative costs of carrying out the purposes of subdivisions 1 and 2; and

(2) ~~In each of fiscal years 1997, 1998, and 1999, not more than 65 percent, and in subsequent years not more than 60 percent;~~ shall be expended for the combined purpose of training and coordinating the activities of motorcycle safety instructors and making reimbursements to schools and other approved organizations.

Sec. 2. Minnesota Statutes 1998, section 168.011, subdivision 35, is amended to read:

Subd. 35. [LIMOUSINE.] ~~For purposes of motor vehicle registration only,~~ "Limousine" means ~~an unmarked~~ a luxury passenger automobile that is not a van or station wagon and has a seating capacity of not more than 12 persons, excluding the driver.

Sec. 3. Minnesota Statutes 1998, section 168.012, subdivision 1, is amended to read:

Subdivision 1. [VEHICLES EXEMPT FROM TAX AND REGISTRATION FEES.] (a) The following vehicles are exempt from the provisions of this chapter requiring payment of tax and registration fees, except as provided in subdivision 1c:

(1) vehicles owned and used solely in the transaction of official business by the federal government, the state, or any political subdivision;

(2) vehicles owned and used exclusively by educational institutions and used solely in the transportation of pupils to and from such institutions;

(3) vehicles used solely in driver education programs at nonpublic high schools;

(4) vehicles owned by nonprofit charities and used exclusively to transport disabled persons for educational purposes;

(5) vehicles owned and used by honorary consul; ~~and~~

(6) ambulances owned by ambulance services licensed under section 144E.10, the general appearance of which is unmistakable; and

(7) vehicles owned by a commercial driving school licensed under section 171.34 and used exclusively for driver education and training.

(b) Vehicles owned by the federal government, municipal fire apparatus including fire suppression support vehicles, police patrols and ambulances, the general appearance of which is unmistakable, shall not be required to register or display number plates.

(c) Unmarked vehicles used in general police work, liquor investigations, arson investigations, and passenger automobiles, pickup trucks, and buses owned or operated by the department of corrections shall be registered and shall display appropriate license number plates which shall be furnished by the registrar at cost. Original and renewal applications for these license plates authorized for use in general police work and for use by the department of corrections must be accompanied by a certification signed by the appropriate chief of police if issued to a police vehicle, the appropriate sheriff if issued to a sheriff's vehicle, the commissioner of corrections if issued to a department of corrections vehicle, or the appropriate officer in charge if issued to a vehicle of any other law enforcement agency. The certification must be on a form prescribed by the commissioner and state that the vehicle will be used exclusively for a purpose authorized by this section.

(d) Unmarked vehicles used by the departments of revenue and labor and industry, fraud unit, in conducting seizures or criminal investigations must be registered and must display passenger vehicle classification license number plates which shall be furnished at cost by the registrar. Original and renewal applications for these passenger vehicle license plates must be accompanied by a certification signed by the commissioner of revenue or the commissioner of labor and industry. The certification must be on a form prescribed by the commissioner and state that the vehicles will be used exclusively for the purposes authorized by this section.

(e) Unmarked vehicles used by the division of disease prevention and control of the department of health must be registered and must display passenger vehicle classification license number plates. These plates must be furnished at cost by the registrar. Original and renewal applications for these passenger vehicle license plates must be accompanied by a certification signed by the commissioner of health. The certification must be on a form prescribed by the commissioner and state that the vehicles will be used exclusively for the official duties of the division of disease prevention and control.

(f) All other motor vehicles shall be registered and display tax-exempt number plates which shall be furnished by the registrar at cost, except as provided in subdivision 1c. All vehicles required to display tax-exempt number plates shall have the name of the state department or political subdivision, ~~or the~~ nonpublic high school operating a driver education program, or licensed commercial driving school, on the vehicle plainly displayed on both sides thereof in letters not less than 2-1/2 inches high and one-half inch wide; except that each state hospital and institution for the mentally ill and mentally retarded may have one vehicle without the required identification on the sides of the vehicle, and county social service agencies may have vehicles used for child and vulnerable adult protective services without the required identification on the sides of the vehicle. Such identification shall be in a color giving contrast with that of the part of the vehicle on which it is placed and shall endure throughout the term of the registration. The identification must not be on a removable plate or placard and shall be kept clean and visible at all times; except that a removable plate or placard may be utilized on vehicles leased or loaned to a political subdivision or to a nonpublic high school driver education program.

Sec. 4. Minnesota Statutes 1998, section 168.013, subdivision 2, is amended to read:

Subd. 2. [PRORATED FEES.] When a motor vehicle first becomes subject to taxation during the registration period for which the tax is paid, or when a vehicle becomes subject to taxation upon transfer from a motor vehicle dealer, the tax shall be for the remainder of the period prorated on a monthly basis, 1/12 of the annual tax for each calendar month or fraction thereof; provided, however, that for a vehicle having an annual tax of \$10 or less there shall be no reduction until on and after September 1 when the annual tax shall be reduced one-half.

Sec. 5. Minnesota Statutes 1998, section 168.013, subdivision 6, is amended to read:

Subd. 6. [LISTING BY DEALERS.] The owner of every motor vehicle not exempted by section 168.012 or 168.28, shall, so long as it is subject to taxation within the state, list and register the same and pay the tax herein provided annually; provided, however, that any dealer in motor vehicles, to whom dealer's plates have been issued as provided in this chapter, coming into the possession of any such motor vehicle to be held solely for the purpose of sale or demonstration or both, shall be entitled to withhold the tax becoming due on such vehicle for the following year ~~if the vehicle is received before the current year registration expires and the transfer is filed with the registrar on or before such expiration date.~~ When, thereafter, such vehicle is otherwise used or is sold, leased, or rented to another person, firm, corporation, or association, the ~~whole~~ tax for the remainder of the year, prorated on a monthly basis, shall become payable immediately ~~with all arrears.~~

Sec. 6. Minnesota Statutes 1998, section 168.021, subdivision 2, is amended to read:

Subd. 2. [DESIGN OF PLATES; FURNISHING BY REGISTRAR.] The registrar of motor vehicles shall design and furnish two license number plates with attached emblems to each eligible owner. The emblem must bear the internationally accepted wheelchair symbol, as designated in section 16B.61, subdivision 5, approximately three inches square. The emblem must be large enough to be visible plainly from a distance of 50 feet. An applicant eligible for the special plates shall pay the motor vehicle registration fee authorized by law ~~less a credit of \$1 for each month registered.~~

Sec. 7. Minnesota Statutes 1998, section 168.17, is amended to read:

168.17 [SUSPENSION OF REGISTRATION.]

All registrations and issue of number plates shall be subject to amendment, suspension, modification or revocation by the registrar summarily for any violation of or neglect to comply with the provisions of this chapter or when the transferee fails to comply with section 168A.10, subdivision 2, within 30 days of the date of sale. In any case where the proper registration of a motor vehicle is dependent upon procuring information entailing such delay as to unreasonably deprive the owner of the use of the motor vehicle, the registrar may issue a tax receipt and plates conditionally. In any case when revoking a registration for cause, the registrar shall have authority to demand the return of the number plates and registration certificates, and, if necessary, to seize the number plates issued for such registration.

Sec. 8. Minnesota Statutes 1998, section 168.301, subdivision 3, is amended to read:

Subd. 3. [LATE FEE.] In addition to any fee or tax otherwise authorized or imposed upon the transfer of title for a motor vehicle, the commissioner of public safety shall impose a \$2 additional fee for failure to deliver a title transfer within ~~14~~ ten days.

Sec. 9. Minnesota Statutes 1998, section 168.301, subdivision 4, is amended to read:

Subd. 4. [REINSTATEMENT FEE.] When the commissioner has suspended license plates on a vehicle because the transferee has failed to ~~deliver file~~ the title certificate within ~~ten~~ 30 days ~~as provided in subdivision 1,~~ the transferee shall pay a ~~\$5~~ \$10 fee before the registration is reinstated.

Sec. 10. Minnesota Statutes 1998, section 168A.05, subdivision 5, is amended to read:

Subd. 5. [~~ASSIGNMENT AND WARRANTY OF TITLE FORMS.~~] (a) The certificate of title shall contain forms;

(1) for assignment and warranty of title by the owner; ~~and;~~

(2) for assignment and warranty of title by a dealer; ~~and shall contain forms for applications;~~

(3) to apply for a certificate of title by a transferee; and the naming of;

(4) to name a secured party; and shall include language necessary to implement; and

(5) to make the disclosure required by section 325F.6641.

(b) The certificate of title must also include a separate detachable postcard entitled "Notice of Sale" that contains, but is not limited to, the vehicle's title number and vehicle identification number. The postcard must include sufficient space for the owner to record the purchaser's name, address, and driver's license number, if any, and the date of sale. The Notice of Sale must include clear instructions regarding the owner's responsibility to complete and return the form, or to transmit the required information electronically in a form acceptable to the commissioner, pursuant to section 168A.10, subdivision 1.

Sec. 11. Minnesota Statutes 1998, section 168A.10, subdivision 1, is amended to read:

Subdivision 1. [ASSIGNMENT AND WARRANTY OF TITLE; MILEAGE; NOTICE OF SALE.] If an owner transfers interest in a vehicle other than by the creation of a security interest, the owner shall at the time of the delivery of the vehicle execute an assignment and warranty of title to the transferee and shall state the actual selling price in the space provided ~~therefor~~ on the certificate. Within ten days of the date of sale, other than a sale by or to a licensed motor vehicle dealer, the owner shall: (1) complete, detach, and return to the department the postcard on the certificate entitled "Notice of Sale," if one is provided, including the transferee's name, address, and driver's license number, if any, and the date of sale; or (2) transmit this information electronically in a form acceptable to the commissioner. With respect to motor vehicles subject to the provisions of section 325E.15, the transferor shall also, in the space provided ~~therefor~~ on the certificate, state the true cumulative mileage registered on the odometer or that the actual mileage is unknown if the odometer reading is known by the transferor to be different from the true mileage. The transferor shall cause the certificate and assignment to be delivered to the transferee immediately.

Sec. 12. Minnesota Statutes 1998, section 168A.10, subdivision 2, is amended to read:

Subd. 2. [APPLICATION FOR NEW CERTIFICATE.] Except as provided in section 168A.11, the transferee shall, within ten days after assignment to the transferee of the vehicle title certificate, execute the application for a new certificate of title in the space provided ~~therefor~~ on the certificate, and cause the certificate of title to be mailed or delivered to the department. Failure of the transferee to comply with this subdivision shall result in the suspension of the vehicle's registration under section 168.17.

Sec. 13. Minnesota Statutes 1998, section 168A.10, subdivision 5, is amended to read:

Subd. 5. [COMPLIANCE REMOVES LIABILITY AFTER DELIVERY.] Except as provided in section 168A.11 and as between the parties, a transfer by an owner is not effective until the provisions of this section have been complied with; however, an owner who has delivered possession of the vehicle to the transferee and has complied, or within 48 hours after such delivery does comply, with the provisions of this section requiring action by the owner is not liable as owner for any damages resulting from operation of the vehicle after the delivery of the vehicle to the transferee. An owner is not liable who has complied with the provisions of this section except for completing and returning the Notice of Sale or transmitting the required information electronically under subdivision 1.

Sec. 14. Minnesota Statutes 1998, section 168A.30, subdivision 2, is amended to read:

Subd. 2. [WILLFUL OR FRAUDULENT ACTS; FAILURE TO NOTIFY.] A person is guilty of a misdemeanor who:

(1) with fraudulent intent permits another, not entitled thereto, to use or have possession of a certificate of title;

(2) willfully fails to mail or deliver a certificate of title to the department within the time required by sections 168A.01 to 168A.31;

(3) willfully fails to deliver to the transferee a certificate of title within ten days after the time required by sections 168A.01 to 168A.31;

(4) commits a fraud in any application for a certificate of title;

(5) fails to notify the department of any fact as required by sections 168A.01 to 168A.31, except for the facts included in the Notice of Sale described in section 168A.10, subdivision 1; or

(6) willfully violates any other provision of sections 168A.01 to 168A.31 except as otherwise provided in sections 168A.01 to 168A.31.

Sec. 15. Minnesota Statutes 1998, section 169.122, subdivision 5, is amended to read:

Subd. 5. [EXCEPTION.] This section does not apply to the possession or consumption of alcoholic beverages by passengers in:

(1) a bus ~~operated under a charter as defined in section 221.011, subdivision 20~~ that is operated by a motor carrier of passengers, as defined in section 221.011, subdivision 48; or

(2) a vehicle providing limousine service as defined in section 221.84, subdivision 1.

Sec. 16. Minnesota Statutes 1998, section 169.345, subdivision 1, is amended to read:

Subdivision 1. [SCOPE OF PRIVILEGE.] (a) A vehicle that prominently displays the certificate authorized by this section or that bears license plates issued under section 168.021, may be parked by or solely for the benefit of a physically disabled person:

(1) in a designated parking space for disabled persons, as provided in section 169.346; ~~and~~

(2) in a metered parking space without obligation to pay the meter fee and without time restrictions unless time restrictions are separately posted on official signs; and

(3) without time restrictions in a nonmetered space where parking is otherwise allowed for passenger vehicles but restricted to a maximum period of time and which does not specifically prohibit the exercise of disabled parking privileges in that space.

A person may park a vehicle for a physically disabled person in a parking space described in clause (1) or (2) only when actually transporting the physically disabled person for the sole benefit of that person and when the parking space is within a reasonable distance from the drop-off point.

(b) For purposes of this subdivision, a certificate is prominently displayed if it is displayed so that it may be viewed from the front and rear of the vehicle by hanging it from the rearview mirror attached to the front windshield of the vehicle. If there is no rearview mirror or if the certificate holder's disability precludes placing the certificate on the mirror, the placard must be displayed on the dashboard on the driver's side of the vehicle. No part of the certificate may be obscured.

(c) Notwithstanding paragraph (a), clauses (1) ~~and~~ (2), and (3), this section does not permit parking in areas prohibited by sections 169.32 and 169.34, in designated no parking spaces, or in parking spaces reserved for specified purposes or vehicles. A local governmental unit may, by ordinance, prohibit parking on any street or highway to create a fire lane, or to accommodate heavy traffic during morning and afternoon rush hours and these ordinances also apply to physically disabled persons.

Sec. 17. Minnesota Statutes 1998, section 169.345, subdivision 3, is amended to read:

Subd. 3. [IDENTIFYING CERTIFICATE.] (a) The division of driver and vehicle services in the department of public safety shall issue (1) immediately, a temporary permit valid for 30 days, if the person is eligible for the certificate issued under this paragraph, and (2) a special identifying certificate for a motor vehicle when a physically disabled applicant submits proof of physical disability under subdivision 2a. The commissioner shall design separate certificates for persons with permanent and temporary disabilities that can be readily distinguished from each other from outside a vehicle at a distance of 25 feet. The certificate is valid for six years, if the disability is specified in the physician's or chiropractor's statement as permanent, and is valid for a period not to exceed six months, if the disability is specified as temporary.

(b) When the commissioner is satisfied that a motor vehicle is used primarily for the purpose of transporting physically disabled persons, the division may issue without charge (1) immediately, a temporary permit valid for 30 days, if the operator is eligible for the certificate issued under this paragraph, and (2) a special identifying certificate for the vehicle. The operator of a vehicle displaying the certificate or temporary permit has the parking privileges provided in subdivision 1 only while the vehicle is actually in use for transporting physically disabled persons. The certificate issued to a person transporting physically disabled persons must be renewed every third year. On application and renewal, the person must present evidence that the vehicle continues to be used for transporting physically disabled persons. When the commissioner of public safety issues commercial certificates to an organization, the commissioner shall require documentation satisfactory to the commissioner from each organization that procedures and controls have been implemented to ensure that the parking privileges available under this section will not be abused.

(c) A certificate must be made of plastic or similar durable material and must bear its expiration date prominently on both sides. A certificate issued prior to January 1, 1994, must bear its expiration date prominently on its face and will remain valid until that date or December 31, 2000, whichever shall come first. A certificate issued to a temporarily disabled person must display the date of expiration of the duration of the disability, as determined under paragraph (a). Each applicant must be provided a summary of the parking privileges and restrictions that apply to each vehicle for which the certificate is used. The commissioner may charge a fee of \$5 for issuance or renewal of a certificate or temporary permit, and a fee of \$5 for a duplicate to replace a lost, stolen, or damaged certificate or temporary permit. The commissioner shall not charge a fee for issuing a certificate to a person who has paid a fee for issuance of a temporary permit. The commissioner shall not issue more than three replacement certificates within any six-year period without the approval of the council on disability.

Sec. 18. Minnesota Statutes 1998, section 169.345, subdivision 4, is amended to read:

Subd. 4. [UNAUTHORIZED USE; REVOCATION; MISDEMEANOR.] If a peace officer, authorized parking enforcement employee or agent of a statutory or home rule charter city or town, or authorized agent of the citizen enforcement program finds that the certificate or temporary permit is being improperly used, the officer, municipal employee, or agent shall report the violation to the division of driver and vehicle services in the department of public safety and the commissioner of public safety may revoke the certificate or temporary permit. A person who uses the certificate or temporary permit in violation of this section is guilty of a misdemeanor and is subject to a fine of \$500.

Sec. 19. Minnesota Statutes 1998, section 169.346, subdivision 3, is amended to read:

Subd. 3. [MISDEMEANOR; ENFORCEMENT.] A person who violates subdivision 1 is guilty of a misdemeanor and shall be fined not less than \$100 or more than \$200. This subdivision shall be enforced in the same manner as parking ordinances or regulations in the governmental subdivision in which the violation occurs. Law enforcement officers have the authority to tag vehicles parked on either private or public property in violation of subdivision 1. Parking enforcement employees or agents of statutory or home rule charter cities or towns have the authority to tag or otherwise issue citations for vehicles parked on public property in violation of subdivision 1. If a holder of a disability certificate or disability plates allows a person who is not otherwise eligible to use the certificate or plates, then the holder shall not be eligible to be issued or to use a disability certificate or plates for 12 months after the date of violation. A physically disabled person, or a person parking a vehicle for a disabled person, who is charged with violating subdivision 1 because the person parked in a parking space for physically disabled persons without the

required certificate, license plates, or temporary permit shall not be convicted if the person produces in court or before the court appearance the required certificate, temporary permit, or evidence that the person has been issued license plates under section 168.021, and demonstrates entitlement to the certificate, plates, or temporary permit at the time of arrest or tagging.

Sec. 20. Minnesota Statutes 1998, section 169.346, is amended by adding a subdivision to read:

Subd. 5. [LOCAL ORDINANCE; LONG-TERM PARKING.] A statutory or home rule charter city may enact an ordinance establishing a permit program for long-term parking.

Sec. 21. Minnesota Statutes 1998, section 169.55, subdivision 1, is amended to read:

Subdivision 1. [LIGHTS OR REFLECTORS REQUIRED.] At the times when lighted lamps on vehicles are required each vehicle including an animal-drawn vehicle and any vehicle specifically excepted in sections 169.47 to 169.79, with respect to equipment and not hereinbefore specifically required to be equipped with lamps, shall be equipped with one or more lighted lamps or lanterns projecting a white light visible from a distance of 500 feet to the front of the vehicle and with a lamp or lantern exhibiting a red light visible from a distance of 500 feet to the rear, except that reflectors meeting the maximum requirements of this chapter may be used in lieu of the lights required in this subdivision. It shall be unlawful except as otherwise provided in this subdivision, to project a white light to the rear of any such vehicle while traveling on any street or highway, unless such vehicle is moving in reverse. A lighting device mounted on top of a vehicle engaged in deliveries to residences may project a white light to the rear if the sign projects one or more additional colors to the rear. An authorized emergency vehicle may display an oscillating, alternating, or rotating white light used in connection with an oscillating, alternating, or rotating red light when responding to emergency calls.

Sec. 22. Minnesota Statutes 1998, section 169.58, is amended by adding a subdivision to read:

Subd. 4. [LIGHTED SIGN ON VEHICLE.] A vehicle engaged in deliveries to residences may display a lighting device mounted on the vehicle, which may project a red light to the front if the sign projects one or more additional colors to the front.

Sec. 23. Minnesota Statutes 1998, section 171.04, subdivision 1, is amended to read:

Subdivision 1. [PERSONS NOT ELIGIBLE.] The department shall not issue a driver's license:

(1) to any person under 18 years unless:

(i) the applicant is 16 or 17 years of age and has a previously issued valid license from another state or country or the applicant has, for the 12 consecutive months preceding application, held a provisional license and during that time has incurred (A) no conviction for a violation of section 169.121, 169.1218, 169.122, or 169.123, (B) no conviction for a crash-related moving violation, and (C) not more than one conviction for a moving violation that is not crash related. "Moving violation" means a violation of a traffic regulation but does not include a parking violation, vehicle equipment violation, or warning citation.

(ii) the application for a license is approved by (A) either parent when both reside in the same household as the minor applicant or, if otherwise, then (B) the parent or spouse of the parent having custody or, in the event there is no court order for custody, then (C) the parent or spouse of the parent with whom the minor is living or, if subitems (A) to (C) do not apply, then (D) the guardian having custody of the minor or, in the event a person under the age of 18 has no living father, mother, or guardian, then (E) the minor's employer; provided, that the approval required by this item contains a verification of the age of the applicant and the identity of the parent, guardian, or employer; and

(iii) the applicant presents a certification by the person who approves the application under item (ii), stating that the applicant has driven a motor vehicle accompanied by and under supervision of a licensed driver at least 21 years of age for at least ten hours during the period of provisional licensure;

(2) to any person who is ~~under the age of~~ 18 years of age or younger, unless the person has applied for, been issued, and possessed the appropriate instruction permit for a minimum of six months, and, with respect to a person under 18 years of age, a provisional license for a minimum of 12 months;

(3) to any person who is 19 years of age or older, unless that person has applied for, been issued, and possessed the appropriate instruction permit for a minimum of three months;

(4) to any person whose license has been suspended during the period of suspension except that a suspended license may be reinstated during the period of suspension upon the licensee furnishing proof of financial responsibility in the same manner as provided in the Minnesota No-Fault Automobile Insurance Act;

~~(4)~~ (5) to any person whose license has been revoked except upon furnishing proof of financial responsibility in the same manner as provided in the Minnesota No-Fault Automobile Insurance Act and if otherwise qualified;

~~(5)~~ (6) to any drug dependent person, as defined in section 254A.02, subdivision 5;

~~(6)~~ (7) to any person who has been adjudged legally incompetent by reason of mental illness, mental deficiency, or inebriation, and has not been restored to capacity, unless the department is satisfied that the person is competent to operate a motor vehicle with safety to persons or property;

~~(7)~~ (8) to any person who is required by this chapter to take a vision, knowledge, or road examination, unless the person has successfully passed the examination. An applicant who fails four road tests must complete a minimum of six hours of behind-the-wheel instruction with an approved instructor before taking the road test again;

~~(8)~~ (9) to any person who is required under the Minnesota No-Fault Automobile Insurance Act to deposit proof of financial responsibility and who has not deposited the proof;

~~(9)~~ (10) to any person when the commissioner has good cause to believe that the operation of a motor vehicle on the highways by the person would be inimical to public safety or welfare;

~~(10)~~ (11) to any person when, in the opinion of the commissioner, the person is afflicted with or suffering from a physical or mental disability or disease that will affect the person in a manner as to prevent the person from exercising reasonable and ordinary control over a motor vehicle while operating it upon the highways;

~~(11)~~ (12) to a person who is unable to read and understand official signs regulating, warning, and directing traffic;

~~(12)~~ (13) to a child for whom a court has ordered denial of driving privileges under section 260.191, subdivision 1, or 260.195, subdivision 3a, until the period of denial is completed; or

~~(13)~~ (14) to any person whose license has been canceled, during the period of cancellation.

Sec. 24. Minnesota Statutes 1998, section 171.05, subdivision 1a, is amended to read:

Subd. 1a. [MINIMUM PERIOD TO POSSESS INSTRUCTION PERMIT.] An applicant ~~who is 18 years old and who has applied for and~~ received an instruction permit under subdivision 1 and has not previously been licensed to drive in Minnesota or in another jurisdiction must possess the instruction permit for not less than six months for an applicant who is 18 years of age, and not less than three months for all other applicants, before qualifying for a driver's license, ~~or for not less than three months for an applicant who successfully completes an approved course of behind-the-wheel instruction. An applicant with an instruction permit from another jurisdiction must be credited with the amount of time that permit has been held.~~

Sec. 25. Minnesota Statutes 1998, section 171.05, subdivision 2, is amended to read:

Subd. 2. [PERSON LESS THAN 18 YEARS OF AGE.] (a) Notwithstanding any provision in subdivision 1 to the contrary, the department, upon application therefor, may issue an instruction permit to an applicant who is 15, 16, or 17 years of age and the applicant:

(1) has completed a course of driver education in another state, has a previously issued valid license from another state, or is enrolled in a one of the following types of driver education program including programs:

(i) a driver education program offered through the public schools that includes classroom and behind-the-wheel training, which and that has been approved by the state board of education for courses offered through the public schools, or, in the case of commissioner of children, families, and learning;

(ii) a course offered by a private, commercial driver education school or institute; that includes classroom and behind-the-wheel training and that has been approved by the department of public safety; except when the applicant has completed a course of driver education in another state or has a previously issued valid license from another state or

(iii) an approved behind-the-wheel driver education program when the student is receiving full-time instruction in a home school within the meaning of sections 120A.22 and 120A.24, the student is working toward a home-school diploma, the student's status as a home-school student has been certified by the superintendent of the school district in which the student resides, and the student is taking home-classroom driver training with classroom materials approved by the commissioner of public safety;

(2) has completed the classroom phase of instruction in the driver education program;

(3) has passed a test of the applicant's eyesight;

(4) has passed a test of the applicant's knowledge of traffic laws, which test must be administered by the department;

(5) has completed the required application, which must be approved by (i) either parent when both reside in the same household as the minor applicant or, if otherwise, then (ii) the parent or spouse of the parent having custody or, in the event there is no court order for custody, then (iii) the parent or spouse of the parent with whom the minor is living or, if items (i) to (iii) do not apply, then (iv) the guardian having custody of the minor or, in the event a person under the age of 18 has no living father, mother, or guardian, then (v) the applicant's employer; provided, that the approval required by this clause contains a verification of the age of the applicant and the identity of the parent, guardian, or employer; and

(6) has paid the fee required in section 171.06, subdivision 2.

(b) The instruction permit is valid for one year from the date of application and may be renewed upon payment of a fee equal to the fee for issuance of an instruction permit under section 171.06, subdivision 2.

Sec. 26. Minnesota Statutes 1998, section 171.061, subdivision 4, is amended to read:

Subd. 4. [FEE; EQUIPMENT.] (a) The agent may charge and retain a filing fee of \$3.50 for each application. Except as provided in paragraph (b), the fee shall cover all expenses involved in receiving, accepting, or forwarding to the department the applications and fees required under sections 171.02, subdivision 3; 171.06, subdivisions 2 and 2a; and 171.07, subdivisions 3 and 3a.

(b) An agent with photo identification equipment provided by the department before January 1, 1999, may retain the photo identification equipment until the agent's appointment terminates. The department shall maintain the photo identification equipment for these agents. An agent appointed before January 1, 1999, who does not have photo identification equipment provided by the department, and any new agent appointed after December 31, 1998, shall

procure and maintain photo identification equipment. Upon the retirement, resignation, death, or discontinuance of an existing agent, and if a new agent is appointed in an existing office pursuant to Minnesota Rules, chapter 7404, and notwithstanding the above or Minnesota Rules, part 7404.0400, the department shall provide and maintain photo identification equipment without additional cost to a newly appointed agent in that office if the office was provided the equipment by the department before January 1, 1999. All photo identification equipment must be compatible with standards established by the department.

(c) A filing fee retained by the agent employed by a county board must be paid into the county treasury and credited to the general revenue fund of the county. An agent who is not an employee of the county shall retain the filing fee in lieu of county employment or salary and is considered an independent contractor for pension purposes, coverage under the Minnesota state retirement system, or membership in the public employees retirement association.

(d) Before the end of the first working day following the final day of the reporting period established by the department, the agent must forward to the department all applications and fees collected during the reporting period except as provided in paragraph (c).

Sec. 27. Minnesota Statutes 1998, section 171.07, subdivision 3, is amended to read:

Subd. 3. [IDENTIFICATION CARD; FEE.] (a) Upon payment of the required fee, the department shall issue to every applicant therefor a Minnesota identification card. The department may not issue a Minnesota identification card to a person who has a driver's license, other than an instruction permit or a limited license. The card must bear a distinguishing number assigned to the applicant, a colored photograph or an electronically produced image, the full name, date of birth, residence address, a description of the applicant in the manner as the commissioner deems necessary, and a space upon which the applicant shall write the usual signature and the date of birth of the applicant with pen and ink. Each identification card issued to an applicant under the age of 21 must be of a distinguishing color and plainly marked "Under-21."

(b) Each Minnesota identification card must be plainly marked "Minnesota identification card - not a driver's license."

(c) The fee for a Minnesota identification card is 50 cents when issued to: a person who is mentally retarded, as defined in section 252A.02, subdivision 2; ~~or to:~~ a physically disabled person, as defined in section 169.345, subdivision 2; ~~is 50 cents; or, a person with mental illness, as described in section 245.462, subdivision 20, paragraph (c).~~

Sec. 28. Minnesota Statutes 1998, section 171.39, is amended to read:

171.39 [EXEMPTIONS.]

The provisions of sections 171.33 to 171.41 shall not apply: ~~to any person giving driver training lessons without charge;~~ ~~to employers maintaining driver training schools without charge for their employees only;~~ to a home-school within the meaning of sections 120A.22 and 120A.24; to schools or classes conducted by colleges, universities and high schools as a part of the normal program for such institutions; ~~nor to those schools or persons described in section 171.05, subdivision 2.~~ Any person who is a certificated driver training instructor in a high school driver training program may give driver training instruction to persons over the age of 18 without acquiring a driver training school license or instructor's license, and such instructors may make a charge for that instruction, if there is no private commercial driver training school licensed under this statute within 10 miles of the municipality where such instruction is given and there is no adult drivers training program in effect in the schools of the school district in which the trainee resides.

Sec. 29. Minnesota Statutes 1998, section 173.02, subdivision 6, is amended to read:

Subd. 6. [VARIOUS SIGNS AND NOTICES DEFINED.] Directional and other official signs and notices shall mean:

(a) "Official signs and notices" mean signs and notices erected and maintained by public officers or public agencies within their territorial jurisdiction and pursuant to and in accordance with direction or authorization contained in federal or state law for the purposes of carrying out an official duty or responsibility. Historical markers authorized

by state law and erected by state or local governmental agencies or nonprofit historical societies, star city signs erected under section 173.085, and municipal identification entrance signs erected in accordance with section 173.025 may be considered official signs.

(b) "Public utility signs" mean warning signs, notices, or markers which are customarily erected and maintained by publicly or privately owned public utilities, as essential to their operations.

(c) "Service club and religious notices" mean signs and notices, not exceeding eight square feet in advertising area, whose erection is authorized by law, relating to meetings and location of nonprofit service clubs or charitable associations, or religious services.

(d) "Directional signs" means signs containing directional information about public places owned or operated by ~~federal, state, or local governments~~ public authorities as defined in Code of Federal Regulations, title 23, section 460.2, paragraph (b), or their agencies, publicly or privately owned natural phenomena, historic, cultural, scientific, educational, and religious sites, and areas of natural scenic beauty or naturally suited for outdoor recreation, deemed to be in the interest of the traveling public. To qualify for directional signs, privately owned attractions must be nationally or regionally known, and of outstanding interest to the traveling public.

(e) All definitions in this subdivision are intended to be in conformity with the national standards for directional and other official signs.

Sec. 30. Minnesota Statutes 1998, section 174.24, subdivision 3b, is amended to read:

Subd. 3b. [OPERATING ASSISTANCE.] The commissioner shall determine the total operating cost of any public transit system receiving or applying for assistance in accordance with generally accepted accounting principles. To be eligible for financial assistance, an applicant or recipient shall provide to the commissioner all financial records and other information and shall permit any inspection reasonably necessary to determine total operating cost and correspondingly the amount of assistance which may be paid to the applicant or recipient. Where more than one county or municipality contributes assistance to the operation of a public transit system, the commissioner shall identify one as lead agency for the purpose of receiving moneys under this section.

Prior to distributing operating assistance to eligible recipients for any contract period, the commissioner shall place all recipients into one of the following classifications: large urbanized area service, urbanized area service, small urban area service, rural area service, and elderly and handicapped service. The commissioner shall distribute funds under this section so that the percentage of total operating cost paid by any recipient from local sources will not exceed the percentage for that recipient's classification, except as provided in an undue hardship case. The percentages shall be: for large urbanized area service, ~~55~~ 50 percent; for urbanized area service and small urban area service, 40 percent; for rural area service, 35 percent; and for elderly and handicapped service, 35 percent. The remainder of the total operating cost will be paid from state funds less any assistance received by the recipient from any federal source. For purposes of this subdivision "local sources" means all local sources of funds and includes all operating revenue, tax levies, and contributions from public funds, except that the commissioner may exclude from the total assistance contract revenues derived from operations the cost of which is excluded from the computation of total operating cost.

If a recipient informs the commissioner in writing after the establishment of these percentages but prior to the distribution of financial assistance for any year that paying its designated percentage of total operating cost from local sources will cause undue hardship, the commissioner may reduce the percentage to be paid from local sources by the recipient and increase the percentage to be paid from local sources by one or more other recipients inside or outside the classification, provided that no recipient shall have its percentage thus reduced or increased for more than two years successively. If for any year the funds appropriated to the commissioner to carry out the purposes of this section are insufficient to allow the commissioner to pay the state share of total operating cost as provided in this paragraph, the commissioner shall reduce the state share in each classification to the extent necessary.

Sec. 31. Minnesota Statutes 1998, section 174.70, is amended to read:

174.70 [PUBLIC SAFETY RADIO COMMUNICATIONS.]

Subdivision 1. [AUTHORITY OF COMMISSIONER.] The commissioner of transportation may exercise the powers granted in this chapter and in sections 473.891 to 473.905, to plan and implement the communications system as provided in sections 473.891 to 473.905.

Subd. 2. [IMPLEMENTATION.] In order to facilitate construction of the initial backbone of the communications system described in subdivision 1, the commissioner shall, by purchase, lease, gift, exchange, or other means, obtain sites for the erection of towers and the location of equipment and shall construct buildings and structures needed for the system. The commissioner may negotiate with commercial wireless service providers to obtain sites, towers, and equipment. Notwithstanding sections 161.433, 161.434, 161.45, and 161.46, the commissioner may by agreement allow commercial wireless service providers to install privately owned equipment on state-owned lands, buildings, and other structures under the jurisdiction of the commissioner when it is practical and feasible to do so. The commissioner shall charge a site use fee for the value of the property or structure made available. In lieu of a site use fee, the commissioner may make agreements with commercial wireless service providers to place state equipment on privately owned towers and may accept (1) improvements to state-owned public safety communications facilities or real or personal property, or (2) services provided by a commercial wireless service provider.

Subd. 3. [DEPOSIT OF FEES; APPROPRIATION.] Fees collected under subdivision 2 must be deposited in the trunk highway fund. The fees so collected are appropriated to the commissioner to pay for the commissioner's share and state patrol's share of the costs of constructing and maintaining the communication system sites.

Sec. 32. Minnesota Statutes 1998, section 174A.02, subdivision 4, is amended to read:

Subd. 4. [HEARINGS; NOTICE.] With respect to those matters within its jurisdiction the board shall receive, hear and determine all petitions filed with it in accordance with the procedures established by law and may hold hearings and make determinations upon its own motion to the same extent, and in every instance, in which it may do so upon petition. Upon receiving petitions filed pursuant to sections ~~221.061, 221.081,~~ 221.121, subdivision 1, 221.151, 221.296, and 221.55, the board shall give notice of the filing of the petition to representatives of associations or other interested groups or persons who have registered their names with the board for that purpose and to whomever the board deems to be interested in the petition. The board may grant or deny the request of the petition 30 days after notice of the filing has been fully given. If the board receives a written objection and notice of intent to appear at a hearing to object to the petition from any person within 20 days of the notice having been fully given, the request of the petition shall be granted or denied only after a contested case hearing has been conducted on the petition, unless the objection is withdrawn prior to the hearing. The board may elect to hold a contested case hearing if no objections to the petition are received. If a timely objection is not received, or if received and withdrawn, and the request of the petition is denied without hearing, the petitioner may request within 30 days of receiving the notice of denial, and shall be granted, a contested case hearing on the petition.

Sec. 33. Minnesota Statutes 1998, section 174A.06, is amended to read:

174A.06 [CONTINUATION OF RULES.]

Orders and directives in force, issued, or promulgated under authority of chapters 174A, 216A, 218, 219, 221, and 222 remain and continue in force and effect until repealed, modified, or superseded by duly authorized orders or directives of the commissioner of transportation. To the extent allowed under federal law or regulation, rules adopted under authority of the following sections are transferred to the commissioner of transportation and continue in force and effect until repealed, modified, or superseded by duly authorized rules of the commissioner:

(1) section 218.041 except rules related to the form and manner of filing railroad rates, railroad accounting rules, and safety rules;

(2) section 219.40;

(3) rules relating to rates or tariffs, or the granting, limiting, or modifying of permits or certificates of convenience and necessity under section 221.031, subdivision 1;

(4) rules relating to the sale, assignment, pledge, or other transfer of a stock interest in a corporation holding authority to operate as a permit carrier as prescribed in section 221.151, subdivision 1, or a local cartage carrier under section 221.296, subdivision 8;

(5) rules relating to rates, charges, and practices under section 221.161, subdivision 4; and

(6) rules relating to rates, tariffs, or the granting, limiting, or modifying of permits under sections 221.121, 221.151, and 221.296 ~~or certificates of convenience and necessity under section 221.071.~~

The commissioner shall review the transferred rules, orders, and directives and, when appropriate, develop and adopt new rules, orders, or directives.

Sec. 34. [219.445] [SOUTHERN RAIL CORRIDOR IMPROVEMENT PLAN.]

Subdivision 1. [CORRIDOR DEVELOPMENT.] The commissioner of transportation shall develop a corridor improvement plan for grade crossings intersecting or crossing the railway right-of-way in the railway corridor that runs east to west across southern Minnesota within all of the counties of Winona, Olmsted, Dodge, Steele, Waseca, Blue Earth, Brown, Redwood, Lyon, and Lincoln.

Subd. 2. [GRADE CROSSING RECOMMENDATIONS.] (a) The corridor improvement plan must include crossing-by-crossing assessments based on ten-year and 20-year projections of train and vehicle volumes that will identify minimum improvements necessary at crossings with moderate levels of exposure, consistent with rules adopted by the commissioner. The plan must include identification of all crossings that are candidates for grade separations where levels of exposure exceed 300,000, or crossings that meet the criteria identified in the rules adopted by the commissioner. For purposes of this section, "levels of exposure" means average daily vehicle traffic multiplied by the number of trains per day at a crossing.

(b) In cities where the department has identified multiple grade separation candidates the plan must include a strategy that identifies the appropriate mix of safety improvements at all crossings in the city and that considers optimal locations for grade separations, crossing consolidations, and other grade crossing safety improvements and traffic routing options.

(c) The department shall consider crossings that are candidates for closure, consistent with rules adopted by the commissioner governing the vacating of a grade crossing.

(d) When community plans have been developed by the affected railroad company and local governing bodies, the department shall review the community plans for compliance with the department's minimum criteria for necessary crossing improvements at all public crossings as identified in the commissioner's rules. The agreed-to community plans take precedence over the elements of the corridor improvement plan.

Subd. 3. [LOCAL GOVERNMENT AND RAILROAD COMPANY PARTICIPATION; FEDERAL REVIEW.] (a) The commissioner shall provide an opportunity for an affected railroad company or local governing body to participate in developing the corridor improvement plan. The commissioner shall allow an affected local governing body the opportunity to review the corridor improvement plan before executing an agreement for grade crossing improvements in the corridor improvement plan between the department and the railroad company and before forwarding the plan to the federal Surface Transportation Board (STB).

(b) Paragraph (a) does not preclude the department from providing comments or information related to the railway corridor improvement project to the STB or any other governing body related to construction activities or environmental impact statement preparation.

Subd. 4. [FINAL PLAN; HOLD HARMLESS.] (a) The final plan must be submitted to any affected area transportation partnership, local unit of government, and railroad company within the corridor area in order to provide future grade crossing safety improvement planning guidance.

(b) Unless otherwise specifically agreed to as part of the plan, the development of a corridor improvement plan does not bind the state or any local government unit to a specific implementation timetable or to funding the cost of proposed recommended safety upgrades.

Sec. 35. Minnesota Statutes 1998, section 221.011, subdivision 15, is amended to read:

Subd. 15. [MOTOR CARRIER.] "Motor carrier" means a carrier operating for hire under the authority of this chapter and subject to the rules and orders of the commissioner or the board person engaged in the for-hire transportation of property or passengers. "Motor carrier" does not include a person providing transportation described in section 221.025, a building mover subject to section 221.81, or a person providing limousine service as defined in section 221.84.

Sec. 36. Minnesota Statutes 1998, section 221.011, subdivision 37, is amended to read:

Subd. 37. [CERTIFICATED CARRIER.] "Certificated carrier" means a motor carrier holding a certificate issued under section 221.071 of registration.

Sec. 37. Minnesota Statutes 1998, section 221.011, subdivision 38, is amended to read:

Subd. 38. [CLASS I CARRIER.] "Class I carrier" means a person who has been issued a certificate under section 221.071 to operate as a class I carrier of registration.

Sec. 38. Minnesota Statutes 1998, section 221.011, is amended by adding a subdivision to read:

Subd. 48. [MOTOR CARRIER OF PASSENGERS.] "Motor carrier of passengers" means a person engaged in the for-hire transportation of passengers in vehicles designed to transport eight or more persons, including the driver.

Sec. 39. Minnesota Statutes 1998, section 221.011, is amended by adding a subdivision to read:

Subd. 49. [SMALL VEHICLE PASSENGER SERVICE.] "Small vehicle passenger service" means a service provided by a person engaged in the for-hire transportation of passengers in a vehicle designed to transport seven or fewer persons, including the driver.

Sec. 40. Minnesota Statutes 1998, section 221.021, is amended to read:

221.021 [~~OPERATION~~ REGISTRATION CERTIFICATE OR PERMIT REQUIRED.]

Subdivision 1. [REQUIREMENT.] No person may operate as a motor carrier or advertise or otherwise hold out as a motor carrier without a certificate of registration or permit in effect. A certificate or permit may be suspended or revoked upon conviction of violating a provision of sections 221.011 to 221.296 or an order or rule of the commissioner or board governing the operation of motor carriers, and upon a finding by the court that the violation was willful. The board commissioner may, for good cause after a hearing, suspend or revoke a certificate or permit for a violation of a provision of sections 221.011 to 221.296 or an order issued or rule adopted by the commissioner or board under this chapter.

Subd. 2. [SANCTIONS.] The commissioner may suspend, revoke, or deny renewal of a certificate of registration for (1) serious or repeated violations of this chapter, or (2) a pattern of repeated violations of local ordinances governing traffic and parking.

Subd. 3. [HEARING.] A motor carrier affected by an action of the commissioner under subdivision 2 may, within 20 days of receipt of a notice of the commissioner's action, request an administrative hearing by following the procedures in section 221.036, subdivision 7.

Sec. 41. Minnesota Statutes 1998, section 221.022, is amended to read:

221.022 [EXCEPTION.]

The powers granted to the ~~board~~ commissioner under sections 221.011 to 221.296 do not include the power to regulate any service or vehicles operated by the metropolitan council or to ~~regulate~~ register passenger transportation service provided under contract to the department or the metropolitan council. A provider of passenger transportation service under contract to the department or the metropolitan council may not also provide charter service as a motor carrier of passengers without first having obtained a permit to operate as a charter carrier registered under section 221.0252.

Sec. 42. Minnesota Statutes 1998, section 221.025, is amended to read:

221.025 [EXEMPTIONS.]

The provisions of this chapter requiring a certificate or permit to operate as a motor carrier do not apply to the intrastate transportation described below:

(a) the transportation of students to or from school or school activities in a school bus inspected and certified under section 169.451 and the transportation of children or parents to or from a Head Start facility or Head Start activity in a Head Start bus inspected and certified under section 169.451;

(b) the transportation of solid waste, as defined in section 116.06, subdivision 22, including recyclable materials and waste tires, except that the term "hazardous waste" has the meaning given it in section 221.011, subdivision 31;

(c) a commuter van as defined in section 221.011, subdivision 27;

(d) authorized emergency vehicles as defined in section 169.01, subdivision 5, including ambulances; and tow trucks equipped with proper and legal warning devices when picking up and transporting (1) disabled or wrecked motor vehicles or (2) vehicles towed or transported under a towing order issued by a public employee authorized to issue a towing order;

(e) the transportation of grain samples under conditions prescribed by the board;

(f) the delivery of agricultural lime;

(g) the transportation of dirt and sod within an area having a 50-mile radius from the home post office of the person performing the transportation;

(h) the transportation of sand, gravel, bituminous asphalt mix, concrete ready mix, concrete blocks or tile and the mortar mix to be used with the concrete blocks or tile, or crushed rock to or from the point of loading or a place of gathering within an area having a 50-mile radius from that person's home post office or a 50-mile radius from the site of construction or maintenance of public roads and streets;

(i) the transportation of pulpwood, cordwood, mining timber, poles, posts, decorator evergreens, wood chips, sawdust, shavings, and bark from the place where the products are produced to the point where they are to be used or shipped;

(j) the transportation of fresh vegetables from farms to canneries or viner stations, from viner stations to canneries, or from canneries to canneries during the harvesting, canning, or packing season, or transporting sugar beets, wild rice, or rutabagas from the field of production to the first place of delivery or unloading, including a processing plant, warehouse, or railroad siding;

(k) the transportation of property or freight, other than household goods and petroleum products in bulk, entirely within the corporate limits of a city or between contiguous cities except as provided in section 221.296;

(l) the transportation of unprocessed dairy products in bulk within an area having a 100-mile radius from the home post office of the person providing the transportation;

(m) the transportation of agricultural, horticultural, dairy, livestock, or other farm products within an area having a 100-mile radius from the person's home post office and the carrier may transport other commodities within the 100-mile radius if the destination of each haul is a farm;

~~(n) passenger transportation service that is not charter service and that is under contract to and with operating assistance from the department or the metropolitan council;~~

~~(o)~~ the transportation of newspapers, as defined in section 331A.01, subdivision 5, telephone books, handbills, circulars, or pamphlets in a vehicle with a gross vehicle weight of 10,000 pounds or less; and

~~(p)~~ (o) transportation of potatoes from the field of production, or a storage site owned or otherwise controlled by the producer, to the first place of processing.

The exemptions provided in this section apply to a person only while the person is exclusively engaged in exempt transportation.

Sec. 43. Minnesota Statutes 1998, section 221.0251, is amended to read:

221.0251 [MOTOR CARRIER OF PROPERTY; REGISTRATION.]

Subdivision 1. [REGISTRATION STATEMENT.] A person who wishes to operate as a motor carrier of property shall file a complete and accurate registration statement with the commissioner. A registration statement must be on a form provided by the commissioner and include:

- (1) the registrant's name, including an assumed or fictitious name used by the registrant in doing business;
- (2) the registrant's mailing address and business telephone number;
- (3) the registrant's federal Employer Identification Number and Minnesota Business Identification Number and the identification numbers, if any, assigned to the registrant by the United States Department of Transportation, Interstate Commerce Commission, or Environmental Protection Agency;
- (4) the name, title, and telephone number of the individual who is principally responsible for the operation of the registrant's transportation business;
- (5) the principal location from which the registrant conducts its transportation business and where the records required by this chapter will be kept;
- (6) if different from clause (5), the location in Minnesota where the records required by this chapter will be available for inspection and copying by the commissioner;
- (7) whether the registrant transports hazardous materials or hazardous waste;

(8) whether the registrant's business is a corporation, partnership, limited liability partnership, limited liability company, or sole proprietorship; and

(9) if the registrant is a foreign corporation authorized to transact business in Minnesota, the state of incorporation and the name and address of its registered agent.

Subd. 2. [SIGNATURE REQUIRED.] A registration statement may be signed only by a corporate officer, general partner, limited liability company board member, or sole proprietor. A signature must be notarized.

Subd. 3. [CERTIFICATE OF REGISTRATION; ISSUANCE; LOCATION.] (a) The commissioner shall issue a certificate of registration to a registrant who has filed a registration statement that complies with subdivisions 1 and 2 and paid the required fee, has a satisfactory safety rating and, if applicable, has complied with the financial responsibility requirements in section 221.141. The commissioner may not issue a certificate of registration to a registrant who has an unsatisfactory safety rating.

(b) A certificate of registration must be numbered and bear an effective date.

(c) A certificate of registration must be kept at the registrant's principal place of business.

Subd. 4. [DURATION.] A certificate of registration is not assignable or transferable and is valid until it is suspended, revoked, or canceled.

Subd. 5. [OBLIGATION TO KEEP INFORMATION CURRENT.] A registrant shall notify the commissioner in writing of any change in the information described in subdivision 1.

Sec. 44. [221.0252] [PASSENGER CARRIERS; REGISTRATION; EXEMPTIONS.]

Subdivision 1. [FILING REQUIRED.] A person who wishes to operate as a motor carrier of passengers must file with the commissioner a complete and accurate federal motor carrier identification report form MCS-150. In addition, a person must file a vehicle registration form prescribed by the commissioner describing the make, model, number of passengers the vehicle is designed to transport as determined by the vehicle's manufacturer, and license plate and vehicle identification number of each vehicle that the registrant will be using in those operations for which registration is required.

Subd. 2. [SIGNATURE REQUIRED.] A form required under this section may be signed only by a corporate officer, general partner, limited liability company board member, or sole proprietor.

Subd. 3. [AUDIT; INSPECTION.] (a) Within 90 days of issuing a new certificate of registration to a carrier under this section, and before issuing an annual renewal of a certificate of registration, the commissioner shall:

(1) conduct an audit of the carrier's records;

(2) inspect the vehicles the carrier uses in its motor carrier operation to determine if they comply with the federal regulations incorporated in section 221.0314 or accept for filing proof that a complete vehicle inspection was conducted within the previous one year by a commercial vehicle inspector of the department of public safety;

(3) verify that the carrier has a designated office in Minnesota where the books and files necessary to conduct business and the records required by this chapter are kept and shall be available for inspection by the commissioner;

(4) audit the carrier's drivers' criminal background and safety records; and

(5) verify compliance with the insurance requirements of section 221.141.

(b) The commissioner and the commissioner of public safety shall, through an interagency agreement, coordinate vehicle inspection activities to avoid duplication of annual vehicle inspections to minimize the burden of compliance on carriers and to maximize the efficient use of state resources.

Subd. 4. [CERTIFICATE OF REGISTRATION; REQUIREMENTS; ISSUANCE; DURATION.] (a) The commissioner shall issue a certificate of registration to a carrier who (1) does not have an unsatisfactory safety rating, (2) has complied with subdivisions 1 and 2, (3) has paid the required fee, (4) in the case of an annual renewal, has been audited and inspected under subdivision 3, and (5) has complied with the financial responsibility requirements in section 221.141.

(b) A photocopy of the carrier's certificate of registration must be carried in each vehicle operated under the registration and must be made available to the department and other law enforcement officials upon request.

(c) Registration under this section is not assignable or transferable and is valid until it expires or is suspended, revoked, or canceled, whichever occurs first. A registration is valid for one year from the date issued.

Subd. 5. [SUSPENSION FOR UNSATISFACTORY SAFETY RATING.] Following the procedures in section 221.185, the commissioner shall immediately suspend the registration of a carrier who receives an unsatisfactory safety rating. The commissioner shall conduct one follow-up compliance audit to determine if the carrier's safety rating should be changed or the suspension rescinded within 30 days of receiving a written request from the carrier. Additional compliance reviews may be conducted at the commissioner's discretion.

Subd. 6. [ANNUAL RENEWAL.] A carrier registered under this section must renew its registration each year on a form prescribed by the commissioner. The commissioner shall develop and implement an expedited renewal process to minimize the burden on motor carriers.

Subd. 7. [EXEMPTIONS FROM REGULATION.] Notwithstanding any other law, motor carriers of passengers are exempt from sections 221.121; 221.122; 221.123; 221.132; 221.151; 221.161; and 221.171.

Sec. 45. Minnesota Statutes 1998, section 221.026, subdivision 2, is amended to read:

Subd. 2. [EXEMPTIONS FROM REQUIREMENTS.] Notwithstanding any other law, a motor carrier of property is exempt from sections 221.021; ~~221.041; 221.061; 221.071;~~ 221.072; ~~221.081;~~ 221.121; 221.122; 221.123; 221.131; 221.132; 221.151; 221.161; 221.172, subdivisions 3 to 8; 221.185, except as provided in subdivision 4; and 221.296. The exemptions in this subdivision do not apply to a motor carrier of property while transporting household goods.

Sec. 46. Minnesota Statutes 1998, section 221.031, subdivision 1, is amended to read:

Subdivision 1. [POWERS, DUTIES, REPORTS, LIMITATIONS.] (a) This subdivision applies to motor carriers engaged in intrastate commerce.

(b) The commissioner shall prescribe rules for the operation of motor carriers, including their facilities; accounts; leasing of vehicles and drivers; service; safe operation of vehicles; equipment, parts, and accessories; hours of service of drivers; driver qualifications; accident reporting; identification of vehicles; installation of safety devices; inspection, repair, and maintenance; and proper automatic speed regulators if, in the opinion of the commissioner, there is a need for the rules.

(c) The commissioner shall direct the repair and reconstruction or replacement of an inadequate or unsafe motor carrier vehicle or facility. The commissioner may require the construction and maintenance or furnishing of suitable and proper freight terminals, passenger depots, waiting rooms, and accommodations or shelters in a city in this state or at a point on the highway traversed which the commissioner, after investigation by the department, may deem just and proper for the protection of passengers or property.

(d) The commissioner shall require holders of household goods mover permits, ~~charter carrier permits, and regular route passenger carrier certificates~~ to file annual and other reports including annual accounts of motor carriers, schedules of rates and charges, or other data by motor carriers, regulate motor carriers in matters affecting the relationship between them and the traveling and shipping public, and prescribe other rules as may be necessary to carry out the provisions of this chapter.

(e) A motor carrier subject to paragraph (d) but having gross revenues from for-hire transportation in a calendar year of less than \$200,000 may, at the discretion of the commissioner, be exempted from the filing of an annual report, if instead the motor carrier files an abbreviated annual report, in a form as may be prescribed by the commissioner, attesting that the motor carrier's gross revenues did not exceed \$200,000 in the previous calendar year. Motor carrier gross revenues from for-hire transportation, for the purposes of this subdivision only, do not include gross revenues received from the operation of school buses as defined in section 169.01, subdivision 6.

(f) The commissioner shall enforce sections 169.781 to 169.783.

~~(g) The commissioner shall make no rules relating to the granting, limiting, or modifying of permits or certificates of convenience and necessity, which are powers granted to the board.~~

~~(h) The board may extend the termini of a route or alter or change the route of a regular route common carrier upon petition and after finding that public convenience and necessity require an extension, alteration, or change.~~

Sec. 47. Minnesota Statutes 1998, section 221.031, subdivision 2, is amended to read:

Subd. 2. [EXEMPTIONS FOR PRIVATE CARRIERS.] This subdivision applies to private carriers engaged in intrastate commerce.

(a) Private carriers operating vehicles with a gross vehicle weight of more than 10,000 pounds shall comply with ~~rules adopted under those federal regulations incorporated by reference in:~~

- (1) section 221.0314, subdivisions 2 to 5, for driver qualifications;
- (2) section 221.0314, subdivision 9, for hours of service of drivers;
- (3) section 221.0314, subdivision 6, for driving of motor vehicles;
- (4) section 221.0314, subdivision 7, for parts and accessories necessary for safe operation; and
- (5) section 221.0314, subdivision 10, for inspection, repair, and maintenance; ~~and,~~
- ~~(6) this section for leasing of vehicles or vehicles and drivers.~~

~~Private carriers not subject to the rules for driver qualifications before August 1, 1992, must comply with those rules on and after August 1, 1994.~~

(b) The rules for hours of service of drivers do not apply to private carriers who are (1) public utilities as defined in section 216B.02, subdivision 4; (2) cooperative electric associations organized under chapter 308A; (3) telephone companies as defined in section 237.01, subdivision 2; or (4) engaged in the transportation of construction materials, tools and equipment from shop to job site or job site to job site, for use by the private carrier in the new construction, remodeling, or repair of buildings, structures or their appurtenances.

(c) The rules for driver qualifications and hours of service of drivers do not apply to vehicles controlled by a farmer and operated by a farmer or farm employee to transport agricultural products, farm machinery, or supplies to or from a farm if the vehicle is not used in the operations of a motor carrier and not carrying hazardous materials of a type or quantity that requires the vehicle to be marked or placarded in accordance with section 221.033.

(d) The rules for driver qualifications do not apply to a driver employed by a private carrier while operating a lightweight vehicle.

Sec. 48. Minnesota Statutes 1998, section 221.031, subdivision 6, is amended to read:

Subd. 6. [VEHICLE IDENTIFICATION RULE.] (a) The following carriers shall display the carrier's name and address on the power unit of each vehicle:

(1) motor carriers, regardless of the weight of the vehicle, except that this requirement does not apply to a limousine as defined in section 168.011, subdivision 35, that is equipped with "LM" license plates;

(2) interstate and intrastate private carriers operating vehicles with a gross vehicle weight of more than 10,000 pounds; and

(3) vehicles providing transportation described in section 221.025 with a gross vehicle weight of more than 10,000 pounds except those providing transportation described in section 221.025, clauses (a), (c), and (d).

Vehicles described in clauses (2) and (3) that are operated by farmers or farm employees and have four or fewer axles are not required to comply with the vehicle identification rule of the commissioner.

(b) Vehicles subject to this subdivision must show the name or "doing business as" name of the carrier operating the vehicle and the community and abbreviation of the state in which the carrier maintains its principal office or in which the vehicle is customarily based. If the carrier operates a leased vehicle, it may show its name and the name of the lessor on the vehicle, if the lease relationship is clearly shown. If the name of a person other than the operating carrier appears on the vehicle, the words "operated by" must immediately precede the name of the carrier.

(c) The name and address must be in letters that contrast sharply in color with the background, be readily legible during daylight hours from a distance of 50 feet while the vehicle is stationary, and be maintained in a manner that retains the legibility of the markings. The name and address may be shown by use of a removable device if that device meets the identification and legibility requirements of this subdivision.

Sec. 49. Minnesota Statutes 1998, section 221.031, subdivision 7, is amended to read:

Subd. 7. [MEDICAL EXAMINER'S CERTIFICATE; CHARTER CARRIER DRIVER.] While in the state, the driver for a charter motor carrier of passengers engaged in intrastate commerce who has in possession a license with a school bus endorsement under section 171.321 or rules of the commissioner of public safety is not required to have in possession or to present a separate medical examiner's certificate otherwise required by Code of Federal Regulations, title 49, sections 391.41 to 391.49.

Sec. 50. Minnesota Statutes 1998, section 221.036, subdivision 1, is amended to read:

Subdivision 1. [ORDER.] The commissioner may issue an order requiring violations to be corrected and administratively assessing monetary penalties for a violation of (1) section 221.021; (2) section 221.033, subdivision 2b; (3) ~~section 221.041, subdivision 3;~~ (4) ~~section 221.081;~~ (5) section 221.151; (6) (4) section 221.171; (7) (5) section 221.141; (8) (6) section 221.035, or a material term or condition of a license issued under that section; or (7) rules of the board or commissioner relating to the transportation of hazardous waste, motor carrier operations, insurance, or tariffs and accounting. An order must be issued as provided in this section.

Sec. 51. Minnesota Statutes 1998, section 221.036, subdivision 3, is amended to read:

Subd. 3. [AMOUNT OF PENALTY; CONSIDERATIONS.] (a) The commissioner may issue an order assessing a penalty of up to \$5,000 for all violations of section 221.021; ~~221.041, subdivision 3; 221.081;~~ 221.141; 221.151; or 221.171, or rules of the board or commissioner relating to motor carrier operations, insurance, or tariffs and accounting, identified during a single inspection, audit, or investigation.

(b) The commissioner may issue an order assessing a penalty up to a maximum of \$10,000 for all violations of section 221.033, subdivision 2b, or 221.035, and rules adopted under those sections, identified during a single inspection or audit.

(c) In determining the amount of a penalty, the commissioner shall consider:

- (1) the willfulness of the violation;
- (2) the gravity of the violation, including damage to humans, animals, air, water, land, or other natural resources of the state;
- (3) the history of past violations, including the similarity of the most recent violation and the violation to be penalized, the time elapsed since the last violation, the number of previous violations, and the response of the person to the most recent violation identified;
- (4) the economic benefit gained by the person by allowing or committing the violation; and
- (5) other factors as justice may require, if the commissioner specifically identifies the additional factors in the commissioner's order.

Sec. 52. Minnesota Statutes 1998, section 221.091, is amended to read:

221.091 [LIMITATIONS; RELATIONSHIP TO LOCAL REGULATION.]

Subdivision 1. [LOCAL AUTHORITY OVER STREETS AND HIGHWAYS.] ~~No provision in Sections 221.011 to 221.291 and 221.84 to 221.85 shall do not~~ authorize the use by ~~any a~~ carrier of ~~any a~~ public highway in ~~any a~~ city of the first class in violation of ~~any a~~ charter provision or ordinance of ~~such the~~ city in effect January 1, 1925, unless ~~and except as such the~~ charter ~~provisions provision~~ or ordinance ~~may be is~~ repealed after that date; ~~nor shall.~~ In addition, sections 221.011 to 221.291 ~~and 221.84 to 221.85 be construed as in any manner taking from or curtailing~~ ~~do not~~ (1) curtail the right of ~~any a~~ city to reasonably regulate or control the routing, parking, speed or the safety of operation of a motor vehicle operated by ~~any a~~ carrier under the terms of those sections, or (2) curtail the general police power of ~~any such the~~ city over its highways; ~~nor shall sections 221.011 to 221.291 and 221.84 to 221.85 be construed as abrogating, or~~ (3) abrogate any provision of the city's charter of ~~any such city~~ requiring certain conditions to be complied with before ~~such a~~ carrier can use the highways of ~~such the~~ city, and ~~such these~~ rights and powers ~~herein stated~~ are ~~hereby~~ expressly reserved and granted to ~~such the~~ city; ~~but.~~ However, no ~~such city~~ shall prohibit or deny the use of the public highways within its territorial boundaries by ~~any such a~~ carrier for ~~transportation of transporting~~ passengers or property received within its boundaries to destinations beyond ~~such the~~ city's boundaries, or for ~~transportation of transporting~~ passengers or property from points beyond ~~such the~~ city's boundaries to destinations within the ~~same the~~ city's boundaries, or for ~~transportation of transporting~~ passengers or property from points beyond ~~such the~~ city's boundaries through ~~such municipality the~~ city to points beyond the city's boundaries ~~of such municipality, where such operation when the carrier is operating pursuant to a certificate of convenience and necessity registration issued by the commission under this chapter or to a permit issued by the commissioner under section 221.84 or 221.85.~~

Subd. 2. [LOCAL LICENSING OF SMALL VEHICLE PASSENGER SERVICE.] A city that licenses and regulates small vehicle passenger service must do so by ordinance. The ordinance must, at a minimum, provide for driver qualifications, insurance, vehicle safety, and periodic vehicle inspections. A city that has adopted an ordinance complying with this subdivision may enforce the registration requirement in section 221.021.

Subd. 3. [AUTHORITY OF METROPOLITAN AIRPORTS COMMISSION.] Notwithstanding any other law:

(1) The metropolitan airports commission may regulate ground transportation to and from an airport under its jurisdiction, subject to the provisions of paragraph (2). The authority under this paragraph includes, but is not limited to, regulating the number and types of transportation services, making concession agreements, and establishing vehicle standards.

(2) The metropolitan airports commission may regulate small passenger vehicles, including taxicabs, serving an airport under its jurisdiction only by ordinance. An ordinance adopted under this paragraph must at a minimum define taxicabs and provide for driver qualifications, insurance, and vehicle safety, and may provide for issuance of permits to taxicabs and other small passenger vehicles and limits on the number of permits issued. An ordinance under this paragraph may not provide for making concession agreements relating to small passenger vehicle service, including taxicabs.

Sec. 53. Minnesota Statutes 1998, section 221.122, subdivision 1, is amended to read:

Subdivision 1. [REGISTRATION, INSURANCE, AND FILING REQUIREMENTS.] An order issued by the board which grants a certificate or permit must contain a service date. The person to whom the order granting the certificate or permit is issued shall do the following within 45 days from the service date of the order:

(1) register vehicles which will be used to provide transportation under the permit or certificate with the commissioner and pay the vehicle registration fees required by law;

(2) file and maintain insurance or bond as required by sections 221.141 and 221.296 and rules of the commissioner and board; and

(3) file rates and tariffs as required by ~~sections 221.041 and~~ section 221.161 and rules of the commissioner and board.

Sec. 54. Minnesota Statutes 1998, section 221.124, is amended to read:

221.124 [INITIAL MOTOR CARRIER CONTACT PROGRAM.]

Subdivision 1. [INITIAL MOTOR CARRIER CONTACT.] The initial motor carrier contact program consists of an initial contact, for educational purposes, between a motor carrier required to participate and representatives of the department of transportation. The initial contact may be through an educational seminar or, at the discretion of the department, through a personal ~~meeting~~ contact with a representative of the department. The initial contact must consist of a discussion of the statutes, rules, and regulations that apply to motor carriers. Topics discussed must include: ~~carrier authority, the leasing of drivers and vehicles;~~ insurance requirements; ~~tariffs; annual reports;~~ accident reporting; accident countermeasures; identification of vehicles; driver qualifications; maximum hours of service of drivers; the safe operation of vehicles; equipment, parts, and accessories; and inspection, repair, and maintenance. The department shall provide written documentation of proof of compliance with the requirements of subdivision 2 and shall give a copy of the document to the motor carrier.

Subd. 2. [PARTICIPATION REQUIRED.] A motor carrier that ~~receives a certificate or permit from first registers with or receives a permit from the board for new authority on or~~ commissioner after September 1, 1991 ~~January 1, 2000~~, shall participate in the initial motor carrier contact program. A motor carrier required to participate in the program must have in attendance at least one motor carrier official having a substantial interest or control, directly or indirectly, in or over the operations conducted or to be conducted under the ~~certificate~~ carrier's registration or permit.

Subd. 3. [TIME FOR COMPLIANCE.] A motor carrier required by subdivision 2 to participate in the program must do so within 90 days of the service date of the order granting the ~~certificate or permit~~ or within 90 days of registering, unless the commissioner extends the time for compliance. Failure to comply with the requirement of subdivision 2 makes the order granting the ~~certificate or permit~~ or the carrier's registration void upon expiration of the time for compliance.

Sec. 55. Minnesota Statutes 1998, section 221.131, subdivision 2, is amended to read:

Subd. 2. [ANNUAL VEHICLE REGISTRATION; FEE.] (a) This subdivision applies only to holders of household goods mover permits and ~~charter carrier permits~~ motor carriers of passengers.

(b) ~~The~~ A permit holder or motor carrier of passengers shall pay an annual registration fee of ~~\$40~~ \$75 on each vehicle, including pickup and delivery vehicles, operated by the ~~holder~~ carrier under authority of the permit or certificate of registration during the 12-month period or fraction of the 12-month period. Trailers and semitrailers used by a permit holder in combination with power units may not be counted as vehicles in the computation of fees under this section if the permit holder pays the fees for power units.

(c) The commissioner shall furnish a distinguishing annual identification card for each vehicle or power unit for which a fee has been paid. The identification card must at all times be carried in the vehicle or power unit to which it has been assigned. An identification card may be reassigned to another vehicle or power unit upon application of the ~~permit holder~~ carrier and payment of a transfer fee of \$10. An identification card issued under this section is valid only for the period for which the permit or certificate of registration is effective.

(d) A fee of \$10 is charged for the replacement of an unexpired identification card that has been lost.

(e) The proceeds of the fees collected under this subdivision must be deposited in the trunk highway fund.

Sec. 56. Minnesota Statutes 1998, section 221.141, subdivision 1, is amended to read:

Subdivision 1. [FINANCIAL RESPONSIBILITY OF CARRIERS.] (a) No motor carrier and no interstate carrier shall operate a vehicle until it has obtained and has in effect the minimum amount of financial responsibility required by this section. Policies of insurance, surety bonds, other types of security, and endorsements must be continuously in effect and must remain in effect until canceled. Before providing transportation, the motor carrier or interstate carrier shall secure and cause to be filed with the commissioner and maintain in full effect, a certificate of insurance in a form required by the commissioner, evidencing public liability insurance in the amount prescribed. The insurance must cover injuries and damage to persons or property resulting from the operation or use of motor vehicles, regardless of whether each vehicle is specifically described in the policy. This insurance does not apply to injuries or death to the employees of the motor carrier or to property being transported by the carrier. ~~The commissioner shall require cargo insurance for certificated carriers, except those carrying passengers exclusively. The commissioner may require a permit carrier to file cargo insurance when the commissioner deems necessary to protect the users of the service.~~

(b) Notwithstanding any other provision of this chapter, the insurance required of a motor carrier of passengers must be at least that amount required of interstate carriers under Code of Federal Regulations, title 49, section 387.33, as amended.

Sec. 57. Minnesota Statutes 1998, section 221.172, subdivision 10, is amended to read:

Subd. 10. [RETAINED THREE YEARS.] A shipping document or record described in ~~subdivisions~~ subdivision 2 to 9 or 3, or a copy of it, must be retained by the carrier for at least three years from the date on the shipping document or record. A carrier may keep a shipping record described in ~~subdivisions~~ subdivision 3 to 9 by any technology that prevents the alteration, modification, or erasure of the underlying data and will enable production of an accurate and unaltered paper copy. A carrier shall keep a shipping record in a manner that will make it readily accessible and shall have a means of identifying and producing a legible paper copy for inspection by the commissioner upon request.

Sec. 58. [221.178] [MOTOR CARRIERS OF PASSENGERS; CRIMINAL BACKGROUND CHECK.]

Subdivision 1. [CARRIER TO CONDUCT BACKGROUND CHECK.] A motor carrier of passengers shall conduct, or cause to be conducted, an initial background check of a person the carrier hires or with whom the carrier contracts whose duties include operating a vehicle used to transport passengers. A subsequent background check must be conducted every three years.

Subd. 2. [SCOPE AND PROCEDURES OF CHECK.] Sections 299C.67, 299C.68, 299C.70, and 299C.71 apply to background checks conducted under subdivision 1. For purposes of this section, when used in sections 299C.67, 299C.68, 299C.70, and 299C.71, the term "owner" refers to a motor carrier of passengers and the term "manager" refers to a driver. A motor carrier of passengers may not use a driver to operate a vehicle providing passenger transportation if the background check response shows that the driver has been convicted of a background check crime defined in section 299C.67, subdivision 2, paragraph (a) or (b).

Subd. 3. [RECORDS.] A carrier shall keep a record, identified by the employee's name, of a background check conducted under this section. A record must be made available to the commissioner upon request.

Subd. 4. [EXCEPTION.] This section does not apply to a driver who holds a valid driver's license with a school bus endorsement.

Sec. 59. Minnesota Statutes 1998, section 221.185, subdivision 1, is amended to read:

Subdivision 1. [GROUNDS FOR SUSPENSION.] Despite the provisions of section 221.021, authority to operate as a household goods mover permit or a motor carrier registration issued under sections 221.011 to 221.296 section 221.0251 or 221.0252 is suspended without a hearing, by order of the commissioner, for a period not to exceed 45 days upon the occurrence of any of the following and upon notice of suspension as provided in subdivision 2:

(a) the motor carrier if the permit holder or carrier fails to maintain and file with the commissioner, the insurance or bond required by sections section 221.141 and 221.296 and rules of the commissioner;

(b) the motor carrier fails to renew permits as required by section 221.131;

(c) adopted under that section or the motor carrier or permit holder fails to pay annual vehicle registration fees or renew permits as required by sections 221.071, section 221.131, and 221.296; or

(d) the motor carrier fails to maintain in good standing a protective agent's or private detective's license required under section 221.121, subdivision 6g, paragraph (b), or 221.153, subdivision 3 the permit holder or carrier fails to pay an administrative penalty under section 221.036.

Sec. 60. Minnesota Statutes 1998, section 221.185, subdivision 2, is amended to read:

Subd. 2. [NOTICE OF SUSPENSION.] (a) Failure to file and maintain insurance, renew permits under section 221.131, or to pay annual vehicle registration fees or renew permits under section 221.071, 221.131; or 221.296, or to maintain in good standing a protective agent's or private detective's license required under section 221.121, subdivision 6g, or 221.153, subdivision 3, suspends a motor carrier's permit or certificate two days after the commissioner sends notice of the suspension by certified mail, return receipt requested, to the last known address of the motor carrier.

(b) In order to avoid permanent cancellation of the permit or certificate, the motor carrier must do one of the following within 45 days from the date of suspension:

(1) comply with the law by filing insurance or bond, renewing permits, or paying vehicle registration fees; or

(2) request a hearing before the board regarding the failure to comply with the law.

Sec. 61. Minnesota Statutes 1998, section 221.185, is amended by adding a subdivision to read:

Subd. 2a. [NOTICE OF SUSPENSION; EFFECTIVE DATE.] The commissioner shall issue a notice of suspension if one of the conditions described in subdivision 1 occurs. The notice must give the reason for suspension and must be sent to the last known address of the carrier by certified mail, return receipt requested. A suspension is effective two days after a notice is mailed.

Sec. 62. Minnesota Statutes 1998, section 221.185, subdivision 3, is amended to read:

Subd. 3. [RESCIND SUSPENSION.] If the motor carrier complies with the requirements of this chapter within 45 days after the date of suspension and pays the required fees, including a late vehicle registration fee of \$5 for each vehicle registered, the commissioner shall rescind the suspension unless the carrier's registration has expired. If a registered carrier fails to comply within one year of the effective date of a suspension, the carrier's registration is canceled.

Sec. 63. Minnesota Statutes 1998, section 221.185, subdivision 4, is amended to read:

Subd. 4. [FAILURE TO COMPLY, CANCELLATION.] Except as provided in subdivision 5a, failure to comply with the requirements of sections 221.141 and 221.296 relating to bonds and insurance, 221.131 relating to permit renewal, ~~221.071~~; 221.131; or 221.296 relating to annual vehicle registration or permit renewal, 221.121, subdivision 6g, or 221.153, subdivision 3, relating to protective agent or private detective licensure, or to request a hearing within 45 days of the date of suspension, is deemed an abandonment of the motor carrier's permit or certificate and the permit or certificate must be canceled by the commissioner.

Sec. 64. Minnesota Statutes 1998, section 221.185, subdivision 9, is amended to read:

Subd. 9. [NEW PETITION.] If the holder of a canceled permit or certificate seeks authority to operate as a motor carrier it shall file a petition with the commissioner for a permit or certificate as provided in section ~~221.061~~; 221.121; or 221.296, whichever is applicable.

Sec. 65. Minnesota Statutes 1998, section 221.221, subdivision 3, is amended to read:

Subd. 3. [DELEGATED POWERS.] Representatives of the department to whom authority has been delegated by the commissioner for the purpose of enforcing sections 169.781 to 169.783, ~~221.041~~; and 221.171 and the rules, orders, or directives of the commissioner or board adopted or issued under those sections, and for no other purpose, shall have the powers conferred by law upon police officers. The representatives of the department have the power to inspect records, logs, freight bills, bills of lading, or other documents which may provide evidence to determine compliance with sections 169.781 to 169.783, ~~221.041~~; and 221.171.

Sec. 66. Minnesota Statutes 1998, section 221.291, subdivision 4, is amended to read:

Subd. 4. [OPERATING WITHOUT ~~CERTIFICATE REGISTRATION~~ OR PERMIT.] A person who operates a motor carrier without ~~obtaining required certificates or permits to operate as required by this chapter~~ first registering under section 221.0251 or 221.0252, or who operates as a household goods mover without having obtained the necessary permit, is guilty of a misdemeanor, and upon conviction shall be fined not less than the maximum fine which may be imposed for a misdemeanor for each violation.

Sec. 67. Minnesota Statutes 1998, section 221.55, is amended to read:

221.55 [CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.]

No person or corporation shall engage in the transportation described in section 221.54 without a certificate of public convenience and necessity from the board authorizing such operation. Such certificate shall be issued by the board pursuant to application, notice, and hearing ~~as provided in sections 221.061 and 221.071~~, and the issuance of certificates and the transportation covered thereby shall be governed by the provisions of ~~such sections and by sections section~~ 221.031, ~~221.041, 221.051 and 221.081~~, applying to certificated common carriers for hire, insofar as such provisions are not inconsistent with section 221.54 and this section.

Sec. 68. Minnesota Statutes 1998, section 296A.18, subdivision 3, is amended to read:

Subd. 3. [SNOWMOBILE.] Approximately one percent in fiscal years 1998 ~~and~~ 1999, ~~and~~ 2000, and three-fourths of one percent thereafter, of all gasoline received in and produced or brought into this state, except gasoline used for aviation purposes, is being used as fuel for the operation of snowmobiles in this state, and of the total revenue derived from the imposition of the gasoline fuel tax for uses other than for aviation purposes, one percent in fiscal years 1998, ~~and~~ 1999, ~~and~~ 2000, and three-fourths of one percent thereafter, of such revenues is the amount of tax on fuel used in snowmobiles operated in this state.

Sec. 69. Minnesota Statutes 1998, section 299A.01, is amended by adding a subdivision to read:

Subd. 1b. [DEPARTMENT ADVERTISING SALES; APPROPRIATION.] The commissioner may accept paid advertising for departmental publications. Advertising revenues received are appropriated to the commissioner to be used to defray costs of publications, media productions, or other informational materials. The commissioner may not accept paid advertising from an elected official or candidate for elective office.

Sec. 70. Minnesota Statutes 1998, section 360.531, subdivision 3, is amended to read:

Subd. 3. [FIRST YEAR OF LIFE.] "First year of life" means the ~~year of model designation of the aircraft, or, if there be no model designation it shall mean the year of manufacture~~ year the aircraft was manufactured.

Sec. 71. Minnesota Statutes 1998, section 360.55, subdivision 4, is amended to read:

Subd. 4. [COLLECTOR'S AIRCRAFT; ~~PIONEER LICENSE SPECIAL PLATES.~~] (a) For purposes of this subdivision:

(1) "antique aircraft" means an aircraft constructed by the original manufacturer, or its licensee, on or before December 31, 1945, with the exception of certain pre-World War II aircraft models that had only a small post-war production, such as Beechcraft Staggerwing, Fairchild 24, and Monocoupe; and

(2) "classic aircraft" means an aircraft constructed by the original manufacturer, or its licensee, on or after January 1, 1946, and has a first year of life that precedes the date of registration by at least 50 years.

~~Any~~ (b) If an antique or classic aircraft built by the original manufacturer prior to December 31, 1939, and is owned and operated solely as a collector's item shall be listed, its owner may list it for taxation and registration as follows: A sworn affidavit shall be executed stating the name and address of the owner, the name and address of the person from whom purchased, the make of the aircraft, year and model number of the aircraft, the federal aircraft registration number, the manufacturer's identification number and that the aircraft is owned and operated solely as a collector's item and not for general transportation or commercial operations purposes. The affidavit shall be filed with the commissioner along with a fee of \$25.

(c) Upon satisfaction that the affidavit is true and correct, the commissioner shall issue to the applicant special number plates, decalcomania labels or stamps bearing the inscription "~~Pioneer Classic~~" or "Antique," "Minnesota" and the registration number but no date. The special number plates, decalcomania labels or stamps are valid without renewal as long as the owner operates the aircraft solely as a collector's item.

(d) Should ~~such an antique or classic~~ aircraft be operated other than as a collector's item, the ~~pioneer~~ special number plates, decalcomania labels or stamps shall be void and removed, and the owner shall list the aircraft for taxation and registration in accordance with the other provisions of sections 360.511 to 360.67.

(e) Upon the sale of ~~such an antique or classic~~ aircraft, the new owner must list the aircraft for taxation and registration in accordance with the provisions of this subdivision, ~~(including the payment of a \$25 fee) to obtain new special plates or payment of a \$5 fee to retain and transfer the existing special plates to the name of the new owner,~~ or the other provisions of sections 360.511 to 360.67, whichever is applicable.

(f) In the event of defacement, loss or destruction of the special number plates, decalcomania labels or stamps, and upon receiving and filing a sworn affidavit of the aircraft owner setting forth the circumstances, together with any defaced plates, labels or stamps and a fee of \$5, the commissioner shall issue replacement plates, labels or stamps. The commissioner shall note on the records the issue of replacement number and shall proceed to cancel the original plates, labels or stamps.

Sec. 72. Minnesota Statutes 1998, section 368.01, subdivision 12, is amended to read:

Subd. 12. [TAXIS, HAULERS, CAR RENTERS.] The town board may by ordinance license and regulate baggage wagons, dray drivers, taxicabs, and automobile rental agencies and liveries. At a minimum, an ordinance to license or regulate taxicabs or small vehicle passenger service must provide for driver qualifications, insurance, vehicle safety, and periodic vehicle inspections.

Sec. 73. [388.151] [UNMARKED VEHICLES; LICENSE PLATES.]

Vehicles used by county attorneys to investigate allegations of criminal wrongdoings, to assist crime victims or witnesses, to aid in prosecuting criminal offenses, and for other uses consistent with the duties of the county attorney which the county attorney elects to operate as unmarked must be registered and must display passenger vehicle classification license number plates. The registrar of motor vehicles shall furnish the license plates at cost upon application and certification signed by the county attorney that the vehicles will be used exclusively for the purposes authorized by this section.

Sec. 74. Minnesota Statutes 1998, section 412.221, subdivision 20, is amended to read:

Subd. 20. [TAXIS, HAULERS, CAR RENTERS.] The council shall have power by ordinance to license and regulate baggage wagons, dray drivers, taxicabs, and automobile rental agencies and liveries. At a minimum, an ordinance to license or regulate taxicabs or small vehicle passenger service must provide for driver qualifications, insurance, vehicle safety, and periodic vehicle inspections.

Sec. 75. Minnesota Statutes 1998, section 458A.06, subdivision 5, is amended to read:

Subd. 5. [PROCEEDINGS BEFORE ~~PUBLIC UTILITIES COMMISSION AND OTHER PUBLIC AUTHORITIES.~~] The transit commission may petition the ~~public utilities commission~~ commissioner of transportation for changes in rates of operators of public transit systems serving the transit area. Upon receipt of such petition, the ~~public utilities commission~~ commissioner shall order a hearing and conduct further proceedings ~~thereon~~ as provided by ~~section 221.041, and other~~ applicable laws and ~~regulations~~ rules. The transit commission may appear in behalf of the public interest in any such proceedings or in any other proceeding before the ~~public utilities commission~~ department of transportation, ~~the interstate commerce commission~~ federal agencies, the courts, or other public authorities involving any matter relating to public transit within or affecting the transit area.

Sec. 76. [473.906] [REPORT TO LEGISLATURE.]

The metropolitan radio board shall report to the legislature no later than March 1, 2000, concerning the status of the 800-MHz system. The report shall include: projected cost of the system; identification of groups of taxpayers or persons who pay fees who will pay for each part of the system; the number of radios purchased by any government unit; and an identification of manufacturers that have agreed to, or are expected to respond to requests for proposals to, deliver radios to the state or any government unit in connection with the 800-MHz project.

Sec. 77. Minnesota Statutes 1998, section 609.671, subdivision 5, is amended to read:

Subd. 5. [HAZARDOUS WASTE; UNLAWFUL TREATMENT, STORAGE, TRANSPORTATION, OR DELIVERY.] (a) A person is guilty of a felony who knowingly does any of the following:

(1) delivers hazardous waste to any person other than a person who is authorized to receive the waste under rules adopted under section 116.07, subdivision 4, or under United States Code, title 42, sections 6921 to 6938;

(2) treats or stores hazardous waste without a permit if a permit is required, or in violation of a material term or condition of a permit held by the person, unless:

(i) the person notifies the agency prior to the time a permit would be required that the person will be treating or storing waste without a permit; or

(ii) for a violation of a material term or condition of a permit, the person immediately notifies the agency issuing the permit of the circumstances of the violation as soon as the person becomes aware of the violation;

(3) transports hazardous waste to any location other than a facility that is authorized to receive, treat, store, or dispose of the hazardous waste under rules adopted under section 116.07, subdivision 4, or under United States Code, title 42, sections 6921 to 6938;

(4) transports hazardous waste without a manifest as required by the rules under ~~sections~~ section 116.07, subdivision 4, ~~and 221.172~~; or

(5) transports hazardous waste without a license required for the transportation of hazardous waste by chapter 221.

(b) A person convicted under this subdivision may be sentenced to imprisonment for not more than three years, or to payment of a fine of not more than \$25,000, or both. A person convicted for a second or subsequent offense may be sentenced to imprisonment for not more than five years, or to payment of a fine of not more than \$50,000, or both.

Sec. 78. Laws 1995, chapter 195, article 1, section 18, is amended to read:

Sec. 18. [SUNSET.]

The metropolitan radio board is abolished effective July 1, ~~1999~~ 2002. Effective July 1, ~~1999~~ 2002, the board's duties and responsibilities are transferred to the metropolitan council or an appropriate state agency, as provided by law, based on the reports submitted by the metropolitan council under section 7, subdivision 3, of this article. The designated agency is the successor to all the property, interests, obligations, and rules of the metropolitan radio board.

Sec. 79. Laws 1998, chapter 404, section 17, subdivision 3, is amended to read:

Subd. 3. Transitways

46,500,000

(a) This appropriation is to match federal and local funding for the planning, design, engineering, and construction of transitways in the metropolitan area.

(b) \$40,000,000 is for the preliminary engineering, final design, and construction of light rail transit in the Hiawatha Avenue corridor from downtown Minneapolis through Minneapolis-St. Paul International Airport and the site of the former Met Center or surrounding area with a terminus in southern Hennepin or northern Dakota county.

The Hiawatha Avenue corridor management committee created pursuant to Minnesota Statutes, section 473.3994, subdivision 10, shall establish an advisory committee of:

(1) individuals who reside near the proposed corridor;

(2) representatives of businesses located within one mile on either side of the corridor; and

(3) elected officials, including legislators, who represent the area in which the Hiawatha corridor is located.

The advisory committee shall advise the corridor management committee on issues relating to the preliminary engineering, final design, and construction of light rail facilities, including the proposed alignment for the corridor.

(c) The funds in this paragraph must be distributed as grants to appropriate county regional rail authorities as follows:

(1) \$3,000,000 to match federal funding for a major investment study, engineering, and implementation in the Riverview corridor between the east side of St. Paul and the Minneapolis-St. Paul International Airport and the Mall of America;

(2) \$1,500,000 to match federal funding for a major investment study, engineering, and implementation in the Northstar corridor linking downtown Minneapolis to the St. Cloud area and to study the feasibility: (i) of extending the corridor from St. Cloud to Little Falls and providing commuter rail service within this corridor; and (ii) of commuter rail and other transportation improvements within the corridor;

(3) \$500,000 to study potential transit improvements and engineering studies in the Cedar Avenue corridor to link the Hiawatha, Riverview, and Northstar transit corridors with Dakota county; and

(4) \$500,000 to develop engineering documents for a commuter rail line from Minneapolis to downtown St. Paul through southern Washington county to Hastings.

The commissioner of transportation, in coordination with the North Star Corridor Joint Powers Authority and the St. Cloud area planning agency, shall study the transportation needs within the St. Cloud metropolitan area.

(d) \$1,000,000 is available as grants to appropriate county regional rail authorities to conduct major investment studies and to develop engineering documents for commuter rail lines in the following corridors:

(1) the Young America corridor from Carver county to Minneapolis and St. Paul;

(2) the Bethel corridor linking Cambridge with the Northstar corridor in Anoka county;

(3) the Northwest corridor from downtown Minneapolis to the Northwest suburbs of Hennepin county; and

(4) other commuter rail corridors identified in phase II of the department of transportation's commuter rail service study, except for the corridors identified in paragraph (c).

The appropriation in this paragraph is not available until the completion of the commuter rail service study as provided in Laws 1997, chapter 159, article 2, section 51. The funds may be made available only after approval by the commissioner of transportation of an application submitted by county regional rail authorities that is consistent with the results of the commuter rail service study and demonstrates a coordinated implementation strategy.

Sec. 80. [PASSENGER RAIL SERVICE STUDY.]

The commissioner of transportation shall conduct a study of restoring and extending Amtrak rail passenger service to connect the Twin Cities, Duluth, and the Iron Range. The study must include, among other things:

(1) the feasibility and desirability of providing the service, including connecting the service with potential commuter rail and light rail routes identified by the commissioner;

(2) anticipated operating costs, and capital costs if any;

(3) projected ridership of the service and means to maximize ridership;

(4) examination of alternative rail routes, including track improvement issues, condition of depot facilities, travel time, and optimal operating schedules;

(5) analysis of alternative revenue sources, including federal TEA-21, regional railroad authorities, and the transport of United States mail; and

(6) examination of successful Amtrak-state-local partnerships in several other states, including Washington, North Carolina, New York, and California.

During the course of the study, the various regional railroad authorities located along the proposed routes are encouraged to cooperate with and provide the commissioner with any requested technical assistance.

The commissioner shall report to the governor and legislature on the results of the study not later than February 1, 2000.

Sec. 81. [TAXI REGULATION STUDY.]

The metropolitan council shall study and make recommendations to the legislature no later than February 1, 2000, concerning regulation by a single agency of taxicabs in the metropolitan area.

Sec. 82. [RECOMMENDATIONS.]

The department of public safety shall review Minnesota Statutes, sections 169.48 to 169.66, and any other sections of law that relate to vehicle lighting, and shall, on or before February 15, 2000, recommend to the legislature modifications in the law or administrative procedure to:

(1) clarify types, colors, brightness, and placement of allowable vehicle lighting;

(2) give adequate notice to the public and to law enforcement concerning vehicle lighting that is in violation of the law;

(3) ensure expedient administrative approval or disapproval of lighting devices; and

(4) allow vehicles to display the maximum range of vehicle lighting that is consistent with public safety.

## Sec. 83. [REPORT; LARGE URBANIZED TRANSIT SYSTEMS.]

(a) The legislative auditor is requested to gather information and report to the chairs of the house and senate committees on transportation policy and finance by October 1, 1999, on expenditures and amount and sources of revenues, including revenues from farebox sources, governmental assistance, and contracts, of the Duluth transit authority for calendar years 1994 through 1998.

(b) The commissioner of transportation and the Duluth transit authority shall submit to the chairs of the house and senate committees on transportation policy and finance no later than October 1, 1999, a joint recommendation concerning the appropriate percentage of total operating cost to be paid from local sources by recipients of large urbanized area transit state operating assistance under Minnesota Statutes, section 174.24, subdivision 3b.

## Sec. 84. [STATE DEVELOPMENT STRATEGY; PROPOSAL.]

(a) The director of the office of strategic and long-range planning shall develop, in coordination with the metropolitan council and the commissioners of transportation, trade and economic development, and natural resources, a 20-year state development strategy. The strategy must include:

(1) forecasts, issues, goals, and policies relating to development and the connection between transportation, land use, environmental protection, energy, and economic development;

(2) an identification of major development and transportation corridors in the state;

(3) an identification of cultural and natural features and resources of statewide, regional, and local significance;

(4) recommendations for coordinated state investments necessary to achieve goals and policies in the area of infrastructure, including transportation and wastewater treatment facilities;

(5) a description of any legislation or programmatic changes necessary to implement the plan;

(6) recommendation for approaches for coordinating local government decisions with the strategy; and

(7) a process for encompassing the community-based planning goals in Minnesota Statutes, section 4A.08, including citizen participation and intergovernmental cooperation.

(b) The director shall submit to the legislature by February 15, 2000, an evaluation and proposal for preparing the state development strategy based on development of a prototype strategy for the I-94 corridor area between the metropolitan area and St. Cloud.

## Sec. 85. [CONVERSION OF CERTIFICATES.]

A motor carrier of passengers with a valid certificate or permit issued by the transportation regulation board, public service commission, public utilities commission, or commissioner of transportation before January 1, 2000, is deemed to have registered under Minnesota Statutes, section 221.0252, and the commissioner of transportation shall issue a certificate of registration to the carrier. A certificate of registration issued under this section must include a date between January 1, 2001, and December 31, 2001, on which it expires. Before a certificate of registration expires, after giving notice to the carrier, the commissioner shall follow the procedures in Minnesota Statutes, section 221.0252, to renew the carrier's registration. Minnesota Statutes, section 221.124, does not apply to a carrier who is issued a certificate of registration under this section.

## Sec. 86. [MOTOR CARRIER SERVICE AT MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT.]

Until July 1, 2000, only a motor carrier with a valid certificate, permit, or certificate of registration, issued by the transportation regulation board, public service commissioner, public utilities commission, or commissioner of transportation, or a carrier specifically authorized by the metropolitan airports commission, may pick up passengers at the Minneapolis-St. Paul International Airport.

## Sec. 87. [UTILITY RELOCATION STUDY.]

The commissioner of transportation, in consultation with representatives of the highway construction and utility industries, shall study issues related to relocating or removing utilities from highway construction projects. The study must include (1) notice given to utilities about construction projects that affect utility facilities, and (2) the rights and responsibilities of the department of transportation, highway construction contractors, and utilities. The commissioner shall report by January 15, 2000, to the house and senate committees with jurisdiction over transportation policy on recommendations for actions by the department or the legislature.

## Sec. 88. [FEDERAL FUNDS.]

The commissioner of transportation shall take no action under section 29 that would result in a loss of federal funds to the state.

## Sec. 89. [PUBLIC SAFETY RADIO COMMUNICATION SYSTEM; AGREEMENT.]

Notwithstanding any other law, in order to facilitate construction of the initial backbone of the public safety radio communication system in the metropolitan area, the commissioner of transportation may enter into a contract under which a private telecommunications company agrees to (1) construct a telecommunications tower acceptable to the commissioner on land owned by the Minnesota correctional facility-Lino Lakes and leased to the commissioner and the metropolitan radio board, and (2) deliver to the commissioner title to the tower, free of all encumbrances. The commissioner may accept the tower in exchange for allowing the private telecommunications company delivering title to the tower to locate telecommunications equipment without charge on state-owned buildings or structures under the commissioner's jurisdiction and control. The commissioner may enter into a contract under this section only with a company that responded to a request for proposals issued in August 1998 by the commissioner of administration for radio tower construction. The value of the location of privately owned equipment on state-owned buildings or structures for the duration of the contract must be similar to the value of the tower constructed for the commissioner. A contract authorized under this section may be for a term of not more than 20 years. Notwithstanding Minnesota Statutes, sections 16A.15 and 16A.41, a contract authorized under this section may provide that the commissioner will pay for the unamortized cost of the tower if the contract is canceled before its expiration. Minnesota Statutes, chapters 16B and 16C, do not apply to a contract authorized under this section. A contract authorized by this section is not valid until approved by the attorney general.

## Sec. 90. [REPORT.]

The commissioner of public safety shall report to the chairs of the senate and house of representatives committees on transportation policy and transportation finance on February 15, 2000, and February 15, 2001, on revenue from the sale of advertising in department publications and expenditure of that revenue.

## Sec. 91. [INSTRUCTION TO REVISOR.]

The revisor of statutes shall make cross-reference changes in Minnesota Statutes and Minnesota Rules consistent with the renumbering of clauses in section 23.

## Sec. 92. [REPEALER.]

(a) Minnesota Statutes 1998, sections 168.011, subdivision 36; 168.1281; 221.011, subdivisions 7, 9, 20, 21, 32, and 34; 221.041; 221.051; 221.061; 221.071; 221.081; 221.121, subdivisions 6b and 6h; 221.172, subdivision 9; 221.281; and 221.85, are repealed.

(b) Minnesota Statutes 1998, section 473.3998, is repealed.

Sec. 93. [EFFECTIVE DATE.]

Sections 21 and 22 are effective the day following final enactment, and are repealed on July 31, 2000. Sections 2, 15, 32, 33, 35 to 67, 72, 74, 75, 77, and 85 are effective January 1, 2000. Sections 7 to 14 are effective July 1, 2000. Section 27 is effective July 1, 1999, for Minnesota identification cards issued on and after that date. Sections 4, 5, and 30 are effective July 1, 2001."

Delete the title and insert:

"A bill for an act relating to transportation; appropriating money for the department of transportation and other agencies; authorizing certain fees; providing for a maximum percentage of the motorcycle safety fund that may be spent for certain activities; exempting from registration taxes vehicles owned by a commercial driving school and used exclusively in driver education and training; allowing payment of prorated license fee following transfer of vehicle from dealer; modifying provisions relating to disability parking privileges; abolishing certain credit for vehicle registration fee; modifying provisions relating to vehicle titles, registrations, and transfers; authorizing suspension of a vehicle's registration in certain circumstances; requiring a detachable postcard to be provided in a vehicle's certificate of title and completed; specifically authorizing cities to enact ordinances regulating long-term parking; allowing certain lighting devices mounted on delivery vehicles; providing equipment for deputy registrars; modifying driver instruction permit provisions; providing for driver training for home school students; reducing cost of Minnesota identification card for persons with serious and persistent mental illness; changing definition of "directional signs"; authorizing siting of public safety radio communications towers; directing commissioner of transportation to establish a southern railway corridor improvement plan; setting minimum requirements for local regulation of small vehicle passenger service; modifying provisions relating to motor carriers; changing percentage of gas tax attributed to snowmobiles; regulating advertising in department of public safety publications; modifying provisions relating to special number plates for classic aircraft; requiring report of metropolitan radio board; extending existence of metropolitan radio board; requiring commissioner of transportation to study feasibility of extending Northstar commuter rail corridor from St. Cloud to Little Falls; requiring commissioner of transportation to study restoration of Amtrak rail passenger service; requiring taxi regulation study; restricting passenger motor carrier service at the international airport; requiring commissioner of public safety to make recommendations concerning allowable vehicle lighting; requiring office of strategic and long-range planning to establish state development strategy and report to legislature concerning I-94 corridor; authorizing commissioner of transportation to contract for the public safety radio communication system; modifying definitions; making technical and clarifying changes; requiring studies and reports; amending Minnesota Statutes 1998, sections 121A.36, subdivision 3; 168.011, subdivision 35; 168.012, subdivision 1; 168.013, subdivisions 2 and 6; 168.021, subdivision 2; 168.17; 168.301, subdivisions 3 and 4; 168A.05, subdivision 5; 168A.10, subdivisions 1, 2, and 5; 168A.30, subdivision 2; 169.122, subdivision 5; 169.345, subdivisions 1, 3, and 4; 169.346, subdivision 3, and by adding a subdivision; 169.55, subdivision 1; 169.58, by adding a subdivision; 171.04, subdivision 1; 171.05, subdivisions 1a and 2; 171.061, subdivision 4; 171.07, subdivision 3; 171.39; 173.02, subdivision 6; 174.24, subdivision 3b; 174.70; 174A.02, subdivision 4; 174A.06; 221.011, subdivisions 15, 37, 38, and by adding subdivisions; 221.021; 221.022; 221.025; 221.0251; 221.026, subdivision 2; 221.031, subdivisions 1, 2, 6, and 7; 221.036, subdivisions 1 and 3; 221.091; 221.122, subdivision 1; 221.124; 221.131, subdivision 2; 221.141, subdivision 1; 221.172, subdivision 10; 221.185, subdivisions 1, 2, 3, 4, 9, and by adding a subdivision; 221.221, subdivision 3; 221.291, subdivision 4; 221.55; 296A.18, subdivision 3; 299A.01, by adding a subdivision; 360.531, subdivision 3; 360.55, subdivision 4; 368.01, subdivision 12; 412.221, subdivision 20; 458A.06, subdivision 5; 609.671, subdivision 5; Laws 1995, chapter 195, article 1, section 18; Laws 1997, chapter 159, article 1, sections 2, subdivision 7, and 4, subdivision 3; Laws 1998, chapter 404, section 17, subdivision 3; proposing coding for new law in Minnesota Statutes, chapters 219; 221; 388; 473; repealing Minnesota Statutes 1998, sections 168.011, subdivision 36; 168.1281; 221.011, subdivisions 7, 9, 20, 21, 32, and 34; 221.041; 221.051; 221.061; 221.071; 221.081; 221.121, subdivisions 6b and 6h; 221.172, subdivision 9; 221.281; 221.85; and 473.3998."

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

House Conferees: CAROL L. MOLNAU, WILLIAM KUISLE, TOM WORKMAN, BERNARD L. "BERNIE" LIEDER AND HENRY J. KALIS.

Senate Conferees: JANET B. JOHNSON, KEITH LANGSETH, MARK OURADA, CAROL FLYNN AND DEAN E. JOHNSON.

Molnau moved that the report of the Conference Committee on H. F. No. 2387 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 2387, A bill for an act relating to transportation; appropriating money for the department of transportation and other agencies; providing for a maximum percentage of the motorcycle safety fund that may be spent for certain activities; authorizing suspension of a vehicle's registration in certain circumstances; requiring a detachable postcard to be provided in a vehicle's certificate of title and completed on transfer of the vehicle; modifying provisions relating to disability parking privileges; abolishing certain credit for vehicle registration fee; specifically authorizing cities to enact ordinances regulating long-term parking; requiring the department of public safety to provide photo identification equipment to certain driver's license agents; reducing cost of Minnesota identification card for persons with serious and persistent mental illness; authorizing siting of public safety radio communications towers; directing commissioner of transportation to establish a southern railway corridor improvement plan; clarifying snowmobile gas tax provision; regulating advertising in department of public safety publications; modifying provisions relating to special number plates for collector aircraft; amending Minnesota Statutes 1998, sections 121A.36, subdivision 3; 168.021, subdivision 2; 168.17; 168.301, subdivisions 3 and 4; 168A.05, subdivision 5; 168A.10, subdivisions 1, 2, and 5; 168A.30, subdivision 2; 169.345, subdivisions 1, 2, 3, and 4; 169.346, subdivision 3, and by adding a subdivision; 171.061, subdivision 4; 171.07, subdivision 3; 174.70; 296A.18, subdivision 3; 299A.01, by adding a subdivision; and 360.55, subdivision 4; Laws 1997, chapter 159, article 1, sections 2, subdivision 7; and 4, subdivision 3; proposing coding for new law in Minnesota Statutes, chapters 174; and 219.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called.

Paulsen moved that those not voting be excused from voting. The motion prevailed.

There were 89 yeas and 42 nays as follows:

Those who voted in the affirmative were:

Abeler	Dorman	Holsten	Mares	Rhodes	Tingelstad
Abrams	Erhardt	Howes	McElroy	Rifenberg	Tuma
Anderson, B.	Erickson	Jennings	Molnau	Rostberg	Tunheim
Bakk	Finseth	Juhnke	Mulder	Schumacher	Van Dellen
Bishop	Fuller	Kalis	Murphy	Seagren	Vanderveer
Boudreau	Gerlach	Kielkucki	Ness	Seifert, J.	Wenzel
Bradley	Goodno	Knoblach	Nornes	Seifert, M.	Westerberg
Broecker	Gunther	Krinkie	Olson	Skoe	Westfall
Buesgens	Haake	Kubly	Opatz	Smith	Westrom
Cassell	Haas	Kuisle	Osskopp	Solberg	Wilkin
Clark, J.	Hackbarth	Larsen, P.	Ozment	Stanek	Winter
Daggett	Harder	Leighton	Paulsen	Stang	Wolf
Davids	Hasskamp	Leppik	Pawlenty	Storm	Workman
Dehler	Hilty	Lieder	Pelowski	Swenson	Spk. Sviggum
Dempsey	Holberg	Lindner	Peterson	Sykora	

Those who voted in the negative were:

Biernat	Dawkins	Gleason	Hausman	Kahn	Lenczewski
Carlson	Dorn	Gray	Huntley	Kelliher	Luther
Carruthers	Entenza	Greenfield	Jaros	Koskinen	Mahoney
Chaudhary	Folliard	Greiling	Johnson	Larson, D.	Mariani

Marko	Milbert	Orfield	Pugh	Rukavina	Trimble
McCollum	Mullery	Osthoff	Rest	Skoglund	Wagenius
McGuire	Munger	Paymar	Reuter	Tomassoni	Wejzman

The bill was repassed, as amended by Conference, and its title agreed to.

#### CONFERENCE COMMITTEE REPORT ON H. F. NO. 1621

A bill for an act relating to the environment; modifying provisions relating to judicial review of agency decisions; modifying requirements for incinerator monitors; amending Minnesota Statutes 1998, sections 115.05, subdivision 11; and 116.85, subdivision 3.

May 15, 1999

The Honorable Steve Sviggum  
Speaker of the House of Representatives

The Honorable Allan H. Spear  
President of the Senate

We, the undersigned conferees for H. F. No. 1621, report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendment.

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

House Conferees: MIKE OSSKOPP, CHRIS GERLACH AND DAN LARSON.

Senate Conferees: LINDA I. HIGGINS, JAMES P. METZEN AND DAVE KLEIS.

Osskopp moved that the report of the Conference Committee on H. F. No. 1621 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 1621, A bill for an act relating to the environment; modifying provisions relating to judicial review of agency decisions; modifying requirements for incinerator monitors; amending Minnesota Statutes 1998, sections 115.05, subdivision 11; and 116.85, subdivision 3.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 132 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Bakk	Bradley	Carruthers	Daggett	Dempsey
Abrams	Biernat	Broecker	Cassell	Dauids	Dorman
Anderson, B.	Bishop	Buesgens	Chaudhary	Dawkins	Dorn
Anderson, I.	Boudreau	Carlson	Clark, J.	Dehler	Entenza

Erhardt	Hilty	Larsen, P.	Mullery	Reuter	Tingelstad
Erickson	Holberg	Larsen, D.	Munger	Rhodes	Tomassoni
Finseth	Holsten	Leighton	Murphy	Rifenberg	Trimble
Folliard	Howes	Lenczewski	Ness	Rostberg	Tuma
Fuller	Huntley	Leppik	Nornes	Rukavina	Tunheim
Gerlach	Jaros	Lieder	Olson	Schumacher	Van Dellen
Gleason	Jennings	Lindner	Opatz	Seagren	Vandever
Goodno	Johnson	Luther	Orfield	Seifert, J.	Wagenius
Gray	Juhnke	Mahoney	Osskopp	Seifert, M.	Wejcmán
Greenfield	Kahn	Mares	Osthoff	Skoe	Wenzel
Greiling	Kalis	Mariani	Ozment	Skoglund	Westerberg
Gunther	Kelliher	Marko	Paulsen	Smith	Westfall
Haake	Kielkucki	McCollum	Pawlenty	Solberg	Westrom
Haas	Knoblach	McElroy	Paymar	Stanek	Wilkin
Hackbarth	Koskinen	McGuire	Pelowski	Stang	Winter
Harder	Krinkie	Milbert	Peterson	Storm	Wolf
Hasskamp	Kubly	Molnau	Pugh	Swenson	Workman
Hausman	Kuisle	Mulder	Rest	Sykora	Spk. Sviggum

The bill was repassed, as amended by Conference, and its title agreed to.

#### CONFERENCE COMMITTEE REPORT ON H. F. NO. 1932

A bill for an act relating to insurance; regulating rental vehicle coverages; requiring a study of rental car availability; amending Minnesota Statutes 1998, sections 60K.03, subdivision 7; and 72A.125, subdivisions 1 and 2.

May 15, 1999

The Honorable Steve Sviggum  
Speaker of the House of Representatives

The Honorable Allan H. Spear  
President of the Senate

We, the undersigned conferees for H. F. No. 1932, report that we have agreed upon the items in dispute and recommend as follows:

That the House concur in the Senate amendments.

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

House Conferees: LOREN JENNINGS, GREGORY M. DAVIDS AND ERIK PAULSEN.

Senate Conferees: LINDA SCHEID, EDWARD C. OLIVER AND SAM G. SOLON.

Jennings moved that the report of the Conference Committee on H. F. No. 1932 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 1932, A bill for an act relating to insurance; regulating rental vehicle coverages; requiring a study of rental car availability; amending Minnesota Statutes 1998, sections 60K.03, subdivision 7; and 72A.125, subdivisions 1 and 2.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 126 yeas and 6 nays as follows:

Those who voted in the affirmative were:

Abeler	Dorn	Holsten	Lindner	Osthoff	Stanek
Abrams	Entenza	Howes	Luther	Ozment	Stang
Anderson, B.	Erhardt	Huntley	Mahoney	Paulsen	Storm
Anderson, I.	Erickson	Jaros	Mares	Pawlenty	Swenson
Bakk	Finseth	Jennings	Mariani	Pelowski	Sykora
Biernat	Folliard	Johnson	Marko	Peterson	Tingelstad
Bishop	Fuller	Juhnke	McCollum	Pugh	Trimble
Boudreau	Gerlach	Kalis	McElroy	Rest	Tuma
Bradley	Gleason	Kelliher	McGuire	Reuter	Tunheim
Broecker	Goodno	Kielkucki	Milbert	Rhodes	Van Dellen
Buesgens	Greenfield	Knoblach	Molnau	Rifenberg	Vandever
Carlson	Greiling	Koskinen	Mulder	Rostberg	Wagenius
Carruthers	Gunther	Krinkie	Mullery	Rukavina	Wenzel
Cassell	Haake	Kubly	Munger	Schumacher	Westerberg
Chaudhary	Haas	Kuisle	Murphy	Seagren	Westfall
Clark, J.	Hackbarth	Larsen, P.	Ness	Seifert, J.	Westrom
Daggett	Harder	Larson, D.	Nornes	Seifert, M.	Wilkin
Davids	Hasskamp	Leighton	Olson	Skoe	Winter
Dehler	Hausman	Lenczewski	Opatz	Skoglund	Wolf
Dempsey	Hilty	Leppik	Orfield	Smith	Workman
Dorman	Holberg	Lieder	Osskopp	Solberg	Spk. Sviggum

Those who voted in the negative were:

Dawkins	Gray	Kahn	Paymar	Tomassoni	Wejzman
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The bill was repassed, as amended by Conference, and its title agreed to.

Molnau moved that the House recess subject to the call of the Chair. The motion prevailed.

RECESS

RECONVENED

The House reconvened and was called to order by the Speaker.

### MESSAGES FROM THE SENATE, Continued

The following messages were received from the Senate:

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

H. F. No. 1621, A bill for an act relating to the environment; modifying provisions relating to judicial review of agency decisions; modifying requirements for incinerator monitors; amending Minnesota Statutes 1998, sections 115.05, subdivision 11; and 116.85, subdivision 3.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

H. F. No. 1932, A bill for an act relating to insurance; regulating rental vehicle coverages; requiring a study of rental car availability; amending Minnesota Statutes 1998, sections 60K.03, subdivision 7; and 72A.125, subdivisions 1 and 2.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned, as amended by the Senate, in which amendments the concurrence of the House is respectfully requested:

H. F. No. 1015, A bill for an act relating to elections; providing for redistricting; amending Minnesota Statutes 1998, sections 204B.14, subdivision 4; 204B.146, by adding a subdivision; and 205.84.

PATRICK E. FLAHAVEN, Secretary of the Senate

#### CONCURRENCE AND REPASSAGE

Abrams moved that the House concur in the Senate amendments to H. F. No. 1015 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 1015, A bill for an act relating to elections; providing for redistricting; amending Minnesota Statutes 1998, sections 204B.14, subdivision 4; 204B.146, by adding a subdivision; and 205.84.

The bill was read for the third time, as amended by the Senate, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called.

Pawlenty moved that those not voting be excused from voting. The motion prevailed.

There were 129 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dorn	Howes	Mares	Pawlenty	Swenson
Abrams	Erhardt	Huntley	Mariani	Paymar	Sykora
Anderson, B.	Erickson	Jaros	Marko	Pelowski	Tingelstad
Anderson, I.	Finseth	Jennings	McCollum	Peterson	Trimble
Bakk	Folliard	Juhnke	McElroy	Pugh	Tuma
Biernat	Fuller	Kalis	McGuire	Rest	Tunheim
Bishop	Gerlach	Kelliher	Milbert	Reuter	Van Dellen
Boudreau	Gleason	Kielkucki	Molnau	Rhodes	Vandever
Bradley	Goodno	Knoblach	Mulder	Rifenberg	Wagenius
Broecker	Gray	Koskinen	Mullery	Rostberg	Wejcman
Buesgens	Greenfield	Krinkie	Munger	Rukavina	Wenzel
Carlson	Greiling	Kubly	Murphy	Schumacher	Westerberg
Carruthers	Gunther	Kuisle	Ness	Seagren	Westfall
Cassell	Haake	Larsen, P.	Nornes	Seifert, J.	Westrom
Chaudhary	Haas	Larson, D.	Olson	Seifert, M.	Wilkin
Clark, J.	Hackbarth	Leighton	Opatz	Skoe	Winter
Daggett	Harder	Lenczewski	Orfield	Skoglund	Wolf
Davids	Hasskamp	Leppik	Osskopp	Smith	Workman
Dawkins	Hausman	Lieder	Osthoff	Solberg	Spk. Sviggum
Dehler	Hilty	Lindner	Otremba	Stanek	
Dempsey	Holberg	Luther	Ozment	Stang	
Dorman	Holsten	Mahoney	Paulsen	Storm	

The bill was repassed, as amended by the Senate, and its title agreed to.

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

S. F. No. 174.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said Senate File is herewith transmitted to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

#### CONFERENCE COMMITTEE REPORT ON S. F. NO. 174

A bill for an act relating to crime prevention; requiring certain persons committed as mentally ill and dangerous to the public to register as predatory sex offenders and to be subject to the community notification law; amending Minnesota Statutes 1998, sections 243.166, subdivisions 1, 2, and 6; and 244.052, subdivision 1.

May 11, 1999

The Honorable Allan H. Spear  
President of the Senate

The Honorable Steve Sviggum  
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 174, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendment and that S. F. No. 174 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1998, section 243.166, subdivision 1, is amended to read:

Subdivision 1. [REGISTRATION REQUIRED.] (a) A person shall register under this section if:

(1) the person was charged with or petitioned for a felony violation of or attempt to violate any of the following, and convicted of or adjudicated delinquent for that offense or another offense arising out of the same set of circumstances:

(i) murder under section 609.185, clause (2); or

(ii) kidnapping under section 609.25, ~~involving a minor victim~~; or

(iii) criminal sexual conduct under section 609.342; 609.343; 609.344; 609.345; or 609.3451, subdivision 3; or

(iv) indecent exposure under section 617.23, subdivision 3; or

(2) the person was charged with or petitioned for falsely imprisoning a minor in violation of section 609.255, subdivision 2; soliciting a minor to engage in prostitution in violation of section 609.322 or 609.324; soliciting a minor to engage in sexual conduct in violation of section 609.352; using a minor in a sexual performance in violation of section 617.246; or possessing pictorial representations of minors in violation of section 617.247, and convicted of or adjudicated delinquent for that offense or another offense arising out of the same set of circumstances; or

(3) the person was convicted of a predatory crime as defined in section 609.108, and the offender was sentenced as a patterned sex offender or the court found on its own motion or that of the prosecutor that the crime was part of a predatory pattern of behavior that had criminal sexual conduct as its goal; or

(4) the person was convicted of or adjudicated delinquent for violating a law of the United States similar to the offenses described in clause (1), (2), or (3).

(b) A person also shall register under this section if:

(1) the person was convicted of or adjudicated delinquent in another state for an offense that would be a violation of a law described in paragraph (a) if committed in this state;

(2) the person enters the state as required in subdivision 3, paragraph (b); and

(3) ten years have not elapsed since the person was released from confinement or, if the person was not confined, since the person was convicted of or adjudicated delinquent for the offense that triggers registration.

(c) A person also shall register under this section if the person was committed pursuant to a court commitment order under section 253B.185 or Minnesota Statutes 1992, section 526.10, regardless of whether the person was convicted of any offense.

(d) A person also shall register under this section if:

(1) the person was charged with or petitioned for a felony violation or attempt to violate any of the offenses listed in paragraph (a), clause (1), or a similar law of another state or federal jurisdiction, or the person was charged with or petitioned for a violation of any of the offenses listed in paragraph (a), clause (2), or a similar law of another state or federal jurisdiction;

(2) the person was found not guilty by reason of mental illness or mental deficiency after a trial for that offense, or found guilty but mentally ill after a trial for that offense, in states with a guilty but mentally ill verdict; and

(3) the person was committed pursuant to a court commitment order under section 253B.18 or a similar law of another state or federal jurisdiction.

Sec. 2. Minnesota Statutes 1998, section 243.166, subdivision 2, is amended to read:

Subd. 2. [NOTICE.] When a person who is required to register under subdivision 1, paragraph (a), is sentenced or becomes subject to a juvenile court disposition order, the court shall tell the person of the duty to register under this section. The court shall require the person to read and sign a form stating that the duty of the person to register under this section has been explained. If a person required to register under subdivision 1, paragraph (a), was not notified by the court of the registration requirement at the time of sentencing or disposition, the assigned corrections agent shall notify the person of the requirements of this section. When a person who is required to register under subdivision 1, paragraph (c) or (d), is released from commitment, the treatment facility shall notify the person of the requirements of this section. The treatment facility shall also obtain the registration information required under this section and forward it to the bureau of criminal apprehension.

Sec. 3. Minnesota Statutes 1998, section 243.166, subdivision 6, is amended to read:

Subd. 6. [REGISTRATION PERIOD.] (a) Notwithstanding the provisions of section 609.165, subdivision 1, a person required to register under this section shall continue to comply with this section until ten years have elapsed since the person initially registered in connection with the offense, or until the probation, supervised release, or conditional release period expires, whichever occurs later. For a person required to register under this section who is committed under section 253B.18 or 253B.185, the ten-year registration period does not include the period of commitment.

(b) If a person required to register under this section fails to register following a change in residence, the commissioner of public safety may require the person to continue to register for an additional period of five years.

Sec. 4. Minnesota Statutes 1998, section 244.052, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] As used in this section:

(1) "confinement" means confinement in a state correctional facility or a state treatment facility;

(2) "law enforcement agency" means the law enforcement agency having primary jurisdiction over the location where the offender expects to reside upon release; and

(3) "sex offender" and "offender" mean a person who has been:

(i) convicted of an offense for which registration under section 243.166 is required ~~or a person who has been;~~

(ii) committed pursuant to a court commitment order under section 253B.185 or Minnesota Statutes 1992, section 526.10, regardless of whether the person was convicted of any offense; or

(iii) committed pursuant to a court commitment order under section 253B.18, under the circumstances described in section 243.166, subdivision 1, paragraph (d).

Sec. 5. Minnesota Statutes 1998, section 244.052, subdivision 4, is amended to read:

Subd. 4. [LAW ENFORCEMENT AGENCY; DISCLOSURE OF INFORMATION TO PUBLIC.] (a) The law enforcement agency in the area where the sex offender resides, expects to reside, is employed, or is regularly found, shall disclose to the public any information regarding the offender contained in the report forwarded to the agency under subdivision 3, paragraph (f), ~~if the agency determines that disclosure of the information that~~ is relevant and necessary to protect the public and to counteract the offender's dangerousness, consistent with the guidelines in paragraph (b). The extent of the information disclosed and the community to whom disclosure is made must relate to the level of danger posed by the offender, to the offender's pattern of offending behavior, and to the need of community members for information to enhance their individual and collective safety.

(b) The law enforcement agency shall ~~consider~~ employ the following guidelines in determining the scope of disclosure made under this subdivision:

(1) if the offender is assigned to risk level I, the agency may maintain information regarding the offender within the agency and may disclose it to other law enforcement agencies. Additionally, the agency may disclose the information to any victims of or witnesses to the offense committed by the offender. The agency shall disclose the information to victims of the offense committed by the offender who have requested disclosure;

(2) if the offender is assigned to risk level II, the agency also may disclose the information to agencies and groups that the offender is likely to encounter for the purpose of securing those institutions and protecting individuals in their care while they are on or near the premises of the institution. These agencies and groups include the staff members of public and private educational institutions, day care establishments, and establishments and organizations that primarily serve individuals likely to be victimized by the offender. The agency also may disclose the information to individuals the agency believes are likely to be victimized by the offender. The agency's belief shall be based on the offender's pattern of offending or victim preference as documented in the information provided by the department of corrections or human services;

(3) if the offender is assigned to risk level III, the agency ~~also may~~ shall disclose the information to the persons and entities described in clauses (1) and (2) and to other members of the community whom the offender is likely to encounter, unless the law enforcement agency determines that public safety would be compromised by the disclosure or that a more limited disclosure is necessary to protect the identity of the victim.

Notwithstanding the assignment of a sex offender to risk level II or III, a law enforcement agency may not make the disclosures permitted or required by clause (2) or (3), if: the offender is placed or resides in a residential facility that is licensed as a residential program, as defined in section 245A.02, subdivision 14, by the commissioner of human services under chapter 254A, or the commissioner of corrections under section 241.021; and the facility and its staff are trained in the supervision of sex offenders. However, if an offender is placed or resides in a licensed facility, the offender and the head of the facility shall designate the offender's likely residence upon release from the facility and the head of the facility shall notify the commissioner of corrections or the commissioner of human services of the offender's likely residence at least 14 days before the offender's scheduled release date. The commissioner shall give this information to the law enforcement agency having jurisdiction over the offender's likely residence. The head of the facility also shall notify the commissioner of corrections or human services within 48 hours after finalizing the offender's approved relocation plan to a permanent residence. Within five days after

receiving this notification, the appropriate commissioner shall give to the appropriate law enforcement agency all relevant information the commissioner has concerning the offender, including information on the risk factors in the offender's history and the risk level to which the offender was assigned. After receiving this information, the law enforcement agency ~~may~~ shall make the disclosures permitted ~~or~~ required by clause (2) or (3), as appropriate.

(c) As used in paragraph (b), clauses (2) and (3), "likely to encounter" means that:

(1) the organizations or community members are in a location or in close proximity to a location where the offender lives or is employed, or which the offender visits or is likely to visit on a regular basis, other than the location of the offender's outpatient treatment program; and

(2) the types of interaction which ordinarily occur at that location and other circumstances indicate that contact with the offender is reasonably certain.

(d) A law enforcement agency or official who ~~decides to disclose~~ discloses information under this subdivision shall make a good faith effort to make the notification within 14 days of receipt of a confirmed address from the department of corrections indicating that the offender will be, or has been, released from confinement, or accepted for supervision, or has moved to a new address and will reside at the address indicated. If a change occurs in the release plan, this notification provision does not require an extension of the release date.

(e) A law enforcement agency or official ~~that decides to disclose~~ who discloses information under this subdivision shall not disclose the identity ~~or~~ any identifying characteristics of the victims of or witnesses to the offender's offenses.

(f) A law enforcement agency ~~may~~ shall continue to disclose information on an offender ~~under~~ as required by this subdivision for as long as the offender is required to register under section 243.166.

Sec. 6. [EFFECTIVE DATE.]

Sections 1 to 4 are effective August 1, 1999, and apply to persons released from commitment on or after that date. Section 5 is effective the day following final enactment.

Delete the title and insert:

"A bill for an act relating to crime prevention; requiring certain persons committed as mentally ill and dangerous to the public to register as predatory sex offenders and to be subject to the community notification law; imposing mandatory disclosure requirements under the community notification law; amending Minnesota Statutes 1998, sections 243.166, subdivisions 1, 2, and 6; and 244.052, subdivisions 1 and 4."

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

Senate Conferees: JANE B. RANUM, DON BETZOLD AND THOMAS M. NEUVILLE.

House Conferees: DAVE BISHOP, BARB HAAKE AND WESLEY J. "WES" SKOGLUND.

Bishop moved that the report of the Conference Committee on S. F. No. 174 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 174, A bill for an act relating to crime prevention; requiring certain persons committed as mentally ill and dangerous to the public to register as predatory sex offenders and to be subject to the community notification law; amending Minnesota Statutes 1998, sections 243.166, subdivisions 1, 2, and 6; and 244.052, subdivision 1.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called.

Pawlenty moved that those not voting be excused from voting. The motion prevailed.

There were 129 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dorn	Holsten	Luther	Paulsen	Swenson
Abrams	Entenza	Howes	Mahoney	Pawlenty	Sykora
Anderson, B.	Erhardt	Huntley	Mares	Paymar	Tingelstad
Anderson, I.	Erickson	Jaros	Mariani	Pelowski	Trimble
Bakk	Finseth	Jennings	Marko	Peterson	Tuma
Biernat	Folliard	Juhnke	McCollum	Pugh	Tunheim
Bishop	Fuller	Kahn	McElroy	Reuter	Van Dellen
Boudreau	Gerlach	Kalis	McGuire	Rhodes	Vandevveer
Bradley	Gleason	Kelliher	Milbert	Rifenberg	Wagenius
Broecker	Goodno	Kielkucki	Molnau	Rostberg	Wejzman
Buesgens	Gray	Knoblach	Mulder	Rukavina	Wenzel
Carlson	Greenfield	Koskinen	Mullery	Schumacher	Westerberg
Carruthers	Greiling	Krinkie	Munger	Seagren	Westfall
Cassell	Gunther	Kubly	Ness	Seifert, J.	Westrom
Chaudhary	Haake	Kuisle	Nornes	Seifert, M.	Wilkin
Clark, J.	Haas	Larsen, P.	Olson	Skoe	Winter
Daggett	Hackbarth	Larson, D.	Opatz	Skoglund	Wolf
Dauids	Harder	Leighton	Orfield	Smith	Workman
Dawkins	Hasskamp	Lenczewski	Osskopp	Solberg	Spk. Sviggum
Dehler	Hausman	Leppik	Osthoff	Stanek	
Dempsey	Hilty	Lieder	Otremba	Stang	
Dorman	Holberg	Lindner	Ozment	Storm	

The bill was repassed, as amended by Conference, and its title agreed to.

The following Conference Committee Reports were received:

#### CONFERENCE COMMITTEE REPORT ON H. F. NO. 2205

A bill for an act relating to public administration; authorizing spending for public purposes; authorizing spending to acquire and to better public land and buildings and other public improvements of a capital nature; authorizing certain improvements and transfers between accounts; providing a procedure for political subdivisions' request for capital assistance; making technical corrections; amending earlier authorizations; reauthorizing a project; authorizing bonds; providing for certain public pension associations' facilities; providing for storage and retention of certain documents; authorizing certain easements; providing for certain port authority leases or management contracts; requesting an investigation and report; authorizing a certain college project; appropriating money with certain conditions and directions; amending Minnesota Statutes 1998, sections 16A.69, subdivision 2; 16B.30; 136F.36, by adding a subdivision; 136F.60, by adding a subdivision; 353.03, subdivision 4; 354.06, subdivision 7; and 457A.04, by adding a subdivision; Laws 1998, chapter 404, sections 3, subdivision 17; 5, subdivision 4; 7, subdivisions 23 and 26; 13, subdivision 12; and 27, subdivisions 1 and 2; proposing coding for new law in Minnesota Statutes, chapters 16A; and 356.

May 17, 1999

The Honorable Steve Sviggum  
Speaker of the House of Representatives

The Honorable Allan H. Spear  
President of the Senate

We, the undersigned conferees for H. F. No. 2205, 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. 2205 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

Section 1. [CAPITAL IMPROVEMENT APPROPRIATIONS.]

The sums in the column under "APPROPRIATIONS" are appropriated with certain conditions and directions from the bond proceeds fund, or other named fund, to the state agencies or officials indicated, to be spent for public purposes including to acquire and to better public land and buildings and other public improvements of a capital nature, as specified in this article.

SUMMARY

MINNESOTA STATE COLLEGES AND UNIVERSITIES	\$ 11,080,000
CHILDREN, FAMILIES, AND LEARNING	5,300,000
NATURAL RESOURCES	18,968,000
OFFICE OF ENVIRONMENTAL ASSISTANCE	3,000,000
PUBLIC FACILITIES AUTHORITY	22,700,000
BOARD OF WATER AND SOIL RESOURCES	2,375,000
ADMINISTRATION	4,150,000
TRANSPORTATION	80,440,000
CORRECTIONS	1,785,000
BOND SALE EXPENSES	152,000
REAUTHORIZATIONS	4,691,650
CANCELLATIONS	(440,000)
TOTAL	\$ 154,201,650

Bond Proceeds Fund	139,510,000
Transportation Fund	10,440,000
Reauthorizations	4,691,650
Cancellations	(440,000)

APPROPRIATIONS  
\$

Sec. 2. MINNESOTA STATE COLLEGES AND UNIVERSITIES

Subdivision 1. To the board of trustees of the Minnesota state colleges and universities for the purposes specified in this section 11,080,000

Moorhead State University 3,730,000

This appropriation is to demolish structures, eliminate blight, and construct parking facilities and necessary amenities on certain recently acquired land at Moorhead state university.

Subd. 3. Winona State University 6,100,000

To replace or renovate the boiler system at Winona State University.

Subd. 4. Ridgewater College HVAC System 1,250,000

For improvements of a capital nature to the heating, ventilation, and air conditioning system at Ridgewater Community and Technical College, Hutchinson.

Sec. 3. CHILDREN, FAMILIES, AND LEARNING

Metropolitan Magnet School Grants 5,300,000

This appropriation is to the commissioner of children, families, and learning to make grants under Minnesota Statutes, section 124D.88.

\$4,000,000 is for a grant to the Southwest Metropolitan Integration magnet school in Edina.

\$1,300,000 is for a grant to the Interdistrict Arts and Science Middle School in the east metropolitan area.

Sec. 4. NATURAL RESOURCES

Subdivision 1. To the commissioner of natural resources for the purposes specified in this section 18,968,000

Subd. 2. State Share 1,698,000

This appropriation is for the state share of flood hazard mitigation grants for the Hoyt Avenue project in the city of St. Paul, and for Dawson, Granite Falls, and Montevideo under Minnesota Statutes, section 103F.161.

## APPROPRIATIONS

\$

Subd. 3. Local Share	17,270,000
<p>This appropriation is to fund the local share of flood hazard mitigation projects in Crookston, East Grand Forks, Warren, Ada, Breckenridge, and Oakport under Minnesota Statutes, section 103F.161, to the extent that the cost of each project exceeds two percent of the median household income in the municipality multiplied by the number of households in the municipality.</p>	
Sec. 5. OFFICE OF ENVIRONMENTAL ASSISTANCE	3,000,000
<p>To the director of the office of environmental assistance for a grant to a local governmental unit under Minnesota Statutes, section 115A.54, not to exceed \$3,000,000, for the retrofit and reconstruction of a solid waste resource recovery facility located in the city of Perham that serves a seven-county area. The appropriation is available until June 30, 2001.</p>	
Sec. 6. PUBLIC FACILITIES AUTHORITY	
Subdivision 1. To the public facilities authority for the purposes specified in this section	22,700,000
Subd. 2. Matching Money for Federal Grants	2,200,000
<p>To match federal grants to the drinking water fund under Minnesota Statutes, section 446A.081.</p>	
Subd. 3. Wastewater Infrastructure Program	20,500,000
<p>For grants to eligible municipalities under the wastewater infrastructure funding program established in Minnesota Statutes, section 446A.072.</p>	
Sec. 7. BOARD OF WATER AND SOIL RESOURCES	
Subdivision 1. To the board of water and soil resources for the purposes specified in this section	2,375,000
Subd. 2. Lazarus Creek	1,375,000
<p>For a grant to Area II Minnesota River Basin Projects, Inc. for construction of the LQP-25/Lazarus Creek floodwater retention project. The grant may not exceed 75 percent of the project's cost. The remaining share must be provided by Area II Minnesota River Basin Projects, Inc.</p>	
Subd. 3. Grass Lake Restoration	1,000,000
<p>For a grant to the city of Willmar and Kandiyohi county to construct publicly owned stormwater flood reduction and water quality improvements related to the restoration of Grass Lake.</p>	

## APPROPRIATIONS

\$

## Sec. 8. ADMINISTRATION

Subdivision 1. To the commissioner of administration for the purposes specified in this section 4,150,000

Subd. 2. Capital Asset Preservation and Replacement (CAPRA) 3,000,000

To be spent in accordance with Minnesota Statutes, section 16A.632. None of this appropriation may be used for renovation of the Minnesota Veterans Home - Luverne campus.

Of this amount, \$190,000 is for capital repair and betterment of roofs on buildings 1, 2, and 4, at the Hastings Veterans Home. This amount is available when the commissioner of finance determines that the Veterans Home Board is in compliance with Minnesota Statutes, sections 16A.695 and 198.31, with respect to the Hastings Veterans Home.

Subd. 3. Predesign and Design Grant 1,000,000

For a grant to the county of Itasca for its predesign and design of public infrastructure improvements including railroad access and natural gas right-of-way and pipeline, public highway improvements, and freshwater wells and wastewater treatment facilities and pipelines, all in connection with the construction of a new steel mill.

Subd. 4. World War II Veterans Memorial 150,000

For design, architectural drawings, and the start of construction for a World War II veterans memorial on the state capitol mall. The design is subject to approval by the capitol area architectural and planning board. The commissioner of veterans affairs shall convene an advisory group, including members of veterans organizations to review and make recommendations about the design of the memorial. The appropriation must be matched by an equal amount from nonstate sources.

## Sec. 9. TRANSPORTATION

Subdivision 1. To the commissioner of transportation for the purposes specified in this section 80,440,000

Subd. 2. Local Bridge Replacement and Rehabilitation 10,000,000

This appropriation is from the state transportation fund as provided in Minnesota Statutes, section 174.50, to match federal funds and to replace or rehabilitate local deficient bridges.

Political subdivisions may use grants made under this section to construct or reconstruct bridges, including:

(1) matching federal aid grants to construct or reconstruct key bridges;

## APPROPRIATIONS

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(2) paying the costs of preliminary engineering and environmental studies authorized under Minnesota Statutes, section 174.50, subdivision 6a;

(3) paying the costs to abandon an existing bridge that is deficient and in need of replacement, but where no replacement will be made; and

(4) paying the costs to construct a road or street to facilitate the abandonment of an existing bridge determined by the commissioner to be deficient, if the commissioner determines that construction of the road or street is more cost efficient than the replacement of the existing bridge.

## Subd. 3. Brooklyn Park Pedestrian Bridge

440,000

This appropriation is from the transportation fund for an interest-free loan to the city of Brooklyn Park to pay up to 80 percent of the cost of constructing a pedestrian bridge across trunk highway No. 252. This appropriation is only available if the project qualifies for federal TEA-21 funding. The loan must be repaid to the commissioner of finance for return to the debt service fund at the time of Federal Highway Administration reimbursement to the city.

## Subd. 4. Transportation Revolving Fund

10,000,000

For transfer by the commissioner of finance to the highway account in the transportation revolving loan fund under Minnesota Statutes, section 446A.085. This appropriation may not be used for trunk highway, transit, or light rail projects.

## Subd. 5. Light Rail Transit

60,000,000

This appropriation is to match federal money to construct light rail transit in the Hiawatha Avenue corridor, as provided in Laws 1998, chapter 404, section 17, subdivision 3, paragraph (b), and is added to that appropriation, as amended by article 2. This is the final state appropriation for the total construction of this project.

The commissioner may not spend this appropriation until:

(1) the Hiawatha Avenue corridor project has received a "final design" designation by the Federal Transit Administration and a full-funding grant agreement has been executed with the Federal Transit Administration for funding the planning and capital costs of light rail transit in the Hiawatha Avenue corridor that provides funding of not less than \$223,000,000 by the federal government and that includes any required local contribution from Hennepin county regional railroad authority, the city of Minneapolis and the Metropolitan Airports Commission; and

(2) the commissioner has determined that no part of the construction costs of light rail transit in the Hiawatha Avenue corridor will be paid from property tax revenues of the metropolitan council or of any county or regional rail authority other than the Hennepin county regional rail authority.

## APPROPRIATIONS

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The commissioner and the chair of the metropolitan council shall jointly submit a report to the legislature by February 1, 2000, that sets forth a financial plan for paying the operating costs of light rail transit in the Hiawatha Avenue corridor for at least the first five years of operation.

If the requirements of paragraph (1) are not met by May 1, 2000, for the "final design" designation or by January 31, 2001, for the full-funding agreement, this appropriation, any unspent portion of the \$40,000,000 appropriated by Laws 1998, chapter 404, section 17, subdivision 3, paragraph (b), as amended by article 2, and all state bond sale authorizations for the Hiawatha Avenue corridor, are canceled.

## Sec. 10. CORRECTIONS

1,785,000

To the commissioner of administration for design for renovations of a capital nature to the storm and sanitary sewer lines at the correctional facility at Faribault and for making emergency capital repairs to the system.

## Sec. 11. BOND SALE EXPENSES

152,000

To the commissioner of finance for bond sale expenses under Minnesota Statutes, section 16A.641, subdivision 8. This appropriation is from the bond proceeds fund.

## Sec. 12. BOND SALE SCHEDULE

The commissioner of finance shall schedule the sale of state general obligation bonds so that, during the biennium ending June 30, 2001, no more than \$590,663,000 will need to be transferred from the general fund to the state bond fund to pay principal and interest due and to become due on outstanding state general obligation bonds. During the biennium, before each sale of state general obligation bonds, the commissioner of finance shall calculate the amount of debt service payments needed on bonds previously issued and shall estimate the amount of debt service payments that will be needed on the bonds scheduled to be sold. The commissioner shall adjust the amount of bonds scheduled to be sold so as to remain within the limit set by this section. The amount needed to make the debt service payments is appropriated from the general fund as provided in Minnesota Statutes, section 16A.641.

## Sec. 13. [BOND SALE AUTHORIZATIONS.]

Subdivision 1. [BOND PROCEEDS FUND.] To provide the money appropriated in this article from the bond proceeds fund, the commissioner of finance, on request of the governor, shall sell and issue bonds of the state in an amount up to \$139,510,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7.

Subd. 2. [TRANSPORTATION FUND.] To provide the money appropriated in this article from the transportation fund, the commissioner of finance, on request of the governor, shall sell and issue bonds of the state in an amount up to \$10,440,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631

to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7. The proceeds of the bonds, except accrued interest and any premium received on the sale of the bonds, must be credited to a bond proceeds account in the state transportation fund.

Sec. 14. [BOND REAUTHORIZATIONS.]

(a) The following bond authorizations, which have been reported to the legislature according to Minnesota Statutes, section 16A.642, subdivision 1, are reauthorized, and do not cancel under the terms of that subdivision:

(1) an amount remaining of \$4,078,196.35 for appropriations from the state transportation fund for railroad assistance, authorized in Laws 1984, chapter 597, section 22;

(2) an amount remaining of \$414,786.89 for appropriations from the bond proceeds fund for labor history center planning and design authorized in Laws 1990, chapter 610, article 1, section 30, subdivision 1; and

(3) an amount remaining of \$198,666.40 for appropriations from the bond proceeds fund for labor history center design competition authorized in Laws 1990, chapter 610, article 1, section 30, subdivision 1.

(b) For purposes of the next report required under Minnesota Statutes, section 16A.642, subdivision 1, the bonds reauthorized in this section must be treated as authorized on the original date of authorization.

Sec. 15. Minnesota Statutes 1998, section 16A.69, subdivision 2, is amended to read:

Subd. 2. [TRANSFER BETWEEN ACCOUNTS.] Upon the awarding of final contracts for the completion of a project for construction or other permanent improvement, or upon the abandonment of the project, the agency to whom the appropriation was made may transfer the unencumbered balance in the project account to another project enumerated in the same section of that appropriation act, or may transfer unencumbered balances from agency operating funds. The transfer must be made only to cover bids for the other project that were higher than was estimated when the appropriation for the other project was made and not to cover an expansion of the other project. The money transferred under this section is appropriated for the purposes for which transferred. For transfers for technical colleges by the board of trustees of the Minnesota state colleges and universities, the total cost of both projects and the required local share for both projects are adjusted accordingly. The agency proposing a transfer shall ~~report to~~ obtain approval from the commissioner of finance and the chair of the senate finance committee and the chair of the house of representatives ways and means committee before the transfer is made under this subdivision.

Sec. 16. Minnesota Statutes 1998, section 16B.30, is amended to read:

16B.30 [GENERAL AUTHORITY.]

(a) Subject to other provisions in this chapter, the commissioner shall supervise and control the making of all contracts for the construction of buildings and for other capital improvements to state buildings and structures, other than buildings and structures under the control of the board of trustees of the Minnesota state colleges and universities. Except as provided in ~~paragraph~~ paragraphs (b) and (c), a state agency may not undertake improvements of a capital nature without specific legislative authority.

(b) Specific legislative authority is not required for repairs or minor capital projects financed with operating appropriations or agency receipts that:

- (1) are undertaken for asset preservation or code compliance purposes; or
- (2) do not materially increase the net square footage of a facility; and in either case
- (3) do not materially increase the cost of agency programs.

(c) Unless the commissioner determines that an urgency exists, the commissioner of an agency undertaking a project with a cost in excess of \$50,000 pursuant to ~~this~~ paragraph (b) shall notify the chairs of the senate finance committee, the house capital investment committee, the house ways and means committee, the appropriate house and senate finance divisions, and the director of the legislative coordinating commission prior to incurring any contractual obligation with regard to the project. Any agency undertaking any project pursuant to this paragraph during fiscal year 1999 must report all such projects to the legislature by January 1, 2000.

Sec. 17. Minnesota Statutes 1998, section 136F.36, is amended by adding a subdivision to read:

Subd. 4. [STORAGE AND RETENTION OF DOCUMENTS.] Notwithstanding section 16A.58, the board may store and retain at the respective technical college original documents from carpentry program transactions, including but not limited to deeds, abstracts of title, and certificates of title.

Sec. 18. Minnesota Statutes 1998, section 136F.60, is amended by adding a subdivision to read:

Subd. 3. [EASEMENTS.] The board may grant permanent or temporary easements over, under, or across any land under its jurisdiction for reasonable purposes determined by the board.

Sec. 19. Laws 1998, chapter 404, section 3, subdivision 17, is amended to read:

Subd. 17. Pine Technical College 1,700,000

To predesign, design, ~~and~~ renovate, and construct an addition for a telecommunications/media/technology center, student services, administrative services, classrooms, and a regional economic development center. This project may be a part of a larger advanced technology center project at the college if federal funds are available for the larger project. The board must not proceed with the larger advanced technology center project without the approval of the chairs of the house committee on ways and means and the senate committee on education finance.

Sec. 20. Laws 1998, chapter 404, section 7, subdivision 23, is amended to read:

Subd. 23. Metro Regional Trails 5,000,000

For grants to the metropolitan council for acquisition and development of a capital nature of trail connections in the metropolitan area as specified in this subdivision. The purpose of the grants is to improve trails in the metropolitan park and open space system and connect them with existing state and regional trails. Priority shall be given to matching funds for an ISTE A grant.

The funds shall be allocated by the council as follows:

(1) \$1,050,000 is allocated to Ramsey county as follows:

(i) \$400,000 to complete six miles of trails between the Burlington Northern Regional Trail and Bald Eagle-Otter Lake Regional Park;

(ii) \$150,000 to complete a one-mile connection between Birch Lake and the Lake Tamarack segment of Bald Eagle-Otter Lake Regional Park;

(iii) \$500,000 to acquire real property and design and construct or renovate recreation facilities along the Mississippi River in cooperation with the city of St. Paul;

(2) \$1,050,000 is allocated to the city of St. Paul as follows:

(i) \$250,000 to construct a bridge over Lexington Parkway in Como Regional Park; and

(ii) \$800,000 to enhance amenities for the trailhead at the Lilydale-Harriet Island Regional Park pavilion;

(3) \$1,400,000 is allocated to Anoka county ~~as follows~~ to construct:

(i) ~~\$1,100,000 to construct~~ a pedestrian tunnel under Highway 65 on the Rice Creek West Regional Trail in the city of Fridley; and

(ii) ~~\$300,000 to construct~~ a pedestrian bridge on the Mississippi River Regional Trail crossing over Mississippi Street in the city of Fridley; and

(4) \$1,500,000 is allocated to the suburban Hennepin regional park district as follows:

(i) \$1,000,000 to connect North Hennepin Regional Trail to Luce Line State Trail and Medicine Lake; and

(ii) \$500,000 is for the cost of development and acquisition of the Southwest regional trail in the city of St. Louis Park. The trail must connect the Minneapolis regional trail system at Cedar Lake park to the Hennepin parks regional trail system at the Hopkins trail head.

Sec. 21. Laws 1998, chapter 404, section 7, subdivision 26, is amended to read:

Subd. 26. Local Initiative Grants

8,000,000

For matching grants to be provided to local units of government for acquisition, development, or renovation of a capital nature of local parks, trails, and natural and scenic areas. Recipients must provide a match of at least one-half of total eligible project costs. The commissioner shall make payment to local units of government upon receiving documentation of reimbursable expenditures. The commissioner shall determine project priorities as appropriate based upon need.

\$3,500,000 of this appropriation is for grants to units of government to acquire and develop outdoor recreation areas, and for grants to units of government to acquire and better natural and scenic areas under Minnesota Statutes, section 85.019, subdivision 4a.

\$1,000,000 of this appropriation is for cooperative trail grants of up to \$50,000 per project to acquire or construct trail linkages between communities, trails, and parks.

\$3,500,000 of this appropriation is for trail grants for the following locally funded publicly owned trails serving multiple communities: \$1,400,000 for Beaver Island Trail in Stearns County, \$1,400,000 for Skunk Hollow Trail in Yellow Medicine and Chippewa Counties, and \$700,000 for Unity Trail in Faribault County. The grant for Beaver Island Trail in Stearns County is available in the manner and the order that follows: \$500,000 is available upon commitment of an equal amount from nonstate sources, \$152,000 is available upon contribution of an equal amount from local governments, \$374,000 is available upon commitment of an equal amount from nonstate sources, and the balance of \$374,000 is available upon commitment of an equal amount from nonstate sources.

Sec. 22. Laws 1998, chapter 404, section 13, subdivision 12, is amended to read:

Subd. 12. Dahl House Relocation

~~100,000~~  
60,000

This appropriation is from the general fund for a grant to the city of St. Paul to relocate the Dahl House ~~near its original site,~~ and stabilize; and restore the structure. ~~Up to \$150,000 from the plaza percent for art budget may be used for the restoration and related art objects.~~

Sec. 23. Laws 1998, chapter 404, section 27, subdivision 1, is amended to read:

Subdivision 1. [BOND PROCEEDS FUND.] To provide the money appropriated in this act from the bond proceeds fund, the commissioner of finance, on request of the governor, shall sell and issue bonds of the state in an amount up to ~~\$463,795,000~~ \$105,145,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7.

Sec. 24. [CANCELLATION AND REDUCED AUTHORIZATION.]

\$400,000 of the appropriation in Laws 1998, chapter 404, section 26, for bond sale expense is canceled. The bond sale authorization in Laws 1998, chapter 404, section 27, subdivision 1, is reduced by \$400,000.

Sec. 25. [VETERANS HOMES IMPROVEMENTS.]

Notwithstanding Minnesota Statutes, section 16B.30, the veterans homes board of directors may make and maintain the improvements to the veterans homes listed in clauses (1) to (5) using money donated for those purposes:

- (1) a picnic pavilion at the Minneapolis veterans home;
- (2) walking trails at the Hastings veterans home;
- (3) walking trails and landscape at the Silver Bay veterans home;
- (4) an entrance canopy at the Fergus Falls veterans home; and
- (5) a suspended wooden deck for dining at the Luverne veterans home.

Sec. 26. [REQUEST TO LEGISLATIVE AUDIT COMMISSION.]

The legislative audit commission is requested to direct the legislative auditor to investigate the mold problem at the Luverne veterans home, the state response to the problem, and the original cause of the problem, including whether inadequate state building standards, or noncompliance with state building standards, contributed to this problem and

whether other state buildings are at risk due to inadequate standards or noncompliance with state building standards, and report back to the commission for its review and thereafter to the legislature. This section does not restrict the department of administration or the veterans home board from undertaking capital improvements to correct the mold problem.

Sec. 27. [EFFECTIVE DATE.]

This article is effective the day after its final enactment.

## ARTICLE 2

Section 1. [INTENT.]

This article intends to return to the unreserved general fund \$400,000,000 by changing the fund source of the projects listed in this article in the amounts shown in sections 3 to 13, by decreasing the appropriation from the general fund and by appropriating an equal amount from the aggregate of the bond proceeds fund and the transportation fund. This action changes the designation of the fund sources made under the cumulative effect of Laws 1998, chapters 389, article 9, section 2; 404; and 408, section 22, with respect to those projects. This article also makes a new appropriation of \$400,000 from the bond proceeds fund for bond sale expenses in connection with the bonds authorized in this article.

Sec. 2. [CAPITAL IMPROVEMENT APPROPRIATIONS.]

The sums in the column under "APPROPRIATIONS" are appropriated from the bond proceeds fund or other named fund to the state agencies or officials indicated, to be spent for public purposes including to acquire and to better public land and buildings and other public improvements of a capital nature, as specified in this article.

## SUMMARY

UNIVERSITY OF MINNESOTA	\$ 112,390,000
MINNESOTA STATE COLLEGES AND UNIVERSITIES	15,300,000
RESIDENTIAL ACADEMIES AT FARIBAULT	7,913,000
NATURAL RESOURCES	24,450,000
PUBLIC FACILITIES AUTHORITY	16,800,000
CAPITOL AREA ARCHITECTURAL AND PLANNING BOARD	6,500,000
TRANSPORTATION	71,000,000
VETERANS HOMES BOARD	11,000,000
INDIAN AFFAIRS COUNCIL	1,700,000
TRADE AND ECONOMIC DEVELOPMENT	126,447,000
MINNESOTA HISTORICAL SOCIETY	6,500,000
BOND SALE EXPENSES	400,000
TOTAL	\$ 400,400,000

Bond Proceeds Fund	372,400,000
Transportation Fund	28,000,000

## APPROPRIATIONS

\$

## Sec. 3. UNIVERSITY OF MINNESOTA

Subdivision 1. To the board of regents of the University of Minnesota for the purposes specified in this section 112,390,000

## Subd. 2. Twin Cities - Minneapolis

(a) Utility Infrastructure 2,400,000

(b) Folwell Hall Renovation 690,000

(c) Walter Digital Technology Center/Science and Engineering Library 52,200,000

## Subd. 3. Twin Cities - St. Paul

(a) Gortner and Snyder Halls 3,900,000

(b) Greenhouse Renovation and Replacement 900,000

(c) Peters Hall, Phase II 6,900,000

Subd. 4. Women's Athletics Fields and Facilities 2,700,000

Subd. 5. Crookston Facility Improvements 3,500,000

## Subd. 6. Duluth

(a) Library 17,000,000

(b) Academic Space Renovation 200,000

Subd. 7. Morris Facility Improvements 18,400,000

Subd. 8. Agricultural Experiment Stations 3,600,000

## Sec. 4. MINNESOTA STATE COLLEGES AND UNIVERSITIES

Subdivision 1. To the board of trustees of the Minnesota state colleges and universities for the purposes specified in this section 15,300,000

Subd. 2. Minnesota State University - Mankato 10,500,000

Subd. 3. Rochester Regional Recreation and Sports Center 4,800,000

## APPROPRIATIONS

\$

Sec. 5. RESIDENTIAL ACADEMIES AT FARIBAULT	
Subdivision 1. To the commissioner of administration for the purposes specified in this section	7,913,000
Subd. 2. Tate Hall Renovation	3,500,000
Subd. 3. Lysen Hall Expansion and Renovation	4,413,000
Sec. 6. NATURAL RESOURCES	
Subdivision 1. To the commissioner of natural resources for the purposes specified in this section	24,450,000
Subd. 2. Office Facility Consolidation	7,100,000
Subd. 3. State Park and Recreation Area Building Development	5,000,000
Subd. 4. Metro Regional Park Acquisition and Betterment	9,000,000
Subd. 5. Trail Acquisition and Development	3,350,000
Sec. 7. PUBLIC FACILITIES AUTHORITY	
Subdivision 1. To the public facilities authority for the purposes specified in this section	16,800,000
Subd. 2. Matching Money for Federal Grants	1,500,000
Subd. 3. Wastewater Infrastructure Program	15,300,000
Sec. 8. CAPITOL AREA ARCHITECTURAL AND PLANNING BOARD	
To the commissioner of administration for capitol building structural stabilization.	6,500,000
Sec. 9. TRANSPORTATION	
Subdivision 1. To the commissioner of transportation for the purposes specified in this section	71,000,000
Subd. 2. Local Bridge Replacement and Rehabilitation	28,000,000
This appropriation is from the transportation fund.	
Subd. 3. Transitways	40,000,000
Subd. 4. Port Development Assistance	3,000,000
Sec. 10. VETERANS HOMES BOARD	
Subdivision 1. To the commissioner of administration for the purposes specified in this section	11,000,000

APPROPRIATIONS  
\$

Subd. 2. Minneapolis Veterans Home	6,000,000
Subd. 3. Hastings Veterans Home	5,000,000
Sec. 11. INDIAN AFFAIRS COUNCIL	1,700,000
To the Indian affairs council for construction of the Battle Point Cultural and Education Center.	
Sec. 12. TRADE AND ECONOMIC DEVELOPMENT	
Subdivision 1. To the commissioner of trade and economic development or other named official for the purposes specified in this section	126,447,000
Subd. 2. Minneapolis Convention Center	86,332,000
Subd. 3. Duluth Entertainment and Convention Center	12,000,000
Subd. 4. Mayo Civic Center	2,800,000
Subd. 5. St. Cloud Community Event Center	5,500,000
Subd. 6. Fergus Falls Convention Center	1,500,000
Subd. 7. Hutchinson Community Civic Center	1,000,000
Subd. 8. Humboldt Avenue Greenway Project	7,000,000
Subd. 9. Prairieland Expo	3,000,000
Subd. 10. Montevideo Downtown Revitalization	1,500,000
Subd. 11. Paramount Arts District Regional Arts Center	750,000
Subd. 12. Veterans Memorial Performing Arts Amphitheater	315,000
Subd. 13. Brooklyn Center Earle Brown Heritage Center Restoration	2,500,000
Subd. 14. Minnesota African-American Performing Arts Center	2,250,000
Sec. 13. MINNESOTA HISTORICAL SOCIETY	
Subdivision 1. To the Minnesota Historical Society for the purposes specified in this section	6,500,000
Subd. 2. Northwest Company Fur Post Interpretive Center	1,500,000
Subd. 3. St. Anthony Falls Heritage Education Center	4,000,000
Subd. 4. Humphrey Museum and Learning Center, Waverly	1,000,000

## APPROPRIATIONS

\$

## Sec. 14. BOND SALE EXPENSES

400,000

To the commissioner of finance for bond sale expenses under Minnesota Statutes, section 16A.641, subdivision 8.

## Sec. 15. [IDENTICAL PROJECTS.]

The purpose and use of appropriations in this article are for the same purpose and use and for identical projects as authorized in Laws 1998, chapter 404. Except for the fund source of unspent parts of the appropriations listed in this article, this article does not change or limit the purpose and use of the appropriations and related requirements in Laws 1998, chapter 404.

## Sec. 16. [BOND SALE AUTHORIZATIONS.]

Subdivision 1. [BOND PROCEEDS FUND.] To provide the money appropriated in this article from the bond proceeds fund, the commissioner of finance, on request of the governor, shall sell and issue bonds of the state in an amount up to \$372,400,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7.

Subd. 2. [TRANSPORTATION FUND.] To provide the money appropriated in this article from the transportation fund, the commissioner of finance, on request of the governor, shall sell and issue bonds of the state in an amount up to \$28,000,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7. The proceeds of the bonds, except accrued interest and any premium received on the sale of the bonds, must be credited to a bond proceeds account in the state transportation fund.

## Sec. 17. [CANCELLATION TO GENERAL FUND.]

(a) Money appropriated from the general fund pursuant to 1998 acts and not yet spent for the projects listed in this article is canceled to the general fund in the amounts shown for each project.

(b) As much as is necessary of the appropriation for trail acquisition and development in Laws 1998, chapter 404, section 7, subdivision 22, not yet otherwise spent from the general fund under 1998 acts, or elsewhere in this article from the bond proceeds fund, may be canceled to the general fund and added to the appropriation for that purpose from the bond proceeds fund in this article as determined by the commissioner of finance to bring the amount returned to the general fund and appropriated from the bond proceeds fund to \$400,000,000 in each case.

(c) Also, as determined by the commissioner of finance, appropriations returned to the general fund and made from the bond proceeds fund in this article for specific projects are adjusted as necessary to reach the \$400,000,000 in changes of funding source for the aggregate of the individual projects of this article from the general fund to the bond proceeds fund. The commissioner may make the adjustments due to spending in process and not yet entered on the state's accounts as of May 13, 1999. The amounts adjusted under this section are appropriated.

## Sec. 18. [DEBT SERVICES RESPONSIBILITIES.]

This article does not change the debt service responsibilities of the University of Minnesota under Laws 1998, chapter 404, section 2, subdivision 11, or of the board of trustees of the Minnesota state colleges and universities under Laws 1998, chapter 404, section 3, subdivision 29.

## Sec. 19. [EFFECTIVE DATE.]

This article is effective the day after its final enactment.

## ARTICLE 3

## Section 1. [MINNESOTA MINERALS 21ST CENTURY FUND APPROPRIATION.]

Subdivision 1. [APPROPRIATION.] \$20,000,000 is appropriated in fiscal year 2000 from the general fund to the Minnesota minerals 21st century fund, if a bill styled as H.F. No. 2390 is enacted in 1999 and creates such a fund. Notwithstanding any other law enacted during the 1999 regular legislative session, the maximum total appropriation authorized for the purposes of the Minnesota minerals 21st century fund under all laws enacted during the 1999 regular legislative session is \$20,000,000. Any amounts appropriated in any other law enacted during the 1999 legislative session that would cause the appropriation to exceed \$20,000,000 are canceled. This limitation does not apply to the appropriation transfer contained in 1999 H.F. No. 2390, article 2, section 71.

Subd. 2. [MATCHING REQUIREMENT.] If a bill styled as H.F. No. 2390 is enacted in 1999 and it provides for creation of the Minnesota minerals 21st century fund, the commissioner of the iron range resources and rehabilitation board shall, upon the recommendation of the board, match the funds allocated under subdivision 1 to the extent they are used for a loan or equity investment meeting the requirements of the provision creating the Minnesota minerals 21st century fund within H.F. No. 2390. Notwithstanding Minnesota Statutes, section 645.33, this subdivision supersedes any contrary provisions of H.F. No. 2390 that is enacted in 1999."

Delete the title and insert:

"A bill for an act relating to capital improvements; authorizing spending for public purposes; authorizing spending to acquire and to better public land and buildings and other public improvements of a capital nature; authorizing certain improvements and transfers between accounts; making technical corrections; amending earlier authorizations; reauthorizing certain projects; authorizing and reauthorizing sale of state bonds; providing for storage and retention of certain documents; authorizing certain easements; providing for certain port authority leases or management contracts; requesting an investigation and report; converting certain capital project financing from general fund cash to general obligation bonding; canceling certain money to the general fund; appropriating money for the Minnesota minerals 21st century fund; appropriating money with certain conditions and directions; amending Minnesota Statutes 1998, sections 16A.69, subdivision 2; 16B.30; 136F.36, by adding a subdivision; and 136F.60, by adding a subdivision; Laws 1998, chapter 404, sections 3, subdivision 17; 7, subdivisions 23 and 26; 13, subdivision 12; 27, subdivision 1."

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

House Conferees: JIM KNOBLACH, JERRY DEMPSEY, ROXANN DAGGETT AND MICHELLE RIFENBERG.

Senate Conferees: KEITH LANGSETH, DAVID J. TEN EYCK, LINDA BERGLIN, ROY W. TERWILLIGER AND STEVE DILLE.

Knoblach moved that the report of the Conference Committee on H. F. No. 2205 be adopted and that the bill be repassed as amended by the Conference Committee.

## POINT OF ORDER

Pugh raised a point of order pursuant to rule 6.40 relating to Reports of Conference Committees. The Speaker ruled the point of order not well taken.

Pugh appealed the decision of the Speaker.

A roll call was requested and properly seconded.

The vote was taken on the question "Shall the decision of the Speaker stand as the judgment of the House?" and the roll was called.

Pawlenty moved that those not voting be excused from voting. The motion prevailed.

There were 71 yeas and 61 nays as follows:

Those who voted in the affirmative were:

Abeler	Dehler	Hackbarth	Mares	Rhodes	Tingelstad
Abrams	Dempsey	Harder	McElroy	Rifenberg	Tuma
Anderson, B.	Dorman	Holberg	Molnau	Rostberg	Van Dellen
Bishop	Erhardt	Holsten	Mulder	Seagren	Vandever
Boudreau	Erickson	Howes	Ness	Seifert, J.	Westerberg
Bradley	Finseth	Kielkucki	Nornes	Seifert, M.	Westfall
Broecker	Fuller	Knoblach	Olson	Smith	Westrom
Buesgens	Gerlach	Krinkie	Oskopp	Stanek	Wilkin
Cassell	Goodno	Kuisle	Ozment	Stang	Wolf
Clark, J.	Gunther	Larsen, P.	Paulsen	Storm	Workman
Daggett	Haake	Leppik	Pawlenty	Swenson	Spk. Sviggum
Davids	Haas	Lindner	Reuter	Sykora	

Those who voted in the negative were:

Anderson, I.	Gray	Kahn	Mariani	Paymar	Trimble
Bakk	Greenfield	Kalis	Marko	Pelowski	Tunheim
Biernat	Greiling	Kelliher	McCollum	Peterson	Wagenius
Carlson	Hasskamp	Koskinen	McGuire	Pugh	Wejcman
Carruthers	Hausman	Kubly	Milbert	Rest	Wenzel
Chaudhary	Hilty	Larson, D.	Mullery	Rukavina	Winter
Dawkins	Huntley	Leighton	Murphy	Schumacher	
Dorn	Jaros	Lenczewski	Opatz	Skoe	
Entenza	Jennings	Lieder	Orfield	Skoglund	
Folliard	Johnson	Luther	Osthoff	Solberg	
Gleason	Juhnke	Mahoney	Otremba	Tomassoni	

So it was the judgment of the House that the decision of the Speaker should stand.

The question recurred on the Knoblach motion that the report of the Conference Committee on H. F. No. 2205 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 2205, A bill for an act relating to public administration; authorizing spending for public purposes; authorizing spending to acquire and to better public land and buildings and other public improvements of a capital nature; authorizing certain improvements and transfers between accounts; providing a procedure for political subdivisions' request for capital assistance; making technical corrections; amending earlier authorizations; reauthorizing a project; authorizing bonds; providing for certain public pension associations' facilities; providing for storage and retention of certain documents; authorizing certain easements; providing for certain port authority leases or management contracts; requesting an investigation and report; authorizing a certain college project; appropriating money with certain conditions and directions; amending Minnesota Statutes 1998, sections 16A.69, subdivision 2;

16B.30; 136F.36, by adding a subdivision; 136F.60, by adding a subdivision; 353.03, subdivision 4; 354.06, subdivision 7; and 457A.04, by adding a subdivision; Laws 1998, chapter 404, sections 3, subdivision 17; 5, subdivision 4; 7, subdivisions 23 and 26; 13, subdivision 12; and 27, subdivisions 1 and 2; proposing coding for new law in Minnesota Statutes, chapters 16A; and 356.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 81 yeas and 52 nays as follows:

Those who voted in the affirmative were:

Abeler	Dorman	Holsten	McElroy	Rostberg	Van Dellen
Abrams	Erhardt	Howes	Molnau	Seagren	Wagenius
Bishop	Erickson	Huntley	Mulder	Seifert, J.	Wejzman
Boudreau	Finseth	Juhnke	Ness	Seifert, M.	Wenzel
Bradley	Fuller	Kelliher	Nornes	Skoglund	Westerberg
Broecker	Gerlach	Kielkucki	Orfield	Smith	Westfall
Buesgens	Goodno	Knoblach	Osskopp	Solberg	Westrom
Carruthers	Gunther	Kuisle	Ozment	Stanek	Wilkin
Cassell	Haake	Larsen, P.	Paulsen	Stang	Wolf
Clark, J.	Haas	Leppik	Pawlenty	Storm	Workman
Daggett	Hackbarth	Lieder	Pelowski	Swenson	Spk. Sviggum
Davids	Harder	Lindner	Peterson	Sykora	
Dehler	Hausman	Luther	Rhodes	Tingelstad	
Dempsey	Holberg	Mares	Rifenberg	Tuma	

Those who voted in the negative were:

Anderson, B.	Folliard	Johnson	Mahoney	Olson	Schumacher
Anderson, I.	Gleason	Kahn	Mariani	Opatz	Skoe
Bakk	Gray	Kalis	Marko	Osthoff	Tomassoni
Biernat	Greenfield	Koskinen	McCollum	Otremba	Trimble
Carlson	Greiling	Krinkie	McGuire	Paymar	Tunheim
Chaudhary	Hasskamp	Kubly	Milbert	Pugh	Vandever
Dawkins	Hilty	Larson, D.	Mullery	Rest	Winter
Dorn	Jaros	Leighton	Munger	Reuter	
Entenza	Jennings	Lenczewski	Murphy	Rukavina	

The bill was repassed, as amended by Conference, and its title agreed to.

#### CONFERENCE COMMITTEE REPORT ON H. F. NO. 2420

A bill for an act relating to financing state and local government; providing a sales tax rebate; reducing individual income tax rates; making changes to income, sales and use, property, excise, mortgage registry and deed, health care provider, motor fuels, cigarette and tobacco, liquor, insurance premiums, aircraft registration, lawful gambling, taconite production, solid waste, and special taxes; establishing an agricultural homestead credit; changing and allowing tax credits, subtractions, and exemptions; changing property tax valuation, assessment, levy, classification,

homestead, credit, aid, exemption, review, appeal, abatement, and distribution provisions; extending levy limits and changing levy authority; providing for reverse referenda on certain levy increases; phasing out health care provider taxes; extending the suspension of the tax on certain insurance premiums; reducing tax rates on lawful gambling; changing tax increment financing law and providing special authority for certain cities; authorizing water and sanitary sewer districts; providing for the funding of courts in certain judicial districts; changing tax forfeiture and delinquency provisions; changing and clarifying tax administration, collection, enforcement, and penalty provisions; freezing the taconite production tax and providing for its distribution; providing for funding for border cities; changing fiscal note requirements; providing for deposit of tobacco settlement funds; providing for allocation of certain budget surpluses; requiring studies; establishing a task force; and providing for appointments; transferring funds; appropriating money; amending Minnesota Statutes 1998, sections 3.986, subdivision 2; 3.987, subdivision 1; 16A.152, subdivision 2, and by adding a subdivision; 16A.1521; 60A.15, subdivision 1; 62J.041, subdivision 1; 62Q.095, subdivision 6; 92.51; 97A.065, subdivision 2; 214.16, subdivisions 2 and 3; 270.07, subdivision 1; 270.65; 270.67, by adding a subdivision; 270B.01, subdivision 8; 270B.14, subdivision 1, and by adding a subdivision; 271.01, subdivision 5; 271.21, subdivision 2; 272.02, subdivision 1; 272.027; 272.03, subdivision 6; 273.11, subdivisions 1a and 16; 273.111, by adding a subdivision; 273.124, subdivisions 1, 7, 8, 13, 14, and by adding a subdivision; 273.13, subdivisions 22, 23, 24, 25, 31, and by adding a subdivision; 273.1382; 273.1398, subdivisions 2, 8, and by adding a subdivision; 273.1399, subdivision 6; 273.20; 274.01, subdivision 1; 275.065, subdivisions 3, 5a, 6, 8, and by adding a subdivision; 275.07, subdivision 1; 275.71, subdivisions 2, 3, and 4; 276.131; 279.37, subdivisions 1, 1a, and 2; 281.23, subdivisions 2, 4, and 6; 282.01, subdivisions 1, 4, and 7; 282.04, subdivision 2; 282.05; 282.08; 282.09; 282.241; 282.261, subdivision 4, and by adding a subdivision; 283.10; 287.01, subdivision 3, as amended; 287.05, subdivisions 1, as amended, and 1a, as amended; 289A.02, subdivision 7; 289A.18, subdivision 4; 289A.20, subdivision 4; 289A.31, subdivision 2; 289A.40, subdivisions 1 and 1a; 289A.50, subdivision 7, and by adding a subdivision; 289A.56, subdivision 4; 289A.60, subdivisions 3 and 21; 290.01, subdivisions 7, 19, 19a, 19b, 19f, 31, and by adding a subdivision; 290.06, subdivisions 2c, 2d, and by adding subdivisions; 290.0671, subdivision 1; 290.0672, subdivision 1; 290.0674, subdivisions 1 and 2; 290.091, subdivisions 1, 2, and 6; 290.0921, subdivision 5; 290.095, subdivision 3; 290.17, subdivisions 3, 4, and 6; 290.191, subdivisions 2 and 3; 290.9725; 290.9726, by adding a subdivision; 290A.03, subdivisions 3 and 15; 290B.03, subdivision 1; 290B.04, subdivisions 3 and 4; 290B.05, subdivision 1; 291.005, subdivision 1; 295.50, subdivision 4; 295.52, subdivision 7; 295.53, subdivision 1; 295.55, subdivisions 2 and 3; 296A.16, by adding subdivisions; 297A.01, subdivision 15; 297A.15, subdivision 5; 297A.25, subdivisions 9, 11, 63, 73, and by adding subdivisions; 297A.48, by adding a subdivision; 297B.01, subdivision 7; 297B.03; 297E.01, by adding a subdivision; 297E.02, subdivisions 1, 3, 4, and 6; 297F.01, subdivision 23; 297F.17, subdivision 6; 297H.05; 297H.06, subdivision 2; 298.24, subdivision 1; 298.28, subdivision 9a; 299D.03, subdivision 5; 357.021, subdivision 1a; 360.55, by adding a subdivision; 375.192, subdivision 2; 383C.482, subdivision 1; 465.82, by adding a subdivision; 469.169, subdivision 12, and by adding a subdivision; 469.1735, by adding a subdivision; 469.176, subdivision 4g; 469.1763, by adding a subdivision; 469.1771, subdivision 1, and by adding a subdivision; 469.1791, subdivision 3; 469.1813, subdivisions 1, 2, 3, 6, and by adding a subdivision; 469.1815, subdivision 2; 473.249, subdivision 1; 473.252, subdivision 2; 473.253, subdivision 1; 477A.03, subdivision 2; 477A.06, subdivision 1; 485.018, subdivision 5; 487.02, subdivision 2; 487.32, subdivision 3; 487.33, subdivision 5; and 574.34, subdivision 1; Laws 1988, chapter 645, section 3; Laws 1997, chapter 231, article 1, section 19, subdivisions 1 and 3; Laws 1997, chapter 231, article 3, section 9; Laws 1997, First Special Session chapter 3, section 27; Laws 1997, Second Special Session chapter 2, section 6; Laws 1998, chapter 389, article 1, section 1; and Laws 1998, chapter 389, article 8, section 44, subdivisions 5, 6, and 7, as amended; proposing coding for new law in Minnesota Statutes, chapters 16A; 62Q; 256L; 275; 297A; 469; and 473; repealing Minnesota Statutes 1998, sections 13.99, subdivision 86b; 16A.724; 16A.76; 92.22; 144.1484, subdivision 2; 256L.02, subdivision 3; 273.11, subdivision 10; 280.27; 281.13; 281.38; 284.01; 284.02; 284.03; 284.04; 284.05; 284.06; 295.50; 295.51; 295.52; 295.53; 295.54; 295.55; 295.56; 295.57; 295.58; 295.582; 295.59; 297E.12, subdivision 3; 297F.19, subdivision 4; 297G.18, subdivision 4; and 473.252, subdivisions 4 and 5; Laws 1997, chapter 231, article 1, section 19, subdivision 2; and Laws 1998, chapter 389, article 3, section 45.

May 17, 1999

The Honorable Steve Sviggum  
Speaker of the House of Representatives

The Honorable Allan H. Spear  
President of the Senate

We, the undersigned conferees for H. F. No. 2420, 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. 2420 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

SALES TAX REBATE

Section 1. [STATEMENT OF PURPOSE.]

(a) The state of Minnesota derives revenues from a variety of taxes, fees, and other sources, including the state sales tax.

(b) It is fair and reasonable to refund the existing state budget surplus in the form of a rebate of nonbusiness consumer sales taxes paid by individuals in calendar year 1997.

(c) Information concerning the amount of sales tax paid at various income levels is contained in the Minnesota tax incidence report, which is written by the commissioner of revenue and presented to the legislature according to Minnesota Statutes, section 270.0682.

(d) It is fair and reasonable to use information contained in the Minnesota tax incidence report to determine the proportionate share of the sales tax rebate due each eligible taxpayer since no effective or practical mechanism exists for determining the amount of actual sales tax paid by each eligible individual.

Sec. 2. [SALES TAX REBATE.]

(a) An individual who:

(1) was eligible for a credit under Laws 1997, chapter 231, article 1, section 16, as amended by Laws 1997, First Special Session chapter 5, section 35, and Laws 1997, Third Special Session chapter 3, section 11, and Laws 1998, chapter 304, and Laws 1998, chapter 389, article 1, section 3, and who filed for or received that credit on or before June 15, 1999; or

(2) filed a 1997 Minnesota income tax return on or before June 15, 1999, and had a tax liability before refundable credits on that return of at least \$1 but did not file the claim for credit authorized under Laws 1997, chapter 231, article 1, section 16, as amended, and who was not allowed to be claimed as a dependent on a 1997 federal income tax return filed by another person; or

(3) had the property taxes payable on his or her homestead abated to zero under Laws 1997, chapter 231, article 2, section 64,

shall receive a sales tax rebate.

(b) The sales tax rebate for taxpayers who qualify under paragraph (a) as married filing joint or head of household must be computed according to the following schedule:

<u>Income</u>	<u>Sales Tax Rebate</u>
<u>less than \$2,500</u>	<u>\$ 358</u>
<u>at least \$2,500 but less than \$5,000</u>	<u>\$ 469</u>
<u>at least \$5,000 but less than \$10,000</u>	<u>\$ 502</u>
<u>at least \$10,000 but less than \$15,000</u>	<u>\$ 549</u>
<u>at least \$15,000 but less than \$20,000</u>	<u>\$ 604</u>
<u>at least \$20,000 but less than \$25,000</u>	<u>\$ 641</u>
<u>at least \$25,000 but less than \$30,000</u>	<u>\$ 690</u>
<u>at least \$30,000 but less than \$35,000</u>	<u>\$ 762</u>
<u>at least \$35,000 but less than \$40,000</u>	<u>\$ 820</u>
<u>at least \$40,000 but less than \$45,000</u>	<u>\$ 874</u>
<u>at least \$45,000 but less than \$50,000</u>	<u>\$ 921</u>
<u>at least \$50,000 but less than \$60,000</u>	<u>\$ 969</u>
<u>at least \$60,000 but less than \$70,000</u>	<u>\$1,071</u>
<u>at least \$70,000 but less than \$80,000</u>	<u>\$1,162</u>
<u>at least \$80,000 but less than \$90,000</u>	<u>\$1,276</u>
<u>at least \$90,000 but less than \$100,000</u>	<u>\$1,417</u>
<u>at least \$100,000 but less than \$120,000</u>	<u>\$1,535</u>
<u>at least \$120,000 but less than \$140,000</u>	<u>\$1,682</u>
<u>at least \$140,000 but less than \$160,000</u>	<u>\$1,818</u>
<u>at least \$160,000 but less than \$180,000</u>	<u>\$1,946</u>
<u>at least \$180,000 but less than \$200,000</u>	<u>\$2,067</u>
<u>at least \$200,000 but less than \$400,000</u>	<u>\$2,644</u>
<u>at least \$400,000 but less than \$600,000</u>	<u>\$3,479</u>
<u>at least \$600,000 but less than \$800,000</u>	<u>\$4,175</u>
<u>at least \$800,000 but less than \$1,000,000</u>	<u>\$4,785</u>
<u>\$1,000,000 and over</u>	<u>\$5,000</u>

(c) The sales tax rebate for individuals who qualify under paragraph (a) as single or married filing separately must be computed according to the following schedule:

<u>Income</u>	<u>Sales Tax Rebate</u>
<u>less than \$2,500</u>	<u>\$ 204</u>
<u>at least \$2,500 but less than \$5,000</u>	<u>\$ 249</u>
<u>at least \$5,000 but less than \$10,000</u>	<u>\$ 299</u>
<u>at least \$10,000 but less than \$15,000</u>	<u>\$ 408</u>
<u>at least \$15,000 but less than \$20,000</u>	<u>\$ 464</u>
<u>at least \$20,000 but less than \$25,000</u>	<u>\$ 496</u>
<u>at least \$25,000 but less than \$30,000</u>	<u>\$ 515</u>
<u>at least \$30,000 but less than \$40,000</u>	<u>\$ 570</u>
<u>at least \$40,000 but less than \$50,000</u>	<u>\$ 649</u>
<u>at least \$50,000 but less than \$70,000</u>	<u>\$ 776</u>
<u>at least \$70,000 but less than \$100,000</u>	<u>\$ 958</u>
<u>at least \$100,000 but less than \$140,000</u>	<u>\$1,154</u>
<u>at least \$140,000 but less than \$200,000</u>	<u>\$1,394</u>
<u>at least \$200,000 but less than \$400,000</u>	<u>\$1,889</u>
<u>at least \$400,000 but less than \$600,000</u>	<u>\$2,485</u>
<u>\$600,000 and over</u>	<u>\$2,500</u>

(d) Individuals who were not residents of Minnesota for any part of 1997 and who paid more than \$10 in Minnesota sales tax on nonbusiness consumer purchases in that year qualify for a rebate under this paragraph only. Qualifying nonresidents must file a claim for rebate on a form prescribed by the commissioner before the later of June 15, 1999, or 30 days after the date of enactment of this act. The claim must include receipts showing the Minnesota sales tax paid and the date of the sale. Taxes paid on purchases allowed in the computation of federal taxable income or reimbursed by an employer are not eligible for the rebate. The commissioner shall determine the qualifying taxes paid and rebate the lesser of:

(1) 69.0 percent of that amount; or

(2) the maximum amount for which the claimant would have been eligible as determined under paragraph (b) if the taxpayer filed the 1997 federal income tax return as a married taxpayer filing jointly or head of household, or as determined under paragraph (c) for other taxpayers.

(e) "Income," for purposes of this section other than paragraph (d), is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1996, plus the sum of any additions to federal taxable income for the taxpayer under Minnesota Statutes, section 290.01, subdivision 19a, and reported on the original 1997 income tax return including subsequent adjustments to that return made within the time limits specified in paragraph (h). For an individual who was a resident of Minnesota for less than the entire year, the sales tax rebate equals the sales tax rebate calculated under paragraph (b) or (c) multiplied by the percentage determined pursuant to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original 1997 income tax return including subsequent adjustments to that return made within the time limits specified in paragraph (h). For purposes of paragraph (d), "income" is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1996, and reported on the taxpayer's original federal tax return for the first taxable year beginning after December 31, 1996.

(f) Before payment, the commissioner of revenue shall adjust the rebate as follows:

(1) the rebates calculated in paragraphs (b), (c), and (d) must be proportionately reduced to account for 1997 income tax returns that are filed on or after January 1, 1999, but before July 1, 1999, so that the amount of sales tax rebates payable under paragraphs (b), (c), and (d) does not exceed \$1,250,000,000; and

(2) the commissioner of finance shall certify by July 15, 1999, preliminary fiscal year 1999 general fund net nondedicated revenues. The certification shall exclude the impact of any legislation enacted during the 1999 regular session. If certified net nondedicated revenues exceed the amount forecast in February 1999, up to \$50,000,000 of the increase shall be added to the total amount rebated. The commissioner of revenue shall adjust all rebates proportionally to reflect any increases. The total amount of the rebate shall not exceed \$1,300,000,000.

The adjustments under this paragraph are not rules subject to Minnesota Statutes, chapter 14.

(g) The commissioner of revenue may begin making sales tax rebates by August 1, 1999. Sales tax rebates not paid by October 1, 1999, bear interest at the rate specified in Minnesota Statutes, section 270.75.

(h) A sales tax rebate shall not be adjusted based on changes to a 1997 income tax return that are made by order of assessment after June 15, 1999, or made by the taxpayer that are filed with the commissioner of revenue after June 15, 1999.

(i) Individuals who filed a joint income tax return for 1997 shall receive a joint sales tax rebate. After the sales tax rebate has been issued, but before the check has been cashed, either joint claimant may request a separate check for one-half of the joint sales tax rebate. Notwithstanding anything in this section to the contrary, if prior to payment, the commissioner has been notified that persons who filed a joint 1997 income tax return are living at separate addresses, as indicated on their 1998 income tax return or otherwise, the commissioner may issue separate checks to each person. The amount payable to each person is one-half of the total joint rebate.

(j) The sales tax rebate is a "Minnesota tax law" for purposes of Minnesota Statutes, section 270B.01, subdivision 8.

(k) The sales tax rebate is "an overpayment of any tax collected by the commissioner" for purposes of Minnesota Statutes, section 270.07, subdivision 5. For purposes of this paragraph, a joint sales tax rebate is payable to each spouse equally.

(l) If the commissioner of revenue cannot locate an individual entitled to a sales tax rebate by July 1, 2001, or if an individual to whom a sales tax rebate was issued has not cashed the check by July 1, 2001, the right to the sales tax rebate lapses and the check must be deposited in the general fund.

(m) Individuals entitled to a sales tax rebate pursuant to paragraph (a), but who did not receive one, and individuals who receive a sales tax rebate that was not correctly computed, must file a claim with the commissioner before July 1, 2000, in a form prescribed by the commissioner. These claims must be treated as if they are a claim for refund under Minnesota Statutes, section 289A.50, subdivisions 4 and 7.

(n) The sales tax rebate is a refund subject to revenue recapture under Minnesota Statutes, chapter 270A. The commissioner of revenue shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, refund one-half of the joint sales tax rebate to the spouse who does not owe the debt.

(o) The rebate is a reduction of fiscal year 1999 sales tax revenues. The amount necessary to make the sales tax rebates and interest provided in this section is appropriated from the general fund to the commissioner of revenue in fiscal year 1999 and is available until June 30, 2001.

(p) If a sales tax rebate check is cashed by someone other than the payee or payees of the check, and the commissioner of revenue determines that the check has been forged or improperly endorsed, the commissioner may issue an order of assessment for the amount of the check against the person or persons cashing it. The assessment must be made within two years after the check is cashed, but if cashing the check constitutes theft under Minnesota Statutes, section 609.52, or forgery under Minnesota Statutes, section 609.631, the assessment can be made at any time. The assessment may be appealed administratively and judicially. The commissioner may take action to collect the assessment in the same manner as provided by Minnesota Statutes, chapter 289A, for any other order of the commissioner assessing tax.

(q) Notwithstanding Minnesota Statutes, sections 9.031, 16A.40, 16B.49, 16B.50, and any other law to the contrary, the commissioner of revenue may take whatever actions the commissioner deems necessary to pay the rebates required by this section, and may, in consultation with the commissioner of finance and the state treasurer, contract with a private vendor or vendors to process, print, and mail the rebate checks or warrants required under this section and receive and disburse state funds to pay those checks or warrants.

(r) The commissioner may pay rebates required by this section by electronic funds transfer to individuals who requested that their 1998 individual income tax refund be paid through electronic funds transfer. The commissioner may make the electronic funds transfer payments to the same financial institution and into the same account as the 1998 individual income tax refund.

### Sec. 3. [APPROPRIATIONS.]

\$1,257,000 is appropriated from the general fund to the commissioner of revenue to administer the sales tax rebate for fiscal year 1999. Any unencumbered balance remaining on June 30, 1999, does not cancel but is available for expenditure by the commissioner of revenue until June 30, 2001. This is a one-time appropriation and may not be added to the agency's budget base.

### Sec. 4. [EFFECTIVE DATE.]

Sections 1 to 3 are effective the day following final enactment.

## ARTICLE 2

## INCOME AND FRANCHISE TAXES

Section 1. Minnesota Statutes 1998, section 16D.09, is amended to read:

## 16D.09 [UNCOLLECTIBLE DEBTS.]

Subdivision 1. [GENERALLY.] When a debt is determined by a state agency to be uncollectible, the debt may be written off by the state agency from the state agency's financial accounting records and no longer recognized as an account receivable for financial reporting purposes. A debt is considered to be uncollectible when (1) all reasonable collection efforts have been exhausted, (2) the cost of further collection action will exceed the amount recoverable, (3) the debt is legally without merit or cannot be substantiated by evidence, (4) the debtor cannot be located, (5) the available assets or income, current or anticipated, that may be available for payment of the debt are insufficient, (6) the debt has been discharged in bankruptcy, (7) the applicable statute of limitations for collection of the debt has expired, or (8) it is not in the public interest to pursue collection of the debt. The determination of the uncollectibility of a debt must be reported by the state agency along with the basis for that decision as part of its quarterly reports to the commissioner of finance. Determining that the debt is uncollectible does not cancel the legal obligation of the debtor to pay the debt, except in the case of a debt related to a tax liability that is canceled by the department of revenue.

Subd. 2. [NOTIFICATION OF ACTION BY DEPARTMENT OF REVENUE.] When the department of revenue has determined that a debt is uncollectible and has written off that debt as provided in subdivision 1, the commissioner of revenue must make a reasonable attempt to notify the debtor of that action and of the release of any liens imposed under section 270.69 related to that debt, within 30 days after the determination has been reported to the commissioner of finance.

Sec. 2. Minnesota Statutes 1998, section 290.01, subdivision 7, is amended to read:

Subd. 7. [RESIDENT.] The term "resident" means (1) any individual domiciled in Minnesota, except that an individual is not a "resident" for the period of time that the individual is a "qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code, if the qualified individual notifies the county within three months of moving out of the country that homestead status be revoked for the Minnesota residence of the qualified individual, and the property is not classified as a homestead while the individual remains a qualified individual; and (2) any individual domiciled outside the state who maintains a place of abode in the state and spends in the aggregate more than one-half of the tax year in Minnesota, unless the individual or the spouse of the individual is in the armed forces of the United States, or the individual is covered under the reciprocity provisions in section 290.081.

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state. Individuals shall keep adequate records to substantiate the days spent outside the state.

The term "abode" means a dwelling maintained by an individual, whether or not owned by the individual and whether or not occupied by the individual, and includes a dwelling place owned or leased by the individual's spouse.

Neither the commissioner nor any court shall consider charitable contributions made by an individual within or without the state in determining if the individual is domiciled in Minnesota.

Sec. 3. Minnesota Statutes 1998, section 290.01, subdivision 19a, 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 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 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 taxes paid or accrued within the taxable year under this chapter and income 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 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. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income tax is the last itemized deduction disallowed;

(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 Number 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes 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 loss or expense included in federal taxable income under section 1366 of the Internal Revenue Code flowing from a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, but which is not allowed to be an "S" corporation under section 290.9725;~~

~~(6) the amount of any distributions in cash or property made to a shareholder during the taxable year by a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, but which is not allowed to be an "S" corporation under section 290.9725 to the extent not already included in federal taxable income under section 1368 of the Internal Revenue Code;~~

~~(7) in the year stock of a corporation that had made a valid election under section 1362 of the Internal Revenue Code but was not an "S" corporation under section 290.9725 is sold or disposed of in a transaction taxable under the Internal Revenue Code, the amount of difference between the Minnesota basis of the stock under subdivision 19f, paragraph (m), and the federal basis if the Minnesota basis is lower than the shareholder's federal basis;~~

~~(8) (5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10; and~~

~~(9) (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.~~

Sec. 4. Minnesota Statutes 1998, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) if included in federal taxable income, the amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others, less the credit allowed under section 290.0674, not to exceed \$1,625 for each ~~dependent~~ qualifying child in grades kindergarten to 6 and \$2,500 for each ~~dependent~~ qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each ~~dependent~~ qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) ~~contributions made in taxable years beginning after December 31, 1981, and before January 1, 1985, to the extent included in federal taxable income, distributions from a qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed person that represent a return of contributions that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income. The distribution shall be allocated first to return of contributions until the contributions included in Minnesota gross income have been exhausted, less any amount allowed to be subtracted as a distribution under this subdivision or a predecessor provision in taxable years that began before January 1, 2000. This subtraction applies only to contributions made in a taxable year prior to 1985 for taxable years beginning after December 31, 1999, and before January 1, 2001;~~

(5) income as provided under section 290.0802;

(6) the amount of unrecovered accelerated cost recovery system deductions allowed under subdivision 19g;

(7) to the extent included in federal adjusted gross income, incomes realized on disposition of property exempt from tax under section 290.491;

(8) to the extent not deducted in determining federal taxable income, the amount paid for health insurance of self-employed individuals as determined under section 162(l) of the Internal Revenue Code, except that the 25 percent limit does not apply. If the taxpayer deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:

(i) the total itemized deductions allowed under section 63(d) of the Internal Revenue Code, less state, local, and foreign income taxes deductible under section 164 of the Internal Revenue Code and the standard deduction under section 63(c) of the Internal Revenue Code; or

(ii) the lesser of (A) the amount of insurance qualifying as "medical care" under section 213(d) of the Internal Revenue Code to the extent not deducted under section 162(l) of the Internal Revenue Code or excluded from income or (B) the total amount deductible for medical care under section 213(a);

(9) the exemption amount allowed under Laws 1995, chapter 255, article 3, section 2, subdivision 3;

(10) to the extent included in federal taxable income, postservice benefits for youth community service under section 124D.42 for volunteer service under United States Code, title 42, section 5011(d), as amended;

(11) to the extent not subtracted under clause (1), the amount of income or gain included in federal taxable income under section 1366 of the Internal Revenue Code flowing from a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code which is not allowed to be an "S" corporation under section 290.9725;

(12) in the year stock of a corporation that had made a valid election under section 1362 of the Internal Revenue Code but was not an "S" corporation under section 290.9725 is sold or disposed of in a transaction taxable under the Internal Revenue Code, the amount of difference between the Minnesota basis of the stock under subdivision 19f, paragraph (m), and the federal basis if the Minnesota basis is higher than the shareholder's federal basis; and

(13) an amount equal to an individual's, trust's, or estate's net federal income tax liability for the tax year that is attributable to items of income, expense, gain, loss, or credits federally flowing to the taxpayer in the tax year from a corporation, having a valid election in effect for federal tax purposes under section 1362 of the Internal Revenue Code but not treated as an "S" corporation for state tax purposes under section 290.9725.

(11) to the extent not deducted in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code over \$500; and

(12) to the extent included in federal taxable income, holocaust victims' settlement payments for any injury incurred as a result of the holocaust, if received by an individual who was persecuted for racial or religious reasons by Nazi Germany or any other Axis regime or an heir of such a person.

Sec. 5. Minnesota Statutes 1998, 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 (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) 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) 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) 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) 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) 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) 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) 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) 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). 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 (f) and (g).

(l) The modifications contained in paragraphs (b) to (j) 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.

~~(m) If a corporation has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, but is not allowed to be an "S" corporation under section 290.9725, and the corporation is liquidated or the individual shareholder disposes of the stock, the Minnesota basis in the shareholder's stock in the corporation shall be computed as if the corporation were not an "S" corporation for federal tax purposes.~~

Sec. 6. Minnesota Statutes 1998, section 290.01, subdivision 19g, is amended to read:

Subd. 19g. [ACRS MODIFICATION FOR INDIVIDUALS.] (a) An individual is allowed a subtraction from federal taxable income for the amount of accelerated cost recovery system deductions that were added to federal adjusted gross income in computing Minnesota gross income for taxable year 1981, 1982, 1983, or 1984 and that were not deducted in a later taxable year beginning before January 1, 2000. The deduction is allowed beginning in the first taxable year after the entire allowable deduction for the property has been allowed under federal law or the first taxable year beginning after December 31, 1987, whichever is later 1999. The amount of the deduction is computed by deducting equals the amount added to federal adjusted gross income in computing Minnesota gross income, (less any:

~~(1) deduction allowed allowable under Minnesota Statutes 1986, section 290.01, subdivision 20f) in equal annual amounts over five years; and~~

~~(2) amount allowable as a subtraction under this subdivision in a taxable year beginning before January 1, 2000.~~

This paragraph does not apply to property that was sold or exchanged in a taxable year beginning before January 1, 2001.

(b) In the event of a sale or exchange of the property occurring during a taxable year beginning after December 31, 1999, and before January 1, 2001, a deduction is allowed equal to the lesser of (1) the remaining amount that would be allowed as a deduction under paragraph (a) or (2) the amount of capital gain recognized and the amount of cost recovery deductions that were subject to recapture under sections 1245 and 1250 of the Internal Revenue Code of 1986 for the taxable year.

(c) In the case of a corporation treated as an "S" corporation under section 290.9725, the amount of the corporation's cost recovery allowances that have been deducted in computing federal tax, but have been added to federal taxable income or not deducted in computing tax under this chapter as a result of the application of subdivision 19e, paragraphs (a) and (c) or Minnesota Statutes 1986, section 290.09, subdivision 7, is allowed as a deduction to the shareholders under the provisions of paragraph (a).

Sec. 7. Minnesota Statutes 1998, section 290.01, is amended by adding a subdivision to read:

Subd. 32. [HOLOCAUST SETTLEMENT PAYMENTS.] "Holocaust victims' settlement payments" means:

(1) a payment received as a result of settlement of the action entitled In re Holocaust Victims' Asset Litigation, in United States district court for the eastern district of New York, C.A. No. 96-4849;

(2) any amount received under the German Act Regulating Unresolved Property Claims or any other foreign law providing for payments for holocaust claims; and

(3) a payment received as a result of the settlement of a holocaust claim not described in clause (1) or (2), including an insurance claim, a claim relating to looted art or financial assets, and a claim relating to slave labor wages.

Sec. 8. Minnesota Statutes 1998, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.] (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

(1) On the first ~~\$19,910~~ \$25,220, ~~6~~ 5.5 percent;

(2) On all over ~~\$19,910~~ \$25,220, but not over ~~\$79,120~~ \$100,200, ~~8~~ 7.25 percent;

(3) On all over ~~\$79,120~~ \$100,200, ~~8.5~~ 8 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

(1) On the first ~~\$13,620~~ \$17,250, ~~6~~ 5.5 percent;

(2) On all over ~~\$13,620~~ \$17,250, but not over ~~\$44,750~~ \$56,680, ~~8~~ 7.25 percent;

(3) On all over ~~\$44,750~~ \$56,680, ~~8.5~~ 8 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

(1) On the first ~~\$16,770~~ \$21,240, ~~6~~ 5.5 percent;

(2) On all over ~~\$16,770~~ \$21,240, but not over ~~\$67,390~~ \$85,350, ~~8~~ 7.25 percent;

(3) On all over ~~\$67,390~~ \$85,350, ~~8.5~~ 8 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code ~~disregarding income or loss flowing from a corporation having a valid election for the taxable year under section 1362 of the Internal Revenue Code but which is not an "S" corporation under section 290.9725~~ and increased by the additions required under section 290.01, subdivision 19a, clauses (1) and ~~(9)~~ (6), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1), ~~(5)~~, ~~(6)~~, ~~(7)~~; and ~~(9)~~ (6), and reduced by the amounts specified in section 290.01, subdivision 19b, ~~clauses~~ clause (1), ~~(11)~~; and ~~(12)~~.

Sec. 9. Minnesota Statutes 1998, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] (a) For taxable years beginning after December 31, ~~1991~~ 1999, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, ~~1990~~ 1998, and before January 1, ~~1992~~ 2000. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~1990~~ 1998" shall be substituted for the word "~~1987~~ 1992." For ~~1991~~ 2000, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1990~~ 1998, to the 12 months ending on August 31, ~~1991~~ 1999, and in each subsequent year, from the 12 months ending on August 31, ~~1990~~ 1998, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.

Sec. 10. Minnesota Statutes 1998, section 290.06, is amended by adding a subdivision to read:

Subd. 26. [BANK S CORPORATIONS.] A shareholder of an S corporation subject to tax under section 290.9725, clause (2), is allowed a credit against the tax imposed under this chapter. The credit equals 80 percent of the tax apportioned to the shareholder under section 290.9726, subdivision 7, for the taxable year.

Sec. 11. Minnesota Statutes 1998, section 290.06, is amended by adding a subdivision to read:

Subd. 27. [TAX PAID TO ANOTHER STATE; CORPORATIONS.] (a) A credit is allowed against the tax imposed under subdivision 1 for tax paid to another state based on net income. The credit must be claimed in a manner prescribed by the commissioner.

(b) The amount of the credit equals the amount of qualifying tax paid to the other state for the taxable year, multiplied by the taxpayer's apportionment percentage under section 290.191. If the item of income or gain is assigned to Minnesota as nonbusiness income, the entire amount of the qualifying tax is allowed as a credit. The maximum amount of the credit is limited to the tax liability under subdivision 1 for the taxable year and, in no case, may the credit exceed the reduction in the amount of tax under subdivision 1 if the item of income or gain were excluded from net income.

(c) For purposes of this subdivision, "qualifying tax" means the amount of tax paid to another state on an item of income or gain for the taxable year, if:

(1) the law of another state requires and the taxpayer assigns the entire amount of the income or gain to one other state; and

(2) the income or gain is included in the measure of the exercise of the corporate franchise that is taxable under subdivision 1.

(d) The amount of tax paid to another state on an item of income or gain is the difference between the tax paid to the state and the amount of tax that would have been paid to the state if the item of income or gain had not been included in the net income of that state.

(e) The taxpayer must report to the commissioner of revenue any change in tax in the other state, the change in qualifying tax, and a copy of the final determination of the tax by the taxing authority of the other state. A taxpayer who claims the credit consents to extend the period of limitation for the commissioner to recompute the credit and reassess the tax due, including a refund, for a period of one year following a report by the taxpayer of a final determination of tax by the state in which the entire amount of income or gain is reported, notwithstanding any period of limitations to the contrary, or within any applicable period of limitations, whichever is longer. If a taxpayer fails to report as required by this paragraph, the commissioner may recompute the tax, including a refund, based on the information available to the commissioner. The tax may be recomputed within six years after the report should have been filed, notwithstanding any period of limitations to the contrary.

Sec. 12. Minnesota Statutes 1998, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. [CREDIT ALLOWED.] (a) An individual is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

(b) For individuals with no qualifying children, the credit equals 1.1475 percent of the first \$4,460 of earned income. The credit is reduced by 1.1475 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$5,570, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals ~~6.8~~ 7.45 percent of the first \$6,680 of earned income and 8.5 percent of earned income over \$11,650 but less than \$12,990. The credit is reduced by ~~4.77~~ 5.13 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$14,560, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ~~eight~~ 8.8 percent of the first \$9,390 of earned income and 20 percent of earned income over \$14,350 but less than \$16,230. The credit is reduced by ~~8.8~~ 9.38 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$17,280, but in no case is the credit less than zero.

(e) For a nonresident or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income.

(g) The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

Sec. 13. Minnesota Statutes 1998, section 290.0674, subdivision 1, is amended to read:

Subdivision 1. [CREDIT ALLOWED.] An individual is allowed a credit against the tax imposed by this chapter in an amount equal to the amount paid for education-related expenses for a dependent qualifying child in kindergarten through grade 12. For purposes of this section, "education-related expenses" means:

(1) fees or tuition for instruction by an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5), or by a member of the Minnesota music teachers association, for instruction outside the regular school day or school year, including tutoring, driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity or summer camps, in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year, that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the graduation rule under section 120B.02 and that do not include the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;

(2) expenses for textbooks, including books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "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 extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(3) a maximum expense of \$200 per family for personal computer hardware, excluding single purpose processors, and educational software that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the graduation rule under section 120B.02 purchased for use in the taxpayer's home and not used in a trade or business regardless of whether the computer is required by the dependent's school; and

(4) the amount paid to others for transportation of a dependent qualifying child attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363.

For purposes of this section, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code.

Sec. 14. Minnesota Statutes 1998, section 290.0674, subdivision 2, is amended to read:

Subd. 2. [LIMITATIONS.] (a) For claimants with income not greater than \$33,500, the maximum credit allowed is \$1,000 per qualifying child and \$2,000 per family. No credit is allowed for education-related expenses for claimants with income greater than ~~\$33,500~~ \$37,500. The maximum credit per child is reduced by \$1 for each \$4 of household income over \$33,500, and the maximum credit per family is reduced by \$2 for each \$4 of household income over \$33,500, but in no case is the credit less than zero.

For purposes of this section "income" has the meaning given in section 290.067, subdivision 2a. In the case of a married claimant, a credit is not allowed unless a joint income tax return is filed.

(b) For a nonresident or part-year resident, the credit determined under subdivision 1 and the maximum credit amount in paragraph (a) must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

Sec. 15. [290.0675] [MARRIAGE PENALTY CREDIT.]

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section the following terms have the meanings given.

(b) "Earned income" means earned income as defined in section 32(c)(2) of the Internal Revenue Code.

(c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

(d) "Earned income of lesser-earning spouse" means the earned income of the spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable year.

Subd. 2. [CREDIT ALLOWED.] A married couple filing a joint return is allowed a credit against the tax imposed under section 290.06.

The minimum taxable income for the married couple to be eligible for the credit is \$25,000, and the minimum earned income in order for the couple to be eligible for the credit is \$14,000 for each spouse.

Subd. 3. [CREDIT AMOUNT.] The credit amount is as shown in the table in this subdivision, based on the couple's taxable income for the tax year and on the earned income of the lesser-earning spouse.

<u>Earned Income of Lesser Earning Spouse</u>	<u>Credit For Taxable Income \$25,000-\$99,999</u>	<u>Credit For Taxable Income \$100,000-over</u>
<u>\$14,000 - \$14,999</u>	<u>\$ 9</u>	<u>\$ 0</u>
<u>\$15,000 - \$15,999</u>	<u>\$ 27</u>	<u>\$ 0</u>
<u>\$16,000 - \$16,999</u>	<u>\$ 44</u>	<u>\$ 0</u>
<u>\$17,000 - \$17,999</u>	<u>\$ 62</u>	<u>\$ 0</u>
<u>\$18,000 - \$18,999</u>	<u>\$ 79</u>	<u>\$ 0</u>
<u>\$19,000 - \$19,999</u>	<u>\$ 97</u>	<u>\$ 0</u>
<u>\$20,000 - \$20,999</u>	<u>\$114</u>	<u>\$ 0</u>
<u>\$21,000 - \$21,999</u>	<u>\$132</u>	<u>\$ 0</u>
<u>\$22,000 - \$22,999</u>	<u>\$149</u>	<u>\$ 0</u>
<u>\$23,000 - \$23,999</u>	<u>\$162</u>	<u>\$ 0</u>
<u>\$24,000 - \$24,999</u>	<u>\$162</u>	<u>\$ 0</u>
<u>\$25,000 - \$25,999</u>	<u>\$162</u>	<u>\$ 0</u>
<u>\$26,000 - \$26,999</u>	<u>\$162</u>	<u>\$ 0</u>
<u>\$27,000 - \$27,999</u>	<u>\$162</u>	<u>\$ 0</u>
<u>\$28,000 - \$28,999</u>	<u>\$162</u>	<u>\$ 9</u>
<u>\$29,000 - \$29,999</u>	<u>\$162</u>	<u>\$ 16</u>
<u>\$30,000 - \$30,999</u>	<u>\$162</u>	<u>\$ 24</u>
<u>\$31,000 - \$31,999</u>	<u>\$162</u>	<u>\$ 31</u>
<u>\$32,000 - \$32,999</u>	<u>\$162</u>	<u>\$ 39</u>
<u>\$33,000 - \$33,999</u>	<u>\$162</u>	<u>\$ 46</u>
<u>\$34,000 - \$34,999</u>	<u>\$162</u>	<u>\$ 54</u>
<u>\$35,000 - \$35,999</u>	<u>\$162</u>	<u>\$ 61</u>
<u>\$36,000 - \$36,999</u>	<u>\$162</u>	<u>\$ 69</u>
<u>\$37,000 - \$37,999</u>	<u>\$162</u>	<u>\$ 76</u>
<u>\$38,000 - \$38,999</u>	<u>\$162</u>	<u>\$ 84</u>
<u>\$39,000 - \$39,999</u>	<u>\$162</u>	<u>\$ 91</u>

<u>\$40,000 - \$40,999</u>	<u>\$162</u>	<u>\$ 99</u>
<u>\$41,000 - \$41,999</u>	<u>\$162</u>	<u>\$106</u>
<u>\$42,000 - \$42,999</u>	<u>\$162</u>	<u>\$114</u>
<u>\$43,000 - \$43,999</u>	<u>\$162</u>	<u>\$121</u>
<u>\$44,000 - \$44,999</u>	<u>\$162</u>	<u>\$129</u>
<u>\$45,000 - \$45,999</u>	<u>\$162</u>	<u>\$136</u>
<u>\$46,000 - \$46,999</u>	<u>\$162</u>	<u>\$144</u>
<u>\$47,000 - \$47,999</u>	<u>\$162</u>	<u>\$151</u>
<u>\$48,000 - \$48,999</u>	<u>\$162</u>	<u>\$159</u>
<u>\$49,000 - \$49,999</u>	<u>\$162</u>	<u>\$166</u>
<u>\$50,000 - \$50,999</u>	<u>\$162</u>	<u>\$174</u>
<u>\$51,000 - \$51,999</u>	<u>\$162</u>	<u>\$181</u>
<u>\$52,000 - \$52,999</u>	<u>\$162</u>	<u>\$189</u>
<u>\$53,000 - \$53,999</u>	<u>\$162</u>	<u>\$196</u>
<u>\$54,000 - \$54,999</u>	<u>\$162</u>	<u>\$204</u>
<u>\$55,000 - \$55,999</u>	<u>\$162</u>	<u>\$211</u>
<u>\$56,000 - \$56,999</u>	<u>\$162</u>	<u>\$219</u>
<u>\$57,000 - \$57,999</u>	<u>\$162</u>	<u>\$226</u>
<u>\$58,000 - \$58,999</u>	<u>\$162</u>	<u>\$234</u>
<u>\$59,000 - \$59,999</u>	<u>\$162</u>	<u>\$241</u>
<u>\$60,000 - \$60,999</u>	<u>\$162</u>	<u>\$249</u>
<u>\$61,000 - \$61,999</u>	<u>\$162</u>	<u>\$256</u>
<u>\$62,000 and over</u>	<u>\$162</u>	<u>\$261</u>

Subd. 4. [NONRESIDENTS AND PART-YEAR RESIDENTS.] For a nonresident or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 5. [INFLATION ADJUSTMENT.] The dollar amount of earned income of the lesser-earning spouse, taxable income, and marriage penalty credit in the table in subdivision 3 must be adjusted for inflation. The commissioner shall adjust the amounts by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Sec. 16. Minnesota Statutes 1998, section 290.091, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION OF TAX.] In addition to all other taxes imposed by this chapter a tax is imposed on individuals, estates, and trusts equal to the excess (if any) of

(a) an amount equal to ~~seven~~ 6.5 percent of alternative minimum taxable income after subtracting the exemption amount, over

(b) the regular tax for the taxable year.

Sec. 17. Minnesota Statutes 1998, section 290.091, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the Minnesota charitable contribution deduction;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; ~~and~~

(iv) the impairment-related work expenses of a disabled person; and

(v) holocaust victims' settlement payments to the extent allowed under section 290.01, subdivision 19b; and

(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);

~~(6) amounts added to federal taxable income as provided by section 290.01, subdivision 19a, clauses (5), (6), and (7);~~

less the sum of the amounts determined under the following ~~clauses (1) to (4)~~:

(1) interest income as defined in section 290.01, subdivision 19b, clause (1);

(2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income; and

(3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income; ~~and~~

~~(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (11) and (12).~~

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Tentative minimum tax" equals ~~seven~~ 6.5 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(e) "Net minimum tax" means the minimum tax imposed by this section.

(f) "Minnesota charitable contribution deduction" means a charitable contribution deduction under section 170 of the Internal Revenue Code to or for the use of an entity described in section 290.21, subdivision 3, clauses (a) to (e). When the federal deduction for charitable contributions is limited under section 170(b) of the Internal Revenue Code, the allowable contributions in the year of contribution are deemed to be first contributions to entities described in section 290.21, subdivision 3, clauses (a) to (e).

Sec. 18. Minnesota Statutes 1998, section 290.091, subdivision 6, is amended to read:

Subd. 6. [CREDIT FOR PRIOR YEARS' LIABILITY.] (a) A credit is allowed against the tax imposed by this chapter on individuals, trusts, and estates equal to the minimum tax credit for the taxable year. The minimum tax credit equals the adjusted net minimum tax for taxable years beginning after December 31, 1988, reduced by the minimum tax credits allowed in a prior taxable year. The credit may not exceed the excess (if any) for the taxable year of

(1) the regular tax, over

(2) the greater of (i) the tentative alternative minimum tax, or (ii) zero.

(b) The adjusted net minimum tax for a taxable year equals the lesser of the net minimum tax or the excess (if any) of

(1) the tentative minimum tax, over

(2) ~~seven~~ 6.5 percent of the sum of

(i) adjusted gross income as defined in section 62 of the Internal Revenue Code,

(ii) interest income as defined in section 290.01, subdivision 19a, clause (1),

~~(iii) the amount added to federal taxable income as provided by section 290.01, subdivision 19a, clauses (5), (6), and (7),~~

~~(iv)~~ interest on specified private activity bonds, as defined in section 57(a)(5) of the Internal Revenue Code, to the extent not included under clause (ii),

~~(v)~~ (iv) depletion as defined in section 57(a)(1), determined without regard to the last sentence of paragraph (1), of the Internal Revenue Code, less

~~(vi)~~ (v) the deductions allowed in computing alternative minimum taxable income provided in subdivision 2, paragraph (a), clause (2) of the first series of clauses and clauses (1), (2), and (3), ~~and (4)~~ of the second series of clauses, and

~~(vii)~~ (vi) the exemption amount determined under subdivision 3.

In the case of an individual who is not a Minnesota resident for the entire year, adjusted net minimum tax must be multiplied by the fraction defined in section 290.06, subdivision 2c, paragraph (e). In the case of a trust or estate, adjusted net minimum tax must be multiplied by the fraction defined under subdivision 4, paragraph (b).

Sec. 19. Minnesota Statutes 1998, section 290.0921, subdivision 5, is amended to read:

Subd. 5. [CHARITABLE CONTRIBUTIONS.] (a) A deduction from alternative minimum taxable net income is allowed equal to the contributions subject to the deduction for charitable contributions under section 290.21, subdivision 3, without application of the limitation in section 290.21, subdivision 3. The deduction allowable for capital gain property is limited to the adjusted basis of the property as defined in section 290.01, subdivision 19f. The term capital gain property has the meaning given by section 170(b)(1)(C)(iv) of the Internal Revenue Code, but does not include property to which an election under section 170(b)(1)(C)(iii) of the Internal Revenue Code applies.

(b) The amount of the deduction may not exceed 15 percent of alternative minimum taxable net income less the deduction allowed under subdivision 6.

Sec. 20. Minnesota Statutes 1998, section 290.095, subdivision 3, is amended to read:

Subd. 3. [CARRYOVER.] (a) A net operating loss incurred in a 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 ~~does business both within and without Minnesota, and~~ 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.

Sec. 21. Minnesota Statutes 1998, section 290.17, subdivision 3, is amended to read:

Subd. 3. [TRADE OR BUSINESS INCOME; GENERAL RULE.] All income of a trade or business is subject to apportionment except nonbusiness income. Income derived from carrying on a trade or business must be assigned to this state if the trade or business is conducted wholly within this state, assigned outside this state if conducted wholly without this state and apportioned between this state and other states and countries under this subdivision if conducted partly within and partly without this state. For purposes of determining whether a trade or business is carried on exclusively within or without this state:

(a) A trade or business physically located exclusively within this state is nevertheless carried on partly within and partly without this state if any of the principles set forth in section 290.191 for the allocation of sales or receipts within or without this state when applied to the taxpayer's situation result in the allocation of any sales or receipts without this state.

(b) A trade or business physically located exclusively without this state is nevertheless carried on partly within and partly without this state if any of the principles set forth in section 290.191 for the allocation of sales or receipts within or without this state when applied to the taxpayer's situation result in the allocation of any sales or receipts without this state. The jurisdiction to tax such a business under this chapter must be determined in accordance with sections 290.014 and 290.015.

Sec. 22. Minnesota Statutes 1998, section 290.17, subdivision 4, is amended to read:

Subd. 4. [UNITARY BUSINESS PRINCIPLE.] (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is considered to be derived from any particular source and none may be allocated to a particular place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to ~~farm income subject to subdivision 5, paragraph (a); business income subject to subdivision 5, paragraph (b) or (c);~~ income of an insurance company determined under section 290.35, or income of an investment company determined under section 290.36.

(b) The term "unitary business" means business activities or operations which ~~are of mutual benefit, dependent upon, or contributory to one another, individually or as a group~~ result in a flow of value between them. The term may be applied within a single legal entity or between multiple entities and without regard to whether each entity is a sole proprietorship, a corporation, a partnership or a trust.

(c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction, but the absence of these centralized activities will not necessarily evidence a nonunitary business. Unity is also presumed when business activities or operations are of mutual benefit, dependent upon or contributory to one another, either individually or as a group.

(d) Where a business operation conducted in Minnesota is owned by a business entity that carries on business activity outside the state different in kind from that conducted within this state, and the other business is conducted entirely outside the state, it is presumed that the two business operations are unitary in nature, interrelated, connected, and interdependent unless it can be shown to the contrary.

(e) Unity of ownership is not deemed to exist when a corporation is involved unless that corporation is a member of a group of two or more business entities and more than 50 percent of the voting stock of each member of the group is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 60A.077.

(f) The net income and apportionment factors under section 290.191 or 290.20 of foreign corporations and other foreign entities which are part of a unitary business shall not be included in the net income or the apportionment factors of the unitary business. A foreign corporation or other foreign entity which is required to file a return under this chapter shall file on a separate return basis. The net income and apportionment factors under section 290.191 or 290.20 of foreign operating corporations shall not be included in the net income or the apportionment factors of the unitary business except as provided in paragraph (g).

(g) The adjusted net income of a foreign operating corporation shall be deemed to be paid as a dividend on the last day of its taxable year to each shareholder thereof, in proportion to each shareholder's ownership, with which such corporation is engaged in a unitary business. Such deemed dividend shall be treated as a dividend under section 290.21, subdivision 4.

Dividends actually paid by a foreign operating corporation to a corporate shareholder which is a member of the same unitary business as the foreign operating corporation shall be eliminated from the net income of the unitary business in preparing a combined report for the unitary business. The adjusted net income of a foreign operating corporation shall be its net income adjusted as follows:

(1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto Rico, or a United States possession or political subdivision of any of the foregoing shall be a deduction; and

(2) the subtraction from federal taxable income for payments received from foreign corporations or foreign operating corporations under section 290.01, subdivision 19d, clause (11), shall not be allowed.

If a foreign operating corporation incurs a net loss, neither income nor deduction from that corporation shall be included in determining the net income of the unitary business.

(h) For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of domestic corporations or other domestic entities other than foreign operating corporations that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business.

(i) Deductions for expenses, interest, or taxes otherwise allowable under this chapter that are connected with or allocable against dividends, deemed dividends described in paragraph (g), or royalties, fees, or other like income described in section 290.01, subdivision 19d, clause (11), shall not be disallowed.

(j) Each corporation or other entity, except a sole proprietorship, that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph (h) must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph (h) in the denominators of the apportionment formula.

(k) If a corporation has been divested from a unitary business and is included in a combined report for a fractional part of the common accounting period of the combined report:

(1) its income includable in the combined report is its income incurred for that part of the year determined by proration or separate accounting; and

(2) its sales, property, and payroll included in the apportionment formula must be prorated or accounted for separately.

Sec. 23. Minnesota Statutes 1998, section 290.17, subdivision 6, is amended to read:

Subd. 6. [NONBUSINESS INCOME.] ~~For a trade or business for which allocation of income within and without this state is required, if the taxpayer has any income not connected with the trade or business carried on partly within and partly without this state that income must be allocated under subdivision 2. Intangible property is employed in a trade or business if the owner of the property holds it as a means of furthering the trade or business. Nonbusiness income is income of the trade or business that cannot be apportioned by this state because of the United States Constitution or the constitution of the state of Minnesota and includes income that cannot constitutionally be apportioned to this state because it is derived from a capital transaction that solely serves an investment function. Nonbusiness income must be allocated under subdivision 2.~~

Sec. 24. Minnesota Statutes 1998, section 290.191, subdivision 2, is amended to read:

Subd. 2. [APPORTIONMENT FORMULA OF GENERAL APPLICATION.] Except for those trades or businesses required to use a different formula under subdivision 3 or section 290.35 or 290.36, and for those trades or businesses that receive permission to use some other method under section 290.20 or under subdivision 4, a trade or business required to apportion its net income must apportion its income to this state on the basis of the percentage obtained by taking the sum of:

(1) ~~70~~ 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) ~~15~~ 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) ~~15~~ 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

Sec. 25. Minnesota Statutes 1998, section 290.191, subdivision 3, is amended to read:

Subd. 3. [APPORTIONMENT FORMULA FOR FINANCIAL INSTITUTIONS.] Except for an investment company required to apportion its income under section 290.36, a financial institution that is required to apportion its net income must apportion its net income to this state on the basis of the percentage obtained by taking the sum of:

(1) ~~70~~ 75 percent of the percentage which the receipts from within this state in connection with the trade or business during the tax period are of the total receipts in connection with the trade or business during the tax period, from wherever derived;

(2) ~~15~~ 12.5 percent of the percentage which the sum of the total tangible property used by the taxpayer in this state and the intangible property owned by the taxpayer and attributed to this state in connection with the trade or business during the tax period is of the sum of the total tangible property, wherever located, used by the taxpayer and the intangible property owned by the taxpayer and attributed to all states in connection with the trade or business during the tax period; and

(3) ~~15~~ 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

Sec. 26. Minnesota Statutes 1998, section 290.9725, is amended to read:

290.9725 [S CORPORATION.]

For purposes of this chapter, the term "S corporation" means any corporation having a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, ~~except that a corporation which either:~~

~~(1) is a financial institution to which either section 585 or section 593 of the Internal Revenue Code applies; or~~

~~(2) has a wholly owned subsidiary as described in section 1361(b)(3)(B) of the Internal Revenue Code which is a financial institution as described above~~

~~is not an "S" corporation for the purposes of this chapter.~~ An S corporation shall not be subject to the taxes imposed by this chapter, except:

(1) the taxes imposed under sections 290.0922, 290.92, 290.9727, 290.9728, and 290.9729; and

(2) the tax under sections 290.06, subdivision 1, and 290.0921 apply to a financial institution to which either section 585 or 593 of the Internal Revenue Code applies or that has a wholly owned subsidiary as described in section 1361(b)(3)(B) of the Internal Revenue Code which is a financial institution under section 585 or 593 of the Internal Revenue Code.

Sec. 27. Minnesota Statutes 1998, section 290.9726, is amended by adding a subdivision to read:

Subd. 7. [FINANCIAL INSTITUTIONS.] An S corporation that is subject to the tax under section 290.9725, clause (2), must report to each shareholder an apportionment of the S corporation's tax obligation for the taxable year for purposes of the credit under section 290.06, subdivision 26. The apportionment to a shareholder must be made in proportion to the amount of taxable income of the S corporation apportioned to the shareholder.

Sec. 28. Minnesota Statutes 1998, section 290A.03, subdivision 3, is amended to read:

Subd. 3. [INCOME.] (1) "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code; and

(b) the sum of the following amounts to the extent not included in clause (a):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, supplemental security income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump sum distribution under section 402(e)(3) of the Internal Revenue Code;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code; and

(xii) nontaxable scholarship or fellowship grants.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(2) "Income" does not include:

(a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(b) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(c) surplus food or other relief in kind supplied by a governmental agency;

(d) relief granted under this chapter; ~~or~~

(e) child support payments received under a temporary or final decree of dissolution or legal separation; or

(f) holocaust settlement payments as defined in section 290.01, subdivision 32.

(3) The sum of the following amounts may be subtracted from income:

- (a) for the claimant's first dependent, the exemption amount multiplied by 1.4;
- (b) for the claimant's second dependent, the exemption amount multiplied by 1.3;
- (c) for the claimant's third dependent, the exemption amount multiplied by 1.2;
- (d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;
- (e) for the claimant's fifth dependent, the exemption amount; and

(f) if the claimant or claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported.

Sec. 29. [NONBUSINESS INCOME; PRE-1999 TAX YEARS.]

If all items of income, gain, or loss are reported by a taxpayer as business income or loss on an original or amended return for a tax year to which this section applies, the commissioner of revenue shall not adjust the tax liability for that tax year, or for any other tax year affected by a carryover from that tax year, by treating any of the items as nonbusiness income or loss under Minnesota Statutes, section 290.17, subdivision 6. Any adjustment treating an item as nonbusiness income or loss ordered by the commissioner before the effective date of this section must be reversed if the order is subject to administrative or judicial challenge on the effective date and such a challenge is timely filed. The reporting of any item as nonbusiness income, gain, or loss does not preclude the application of this section if the taxpayer may not constitutionally be required to treat the item as business income, gain, or loss.

Sec. 30. [BANK S CORPORATION SHAREHOLDERS; ALTERNATIVE MINIMUM TAX.]

For taxable years beginning after December 31, 1997, and before January 1, 1999, a taxpayer is allowed a deduction in computing alternative minimum taxable income under Minnesota Statutes 1998, section 290.091, subdivision 2, paragraph (a), equal to the amount of the subtraction under Minnesota Statutes 1998, section 290.01, subdivision 19b, clause (13).

Sec. 31. [APPROPRIATION.]

(a) \$100,000 is appropriated from the general fund to the commissioner of revenue to make grants to one or more nonprofit organizations, qualifying under section 501(c)(3) of the Internal Revenue Code of 1986, to coordinate, facilitate, encourage, and aid in the provision of taxpayer assistance services. In making grants under this appropriation, the commissioner shall give preference to organizations that will use the grants to attract new and train new and existing volunteers to provide taxpayer assistance. This appropriation is available for fiscal years 2000 and 2001 and does not become a part of the base.

(b) "Taxpayer assistance services" means accounting and tax preparation services provided by volunteers to low-income and disadvantaged Minnesota residents to help them file federal and state income tax returns and Minnesota property tax refund claims and to provide personal representation before the department of revenue and the Internal Revenue Service.

Sec. 32. [EFFECTIVE DATE.]

(a) Section 1 applies to claims written off after June 30, 1999.

(b) Section 2 is intended to clarify rather than to change the definition of resident and is effective for all examinations, claims for refund, administrative appeals, and court proceedings that are pending or begin on or after the day following final enactment.

(c) Except as otherwise provided, sections 3 to 5, 7 to 11, 13 to 18, 21, 22, the changes to clauses (b), (c), and (j), 23, and 26 to 28 are effective for tax years beginning after December 31, 1998. The provisions substituting qualifying child for dependent in sections 4 and 13 are effective for taxable years beginning after December 31, 1999.

(d) Section 4, clause (4), and section 6 are effective for taxable years beginning after December 31, 1999.

(e) Section 12, clause (g), is effective for tax years beginning after December 31, 1997. The rest of section 12 is effective for taxable years beginning after December 31, 1998.

(f) Sections 19, 20, and 22, the changes to clause (a), are effective for tax years beginning on or after the day following final enactment.

(g) Sections 24 and 25 are effective for taxable years beginning after December 31, 2000.

(h) Section 29 is effective on the day after final enactment and applies to tax years beginning before January 1, 1999.

(i) Section 30 is effective for tax years after December 31, 1997, and beginning before January 1, 1999.

(j) Section 31 is effective the day following final enactment.

### ARTICLE 3

#### FEDERAL UPDATE

Section 1. Minnesota Statutes 1998, section 289A.02, subdivision 7, is amended to read:

Subd. 7. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1997~~ 1998.

Sec. 2. Minnesota Statutes 1998, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986. The provisions of sections 10104, 10202, 10203, 10204, 10206, 10212, 10221, 10222, 10223, 10226, 10227, 10228, 10611, 10631, 10632, and 10711 of the Omnibus Budget Reconciliation Act of 1987, Public Law Number 100-203, the provisions of sections 1001, 1002, 1003, 1004, 1005, 1006, 1008, 1009, 1010, 1011, 1011A, 1011B, 1012, 1013, 1014, 1015, 1018, 2004, 3041, 4009, 6007, 6026, 6032, 6137, 6277, and 6282 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, the provisions of sections 7811, 7816, and 7831 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, the provisions of sections 1305, 1704(r), and 1704(e)(1) of the Small Business Job Protection Act, Public Law Number 104-188, and the provisions of sections 975 and 1604(d)(2) and (e) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, and the provisions of section 4004 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277 shall be effective at the time they become effective for federal income tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1987, shall be in effect for taxable years beginning after December 31, 1987. The provisions of sections 4001, 4002, 4011, 5021, 5041, 5053, 5075, 6003, 6008, 6011, 6030, 6031, 6033, 6057, 6064, 6066, 6079, 6130, 6176, 6180, 6182, 6280, and 6281 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, the provisions of sections 7815 and 7821 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, and the provisions of section 11702 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1988, shall be in effect for taxable years beginning after December 31, 1988. The provisions of sections 7101, 7102, 7104, 7105, 7201, 7202, 7203, 7204, 7205, 7206, 7207, 7210, 7211, 7301, 7302, 7303, 7304, 7601, 7621, 7622, 7641, 7642, 7645, 7647, 7651, and 7652 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, the provision of section 1401 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Public Law Number 101-73, the provisions of sections 11701 and 11703 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, and the provisions of sections 1702(g) and 1704(f)(2)(A) and (B) of the Small Business Job Protection Act, Public Law Number 104-188, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1989, shall be in effect for taxable years beginning after December 31, 1989. The provisions of sections 11321, 11322, 11324, 11325, 11403, 11404, 11410, and 11521 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, and the provisions of sections 13224 and 13261 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1990, shall be in effect for taxable years beginning after December 31, 1990.

The provisions of section 13431 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1991, shall be in effect for taxable years beginning after December 31, 1991.

The provisions of sections 1936 and 1937 of the Comprehensive National Energy Policy Act of 1992, Public Law Number 102-486, the provisions of sections 13101, 13114, 13122, 13141, 13150, 13151, 13174, 13239, 13301, and 13442 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, and the provisions of section 1604(a)(1), (2), and (3) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1992, shall be in effect for taxable years beginning after December 31, 1992.

The provisions of sections 13116, 13121, 13206, 13210, 13222, 13223, 13231, 13232, 13233, 13239, 13262, and 13321 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, the provisions of sections 1703(a), 1703(d), 1703(i), 1703(l), and 1703(m) of the Small Business Job Protection Act, Public Law Number 104-188, and the provision of section 1604(c) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1993, shall be in effect for taxable years beginning after December 31, 1993.

The provision of section 741 of Legislation to Implement Uruguay Round of General Agreement on Tariffs and Trade, Public Law Number 103-465, the provisions of sections 1, 2, and 3, of the Self-Employed Health Insurance Act of 1995, Public Law Number 104-7, the provision of section 501(b)(2) of the Health Insurance Portability and Accountability Act, Public Law Number 104-191, the provisions of sections 1604 and 1704(p)(1) and (2) of the Small Business Job Protection Act, Public Law Number 104-188, and the provisions of sections 1011, 1211(b)(1), and 1602(f) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1994, shall be in effect for taxable years beginning after December 31, 1994.

The provisions of sections 1119(a), 1120, 1121, 1202(a), 1444, 1449(b), 1602(a), 1610(a), 1613, and 1805 of the Small Business Job Protection Act, Public Law Number 104-188, the provision of section 511 of the Health Insurance Portability and Accountability Act, Public Law Number 104-191, and the provisions of sections 1174 and 1601(i)(2) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through March 22, 1996, is in effect for taxable years beginning after December 31, 1995.

The provisions of sections 1113(a), 1117, 1206(a), 1313(a), 1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612, 1616, 1617, 1704(l), and 1704(m) of the Small Business Job Protection Act, Public Law Number 104-188, the provisions of Public Law Number 104-117, and the provisions of sections 313(a) and (b)(1), 602(a), 913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013, 1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b) and (c), 1211(b), 1213, 1530(c)(2), 1601(f)(5) and (h), and 1604(d)(1) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, the provisions of section 6010 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, and the provisions of section 4003 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1996, shall be in effect for taxable years beginning after December 31, 1996.

The provisions of sections 202(a) and (b), 221(a), 225, 312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and (c), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306, 1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528, 1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e) of the Taxpayer Relief Act

of 1997, Public Law Number 105-34, the provisions of sections 6004, 6005, 6012, 6013, 6015, 6016, 7002, and 7003 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, and the provisions of section 3001 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1997, shall be in effect for taxable years beginning after December 31, 1997.

The provisions of sections 5002, 6009, 6011, and 7001 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, the provisions of section 9010 of the Transportation Equity Act for the 21st Century, Public Law Number 105-178, the provisions of sections 1004, 4002, and 5301 of the Omnibus Consolidation and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, and the provision of section 303 of the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law Number 105-369, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1998, shall be in effect for taxable years beginning after December 31, 1998.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19g mean the code in effect for purposes of determining net income for the applicable year.

Sec. 3. Minnesota Statutes 1998, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) if included in federal taxable income, the amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others, less the credit allowed under section 290.0674, not to exceed \$1,625 for each dependent in grades kindergarten to 6 and \$2,500 for each dependent in grades 7 to 12, for tuition, textbooks, and transportation of each dependent in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment used 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;

(4) to the extent included in federal taxable income, distributions from a qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed person that represent a return of contributions that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income. The distribution shall be allocated first to return of contributions until the contributions included in Minnesota gross income have been exhausted. This subtraction applies only to contributions made in a taxable year prior to 1985;

- (5) income as provided under section 290.0802;
- (6) the amount of unrecovered accelerated cost recovery system deductions allowed under subdivision 19g;
- (7) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;
- (8) to the extent not deducted in determining federal taxable income, the amount paid for health insurance of self-employed individuals as determined under section 162(l) of the Internal Revenue Code, except that the 25 percent limit does not apply. If the taxpayer deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:
- (i) the total itemized deductions allowed under section 63(d) of the Internal Revenue Code, less state, local, and foreign income taxes deductible under section 164 of the Internal Revenue Code and the standard deduction under section 63(c) of the Internal Revenue Code; or
- (ii) the lesser of (A) the amount of insurance qualifying as "medical care" under section 213(d) of the Internal Revenue Code to the extent not deducted under section 162(1) of the Internal Revenue Code or excluded from income or (B) the total amount deductible for medical care under section 213(a);
- (9) the exemption amount allowed under Laws 1995, chapter 255, article 3, section 2, subdivision 3;
- (10) to the extent included in federal taxable income, postservice benefits for youth community service under section 124D.42 for volunteer service under United States Code, title 42, section 5011(d), as amended;
- (11) to the extent not subtracted under clause (1), the amount of income or gain included in federal taxable income under section 1366 of the Internal Revenue Code flowing from a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code which is not allowed to be an "S" corporation under section 290.9725;
- (12) in the year stock of a corporation that had made a valid election under section 1362 of the Internal Revenue Code but was not an "S" corporation under section 290.9725 is sold or disposed of in a transaction taxable under the Internal Revenue Code, the amount of difference between the Minnesota basis of the stock under subdivision 19f, paragraph (m), and the federal basis if the Minnesota basis is higher than the shareholder's federal basis; and
- (13) an amount equal to an individual's, trust's, or estate's net federal income tax liability for the tax year that is attributable to items of income, expense, gain, loss, or credits federally flowing to the taxpayer in the tax year from a corporation, having a valid election in effect for federal tax purposes under section 1362 of the Internal Revenue Code but not treated as an "S" corporation for state tax purposes under section 290.9725.

Sec. 4. Minnesota Statutes 1998, section 290.01, subdivision 31, is amended to read:

Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1997~~ 1998.

Sec. 5. Minnesota Statutes 1998, section 290A.03, subdivision 15, is amended to read:

Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1997~~ 1998.

Sec. 6. Minnesota Statutes 1998, section 291.005, subdivision 1, is amended to read:

Subdivision 1. Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Federal gross estate" means the gross estate of a decedent as valued and otherwise determined for federal estate tax purposes by federal taxing authorities pursuant to the provisions of the Internal Revenue Code.

(2) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(3) "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.

(4) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

(7) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through December 31, ~~1997~~ 1998.

#### Sec. 7. [EFFECTIVE DATES.]

Sections 1, 4, 5, and 6 are effective at the same time federal changes made by the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206 and the Omnibus Consolidation and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277 which are incorporated into Minnesota Statutes, chapters 289A, 290, 290A, and 291 by these sections become effective for federal tax purposes. Section 3 is effective for tax years beginning after December 31, 1998.

### ARTICLE 4

#### SALES AND USE TAXES

Section 1. Minnesota Statutes 1998, section 289A.18, subdivision 4, is amended to read:

Subd. 4. [SALES AND USE TAX RETURNS.] (a) Sales and use tax returns must be filed on or before the 20th day of the month following the close of the preceding reporting period, except that annual use tax returns provided for under section 289A.11, subdivision 1, must be filed by April 15 following the close of the calendar year, in the case of individuals. Annual use tax returns of businesses, including sole proprietorships, and annual sales tax returns must be filed by February 5 following the close of the calendar year.

(b) Except for the return for the June reporting period, which is due on the following August 25, returns filed by retailers required to remit liabilities by means of funds transfer under section 289A.20, subdivision 4, paragraph (d), are due on or before the 25th day of the month following the close of the preceding reporting period.

(c) If a retailer has an average sales and use tax liability, including local sales and use taxes administered by the commissioner, equal to or less than \$500 per month in any quarter of a calendar year, and has substantially complied with the tax laws during the preceding four calendar quarters, the retailer may request authorization to file and pay the taxes quarterly in subsequent calendar quarters. The authorization remains in effect during the period in which the retailer's quarterly returns reflect sales and use tax liabilities of less than \$1,500 and there is continued compliance with state tax laws.

(d) If a retailer has an average sales and use tax liability, including local sales and use taxes administered by the commissioner, equal to or less than \$100 per month during a calendar year, and has substantially complied with the tax laws during that period, the retailer may request authorization to file and pay the taxes annually in subsequent years. The authorization remains in effect during the period in which the retailer's annual returns reflect sales and use tax liabilities of less than \$1,200 and there is continued compliance with state tax laws.

(e) The commissioner may also grant quarterly or annual filing and payment authorizations to retailers if the commissioner concludes that the retailers' future tax liabilities will be less than the monthly totals identified in paragraphs (c) and (d). An authorization granted under this paragraph is subject to the same conditions as an authorization granted under paragraphs (c) and (d).

(f) A taxpayer who is a materials supplier may report gross receipts either on:

(1) the cash basis as the consideration is received; or

(2) the accrual basis as sales are made.

As used in this paragraph, "materials supplier" means a person who provides materials for the improvement of real property; who is primarily engaged in the sale of lumber and building materials-related products to owners, contractors, subcontractors, repairers, or consumers; who is authorized to file a mechanics lien upon real property and improvements under chapter 514; and who files with the commissioner an election to file sales and use tax returns on the basis of this paragraph.

Sec. 2. Minnesota Statutes 1998, section 289A.20, subdivision 4, is amended to read:

Subd. 4. [SALES AND USE TAX.] (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of the year, the vendor must remit 75 percent of the estimated June liability to the commissioner.

(2) On or before August 14 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the 14th day of the month following the month in which the taxable event occurred, or on or before the 14th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4, except for 75 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 14. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

(d) If the vendor required to remit by electronic funds transfer as provided in paragraph (c) is unable due to reasonable cause to determine the actual sales and use tax due on or before the due date for payment, the vendor may remit an estimate of the tax owed using one of the following options:

(1) 100 percent of the tax reported on the previous month's sales and use tax return;

(2) 100 percent of the tax reported on the sales and use tax return for the same month in the previous calendar year; or

(3) 95 percent of the actual tax due.

Any additional amount of tax that is not remitted on or before the due date for payment, must be remitted with the return. If a vendor fails to remit the actual liability or does not remit using one of the estimate options by the due date for payment, the vendor must remit actual liability as provided in paragraph (c) in all subsequent periods. This paragraph does not apply to the June sales and use tax liability.

Sec. 3. Minnesota Statutes 1998, section 289A.56, subdivision 4, is amended to read:

Subd. 4. [CAPITAL EQUIPMENT REFUNDS; REFUNDS TO PURCHASERS.] Notwithstanding subdivision 3, for refunds payable under section 297A.15, subdivision 5, interest is computed from the date the refund claim is filed with the commissioner. For refunds payable under section 289A.50, subdivision 2a, interest is computed from the 20th day of the month following the month of the invoice date for the purchase which is the subject of the refund, if the refund claim includes a detailed schedule of purchases made during each of the periods in the claim. If the refund claim submitted does not contain a schedule reflecting purchases made in each period, interest is computed from the date the claim was filed.

Sec. 4. Minnesota Statutes 1998, section 297A.25, subdivision 9, is amended to read:

Subd. 9. [MATERIALS CONSUMED IN PRODUCTION.] The gross receipts from the sale of and the storage, use, or consumption of all materials, including chemicals, fuels, petroleum products, lubricants, packaging materials, including returnable containers used in packaging food and beverage products, feeds, seeds, fertilizers, electricity, gas and steam, used or consumed in agricultural or industrial production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced are exempt. Seeds, trees, fertilizers, and herbicides purchased for use by farmers in the Conservation Reserve Program under United States Code, title 16, section 590h, as amended through December 31, 1991, the Integrated Farm Management Program under section 1627 of Public Law Number 101-624, the Wheat and Feed Grain Programs under sections 301 to 305 and 401 to 405 of Public Law Number 101-624, and the conservation reserve program under sections 103F.505 to 103F.531, are included in this exemption. Sales to a veterinarian of materials used or consumed in the care, medication, and treatment of horses and agricultural production animals are exempt under this subdivision. Chemicals used for cleaning food processing machinery and equipment are included in this exemption. Materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural or industrial production to treat waste generated as a result of the production process are included in this exemption. Such production shall include, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products whether vegetable or animal, commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Such production shall not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures, used in such production and fuel, electricity, gas or steam used for space heating or lighting, are not included within this exemption; however, accessory tools, equipment and other short lived items, which are separate detachable units used in producing a direct effect upon the product, where such items have an ordinary useful life of less than 12 months, are included within the exemption provided herein. The following materials, tools, and equipment used in metalcasting are exempt under this subdivision: crucibles, thermocouple protection sheaths and tubes, stalk tubes, refractory materials, molten metal filters and filter boxes, and degassing lances. Electricity used to make snow for outdoor use for ski hills, ski slopes, or ski trails is included in this exemption. Petroleum and special fuels used in producing or generating power for propelling ready-mixed concrete trucks on the public highways of this state are not included in this exemption.

Sec. 5. Minnesota Statutes 1998, section 297A.25, subdivision 63, is amended to read:

Subd. 63. [~~HOSPITALS AND OUTPATIENT SURGICAL CENTERS.~~] (a) The gross receipts from the sale of tangible personal property to, and the storage, use, or consumption of such property by, a hospital are exempt, if the property purchased is to be used in providing hospital services to human beings. For purposes of this subdivision, "hospital" means a hospital organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and licensed under chapter 144 or by any other jurisdiction. For purposes of this subdivision, "hospital services" ~~are~~ means services authorized or required to be performed by a ~~hospital~~ hospital under chapter 144 and ~~regulations~~ rules thereunder or under the applicable licensure law of any other jurisdiction. ~~This exemption does~~

~~(b) The gross receipts from the sale of tangible personal property to, and the storage, use, or consumption of such property by, an outpatient surgical center are exempt, if the property purchased is to be used in providing outpatient surgical services to human beings. For purposes of this subdivision, "outpatient surgical center" means an outpatient surgical center organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and licensed under chapter 144 or by any other jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means: (1) services authorized or required to be performed by an outpatient surgical center under chapter 144 and rules thereunder or under the applicable licensure law of any other jurisdiction; and (2) urgent care. For purposes of this subdivision, "urgent care" means health services furnished to a person whose medical condition is sufficiently acute to require treatment unavailable through, or inappropriate to be provided by, a clinic or physician's office, but not so acute as to require treatment in a hospital emergency room.~~

~~(c) These exemptions do not apply to purchases made by a clinic, physician's office, or any other medical facility not operating as a hospital or outpatient surgical center, even though the clinic, office, or facility may be owned and operated by a hospital or outpatient surgical center. Sales exempted by this subdivision do not include sales under section 297A.01, subdivision 3, paragraphs (c) and (e). This exemption does~~ These exemptions do not apply to 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 hospital or outpatient surgical center. ~~This exemption does~~ These exemptions do not apply to construction materials to be used in constructing buildings or facilities which will not be used principally by a hospital or outpatient surgical center. ~~This exemption does~~ These exemptions do not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

Sec. 6. Minnesota Statutes 1998, section 297A.25, subdivision 73, is amended to read:

Subd. 73. [~~BIOSOLIDS PROCESSING EQUIPMENT.~~] (a) The gross receipts from the sale of and the storage, use, or consumption of equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment, are exempt.

~~(b) The gross receipts from the sale of and the storage, use, or consumption of materials used to construct buildings to house the equipment in paragraph (a) are exempt if purchased after June 30, 1998, and before July 1, 2001.~~

Sec. 7. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 79. [~~PRIZES.~~] ~~The gross receipts from the sales of tangible personal property which will be given as prizes to players in games of skill or chance conducted at events such as community festivals, fairs, and carnivals lasting less than six days are exempt. This exemption shall not apply to property awarded as prizes in connection with lawful gambling as defined in section 349.12 or the state lottery.~~

Sec. 8. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 80. [~~CONSTRUCTION MATERIALS AND SUPPLIES; AGRICULTURAL PROCESSING FACILITY.~~] ~~Purchases of construction materials, supplies, and equipment are exempt from the sales and use taxes imposed under this chapter, regardless of whether purchased by the owner or a contractor, subcontractor, or builder, if:~~

(1) the materials and supplies are used or consumed in, and the equipment is incorporated into, the expansion, remodeling, or improvement of a facility used for cattle slaughtering;

(2) the cost of the project is expected to exceed \$15,000,000;

(3) the expansion, remodeling, or improvement of the facility will be used to fabricate beef;

(4) the number of jobs at the facility are expected to increase by at least 150 when the project is completed; and

(5) the project is expected to be completed by December 31, 2001.

Sec. 9. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 82. [TELEVISION COMMERCIALS.] The gross receipts from the sale of and storage, use, or consumption of tangible personal property which is primarily used or consumed in the preproduction, production, or postproduction of any television commercial and any such commercial, regardless of the medium in which it is transferred, are exempt. "Preproduction" and "production" include but are not limited to all activities related to the preparation for shooting and the shooting of television commercials, including film processing. Equipment rented for the preproduction and production activities is exempt. "Postproduction" includes but is not limited to all activities related to the finishing and duplication of television commercials. This exemption does not apply to tangible personal property used primarily in administration, general management, or marketing. Machinery and equipment purchased for use in producing such commercials and fuel, electricity, gas, or steam used for space heating or lighting are not exempt under this subdivision.

Sec. 10. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 83. [CONSTRUCTION MATERIALS AND EQUIPMENT; BIOMASS ELECTRICAL GENERATING FACILITY.] The gross receipts from the purchases of materials and supplies used or consumed in, and equipment incorporated into, the construction, improvement, or expansion of a facility using biomass to generate electricity are exempt from the sales and use taxes imposed under this chapter, regardless of whether purchased by the owner or a contractor, subcontractor, or builder, if:

(1) the facility exclusively utilizes residue wood, sawdust, bark, chipped wood, or brush to generate electricity;

(2) the facility utilizes a reciprocated grate combination system; and

(3) the total gross capacity of the facility is 15 to 21 megawatts.

Sec. 11. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 84. [WASTE MANAGEMENT CONTAINERS AND COMPACTORS.] The gross receipts from the sale of and storage, use, or consumption of compactors and waste collection containers are exempt from the sales and use taxes imposed under this chapter provided that they are purchased by a waste management service provider, and are used in providing waste management services as defined in section 297H.01, subdivision 12. A waste management service provider that does not remit tax on customer charges or lease or rental payments for compactors and waste collection containers under chapter 297H is ineligible for this exemption.

Sec. 12. Minnesota Statutes 1998, section 297A.48, is amended by adding a subdivision to read:

Subd. 1a. [RULES FOR ADOPTION, USE, TERMINATION.] (a) Imposition of a local sales tax is subject to approval by voters of the political subdivision at a general election.

(b) The proceeds of the tax must be dedicated exclusively to payment of the cost of a specific capital improvement which is designated at least 90 days before the referendum on imposition of the tax is conducted.

(c) The tax must terminate after the improvement designated under paragraph (b) has been completed.

(d) After a sales tax imposed by a political subdivision has expired or been terminated, the political subdivision is prohibited from imposing a local sales tax for a period of one year. Notwithstanding subdivision 10, this paragraph applies to all local sales taxes in effect at the time of or imposed after the date of enactment of this section.

Sec. 13. Minnesota Statutes 1998, section 297A.48, is amended by adding a subdivision to read:

Subd. 7a. [USE OF ZIP CODE IN DETERMINING LOCATION OF SALE.] To determine whether to impose the local tax, the retailer may use zip codes if the zip code area is entirely within the political subdivision. When a zip code area is not entirely within a political subdivision, the retailer shall not collect the local tax if the purchaser notified the retailer that their delivery address is outside of the political subdivision, unless the retailer verifies that the delivery address is in the political subdivision using a means other than the zip code. Notwithstanding subdivision 10, this subdivision applies to all local sales taxes without regard to the date of authorization.

Sec. 14. Laws 1998, chapter 389, article 8, section 44, subdivision 5, is amended to read:

Subd. 5. [USE OF REVENUES.] (a) Revenues received from the taxes authorized by subdivisions 1 to 4 must be used to pay for the cost of collecting the taxes; to pay all or part of the capital or administrative cost of the acquisition, construction, and improvement of the Central Minnesota Events Center and related on-site and off-site improvements; and to pay for the operating deficit, if any, in the first five years of operation of the facility. Authorized expenses related to acquisition, construction, and improvement of the center include, but are not limited to, acquiring property, paying construction and operating expenses related to the development of the facility, and securing and paying debt service on bonds or other obligations issued to finance construction or improvement of the authorized facility.

(b) In addition, if the revenues collected from a tax imposed in subdivisions 1 to 4 are greater than the amount needed to meet obligations under paragraph (a) in any year, the surplus may be returned to the cities in a manner agreed upon by the participating cities under this section, to be used by the cities for projects of regional significance, limited to the acquisition and improvement of park land and open space; the purchase, renovation, and construction of public buildings and land primarily used for the arts, libraries, and community centers; and for debt service on bonds issued for these purposes. The amount of surplus revenues raised by a tax will be determined either as provided for by an applicable joint powers agreement or by a governing entity in charge of administering the project in paragraph (a).

(c) If start of the Central Minnesota Events Center under paragraph (a) is delayed, the cities may still impose the tax, and use a portion of the revenue to fund the projects under paragraph (b), provided that revenues are reserved to pay future costs of the construction of the events center in paragraph (a) as provided by a joint powers agreement or by a governing entity in charge of administering the project. If a decision is made not to proceed with the event center under paragraph (a) or construction of the event center has not begun by December 31, 2007, the funds in the reserve account shall be distributed to the cities based on the joint powers agreement to pay for other projects permitted under paragraph (b). All revenues raised from these taxes after December 31, 2008, must be used exclusively to pay off bonds for the event center project under paragraph (a) and to pay off bonds issued under subdivision 6.

Sec. 15. Laws 1998, chapter 389, article 8, section 44, subdivision 6, is amended to read:

Subd. 6. [BONDING AUTHORITY.] (a) The cities named in subdivision 1 may issue bonds under Minnesota Statutes, chapter 475, to finance the acquisition, construction, and improvement of the Central Minnesota Events Center. An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds issued by all cities named in subdivision 1, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements for the Central Minnesota Events Center, may not exceed \$50,000,000, plus an amount equal to the costs related to issuance of the bonds, less any amount made available to the cities for the project described in subdivision 5 under the capital expenditure legislation adopted during the 1998 session of the legislature.

(d) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

(e) The cities named in subdivision 1 may issue bonds for the projects listed in subdivision 5, paragraph (b), under regular bonding authority. Bonds for these projects, to be paid from tax revenues under this section, may not be issued after December 31, 2008.

Sec. 16. Laws 1998, chapter 389, article 8, section 44, subdivision 7, as amended by Laws 1998, chapter 408, section 20, is amended to read:

Subd. 7. [TERMINATION OF TAXES.] The taxes imposed by each city under subdivisions 1 to 4 expire at the earlier of 30 years or when sufficient funds have been received from the taxes to finance the obligations under subdivisions 5, paragraph (a), and 6, and to prepay or retire at maturity the principal, interest, and premium due on the original bonds issued for the initial acquisition, construction, and improvement of the Central Minnesota Events Center as determined under an applicable joint powers agreement or by a governing entity in charge of administering the project. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general funds of the cities imposing the taxes. The taxes imposed by a city under this section may expire at an earlier time by city ordinance, if authorized under the applicable joint powers agreement or by the governing entity in charge of administering the project.

If the cities that pass a referendum required under subdivision ~~6~~ 1 determine that the revenues raised from the sum of all the taxes authorized by referendum under this ~~subdivision~~ section will not be sufficient to fund the project in subdivision 5, paragraph (a), none of the authorized taxes may be imposed.

If the taxes are imposed, as allowed under subdivision 5, paragraph (c), and the cities determine at a later date that there are not sufficient funds to fund the Central Minnesota Events Center under subdivision 5, paragraph (a), or the funding for the event center has not been determined by December 31, 2008, the taxes will be terminated as soon as sufficient revenues are raised to prepay or retire at maturity the principal, interest, and premium due on bonds issued under subdivision 6, paragraph (e).

Sec. 17. [CITY OF NEW ULM; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAX.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at the first municipal general election held after the date of final enactment of this act, the city of New Ulm may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of New Ulm may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. [USE OF REVENUES.] Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for construction and improvement of a civic and community center and recreational facilities to serve all ages, including seniors and youth. Authorized expenses include, but are not limited to, acquiring property, paying construction and operating expenses related to the development of an authorized facility, funding facilities replacement reserves, and paying debt service on bonds or other obligations issued to finance the construction or expansion of an authorized facility. The capital expenses for all projects authorized under this subdivision that may be paid with these taxes are limited to \$9,000,000, plus an amount equal to the costs related to issuance of the bonds and funding facilities replacement reserves.

Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects. An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements may not exceed \$9,000,000, plus an amount equal to the costs related to issuance of the bonds.

(d) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under subdivisions 1 and 2 expire when the city council determines that sufficient funds have been received from the taxes to finance the capital and administrative costs for the acquisition, construction, and improvement of facilities described in subdivision 3, and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the facilities under subdivision 4. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

Subd. 6. [EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of New Ulm with Minnesota Statutes, section 645.021, subdivision 3.

#### Sec. 18. [CITY OF PROCTOR; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAX.] Notwithstanding Minnesota Statutes, section 297A.48, subdivision 1a, 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at the first municipal general election held after the date of final enactment of this act or at a special election held November 2, 1999, the city of Proctor may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Proctor may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. [USE OF REVENUES.] Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for construction and improvement of the following city facilities:

(1) streets; and

(2) constructing and equipping the Proctor community activity center.

Authorized expenses include, but are not limited to, acquiring property, paying construction and operating expenses related to the development of an authorized facility, and paying debt service on bonds or other obligations, including lease obligations, issued to finance the construction, expansion, or improvement of an authorized facility. The capital expenses for all projects authorized under this paragraph that may be paid with these taxes is limited to \$3,600,000, plus an amount equal to the costs related to issuance of the bonds.

Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects described in subdivision 3. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 279.61.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

(d) The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements, may not exceed \$3,600,000, plus an amount equal to the costs related to issuance of the bonds, including interest on the bonds.

(e) The sales and use and excise taxes authorized in this section may be pledged to and used for the payment of the bonds and any bonds issued to refund them only if the bonds and any refunding bonds are general obligations of the city.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under subdivisions 1 and 2 expire when the city council determines that the amount described in subdivision 4, paragraph (d), has been received from the taxes to finance the capital and administrative costs for the acquisition, construction, expansion, and improvement of facilities described in subdivision 3, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

Subd. 6. [EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Proctor with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 19. [EFFECTIVE DATES.]

Sections 1, 2, 5, 7, 9, and 11 are effective for sales and purchases made after June 30, 1999.

Section 3 is effective for amended returns and refund claims filed on or after July 1, 1999.

Section 4 is effective the day following final enactment and applies retroactively to all open tax years and to assessments and appeals under Minnesota Statutes, sections 289A.38 and 289A.65, for which the time limits have not expired on the date of final enactment of this act. The provisions of Minnesota Statutes, section 289A.50, apply to refunds claimed under section 4. Refunds claimed under section 4 must be filed by the later of December 31, 1999, or the time limit under Minnesota Statutes, section 289A.40, subdivision 1.

Section 6 is effective retroactively for sales and purchases made after June 30, 1998.

Section 8 is effective for purchases and sales made after the date of final enactment.

Section 10 is effective for purchases made after the date of final enactment and before July 1, 2001.

Section 12 is effective the day after final enactment. Section 12, paragraphs (a) to (c), apply to all local sales taxes enacted after July 1, 1999. Section 12, paragraph (d), applies to all local sales taxes in effect at the time of, or imposed after the day of, the enactment of this section.

Section 13 is effective the day following final enactment.

## ARTICLE 5

### PROPERTY TAXES

Section 1. Minnesota Statutes 1998, section 271.01, subdivision 5, is amended to read:

Subd. 5. [JURISDICTION.] The tax court shall have statewide jurisdiction. Except for an appeal to the supreme court or any other appeal allowed under this subdivision, the tax court shall be the sole, exclusive, and final authority for the hearing and determination of all questions of law and fact arising under the tax laws of the state, as defined in this subdivision, in those cases that have been appealed to the tax court and in any case that has been transferred by the district court to the tax court. The tax court shall have no jurisdiction in any case that does not arise under the tax laws of the state or in any criminal case or in any case determining or granting title to real property or in any case that is under the probate jurisdiction of the district court. The small claims division of the tax court shall have no jurisdiction in any case dealing with property valuation or assessment for property tax purposes until the taxpayer has appealed the valuation or assessment to the county board of equalization, and in those towns and cities which have not transferred their duties to the county, the town or city board of equalization, except for: (i) those taxpayers whose original assessments are determined by the commissioner of revenue; and (ii) those taxpayers appealing a denial of a current year application for the homestead classification for their property and the denial was not reflected on a valuation notice issued in the year. The tax court shall have no jurisdiction in any case involving an order of the state board of equalization unless a taxpayer contests the valuation of property. Laws governing taxes, aids, and related matters administered by the commissioner of revenue, laws dealing with property valuation, assessment or taxation of property for property tax purposes, and any other laws that contain provisions authorizing review of taxes, aids, and related matters by the tax court shall be considered tax laws of this state subject to the jurisdiction of the tax court. This subdivision shall not be construed to prevent an appeal, as provided by law, to an administrative agency, board of equalization, review under section 274.13, subdivision 1c, or to the commissioner of revenue. Wherever used in this chapter, the term commissioner shall mean the commissioner of revenue, unless otherwise specified.

Sec. 2. Minnesota Statutes 1998, section 271.21, subdivision 2, is amended to read:

Subd. 2. [JURISDICTION.] At the election of the taxpayer, the small claims division shall have jurisdiction only in the following matters:

(a) ~~in~~ cases involving valuation, assessment, or taxation of real or personal property, if the taxpayer has satisfied the requirements of section 271.01, subdivision 5, and: (i) the issue is a denial of a current year application for the homestead classification for the taxpayer's property and the denial was not reflected on a valuation notice issued in the year; or (ii) in the case of nonhomestead property, the assessor's estimated market value is less than \$100,000; or

(b) any other case concerning the tax laws as defined in section 271.01, subdivision 5, in which the amount in controversy does not exceed \$5,000, including penalty and interest.

Sec. 3. Minnesota Statutes 1998, section 272.02, subdivision 1, is amended to read:

Subdivision 1. [EXEMPT PROPERTY DESCRIBED.] All property described in this section to the extent herein limited shall be exempt from taxation:

(1) All public burying grounds.

(2) All public schoolhouses.

(3) All public hospitals.

(4) All academies, colleges, and universities, and all seminaries of learning.

(5) All churches, church property, and houses of worship.

(6) Institutions of purely public charity except parcels of property containing structures and the structures described in section 273.13, subdivision 25, paragraph (e), other than those that qualify for exemption under clause (25).

(7) All public property exclusively used for any public purpose.

(8) Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures, including storage sheds, decks, and similar removable improvements constructed on the site of a manufactured home, sectional structure, park trailer or travel trailer as provided in section 273.125, subdivision 8, paragraph (f); and

(f) flight property as defined in section 270.071.

(9) Personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used, and real property which 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 clause, 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 or water pollution shall file an application with the commissioner of revenue. The equipment or device shall meet standards, rules, or criteria prescribed by the Minnesota pollution control agency, and must be installed or operated in accordance with a permit or order issued by that agency. The Minnesota pollution control agency shall upon request of the commissioner furnish information or advice to the commissioner. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The equipment or device shall continue to be exempt from taxation as long as the permit issued by the Minnesota pollution control agency remains in effect.

(10) Wetlands. For purposes of this subdivision, "wetlands" means: (i) land described in section 103G.005, subdivision 15a; (ii) land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes, provided it is preserved in its natural condition and drainage of it would be legal, feasible, and economically practical for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice; or (iii) land in a wetland preservation area under sections 103F.612 to 103F.616. "Wetlands" under items (i) and (ii) include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands, but do not include woody swamps containing shrubs or trees, wet meadows, meandered water, streams, rivers, and floodplains or river bottoms. Exemption of wetlands from taxation pursuant to this section shall not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to the wetlands.

(11) Native prairie. The commissioner of the department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this clause. Upon receipt of an application for the exemption provided in this clause for lands for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commissioner of natural resources who shall determine within 30 days whether the land is native prairie and notify the county assessor of the decision. Exemption of native prairie pursuant to this clause shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

(12) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

(13) If approved by the governing body of the municipality in which the property is located, property not exceeding one acre which is owned and operated by any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders; provided the property is used primarily as a clubhouse, meeting facility, or recreational facility by the group or association and the property is not used for residential purposes on either a temporary or permanent basis.

(14) To the extent provided by section 295.44, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power on a site owned by the federal government, the state, or a local governmental unit which is developed and operated pursuant to the provisions of section 103G.535.

(15) If approved by the governing body of the municipality in which the property is located, and if construction is commenced after June 30, 1983:

(a) a "direct satellite broadcasting facility" operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band; and

(b) a "fixed satellite regional or national program service facility" operated by a corporation licensed by the federal communications commission to provide fixed satellite-transmitted regularly scheduled broadcasting services using satellites operating in the 6-ghz. band.

An exemption provided by clause (15) shall apply for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. Before approving a tax exemption pursuant to this paragraph, the governing body of the municipality shall provide an opportunity to the members of the county board of commissioners of the county in which the facility is proposed to be located and the members of the school board of the school district in which the facility is proposed to be located to meet with the governing body. The governing body shall present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption shall not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body or 30 days have passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

(16) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used in the generation and distribution of hot water for heating buildings and structures.

(17) Notwithstanding section 273.19, state lands that are leased from the department of natural resources under section 92.46.

(18) Electric power distribution lines and their attachments and appurtenances, that are used primarily for supplying electricity to farmers at retail.

(19) Transitional housing facilities. "Transitional housing facility" means a facility that meets the following requirements. (i) It provides temporary housing to individuals, couples, or families. (ii) It has the purpose of reuniting families and enabling parents or individuals to obtain self-sufficiency, advance their education, get job training, or become employed in jobs that provide a living wage. (iii) It provides support services such as child care, work readiness training, and career development counseling; and a self-sufficiency program with periodic monitoring of each resident's progress in completing the program's goals. (iv) It provides services to a resident of the facility for at least three months but no longer than three years, except residents enrolled in an educational or vocational institution or job training program. These residents may receive services during the time they are enrolled but in no event longer than four years. (v) It is owned and operated or under lease from a unit of government or governmental agency under a property disposition program and operated by one or more organizations exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992. This exemption applies notwithstanding the fact that the sponsoring organization receives financing by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency under the provisions of either Title II of the National Housing Act or the Minnesota Housing Finance Agency Law of 1971 or rules promulgated by the agency pursuant to it, and notwithstanding the fact that the sponsoring organization receives funding under Section 8 of the United States Housing Act of 1937, as amended.

(20) Real and personal property, including leasehold or other personal property interests, owned and operated by a corporation if more than 50 percent of the total voting power of the stock of the corporation is owned collectively by: (i) the board of regents of the University of Minnesota, (ii) the University of Minnesota Foundation, an organization exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, and (iii) a corporation organized under chapter 317A, which by its articles of incorporation is prohibited from providing pecuniary gain to any person or entity other than the regents of the University of Minnesota; which property is used primarily to manage or provide goods, services, or facilities utilizing or relating to large-scale advanced scientific computing resources to the regents of the University of Minnesota and others.

(21)(a) Small scale wind energy conversion systems installed after January 1, 1991, and used as an electric power source are exempt.

"Small scale wind energy conversion systems" are wind energy conversion systems, as defined in section 216C.06, subdivision 12, including the foundation or support pad, which are (i) used as an electric power source; (ii) located within one county and owned by the same owner; and (iii) produce two megawatts or less of electricity as measured by nameplate ratings.

(b) Medium scale wind energy conversion systems installed after January 1, 1991, are treated as follows: (i) the foundation and support pad are taxable; (ii) the associated supporting and protective structures are exempt for the first five assessment years after they have been constructed, and thereafter, 30 percent of the market value of the associated supporting and protective structures are taxable; and (iii) the turbines, blades, transformers, and its related equipment, are exempt. "Medium scale wind energy conversion systems" are wind energy conversion systems as defined in section 216C.06, subdivision 12, including the foundation or support pad, which are: (i) used as an electric power source; (ii) located within one county and owned by the same owner; and (iii) produce more than two but equal to or less than 12 megawatts of energy as measured by nameplate ratings.

(c) Large scale wind energy conversion systems installed after January 1, 1991, are treated as follows: 25 percent of the market value of all property is taxable, including (i) the foundation and support pad; (ii) the associated supporting and protective structures; and (iii) the turbines, blades, transformers, and its related equipment. "Large scale wind energy conversion systems" are wind energy conversion systems as defined in section 216C.06, subdivision 12, including the foundation or support pad, which are: (i) used as an electric power source; and (ii) produce more than 12 megawatts of energy as measured by nameplate ratings.

(22) Containment tanks, cache basins, and that portion of the structure needed for the containment facility used to confine agricultural chemicals as defined in section 18D.01, subdivision 3, as required by the commissioner of agriculture under chapter 18B or 18C.

(23) Photovoltaic devices, as defined in section 216C.06, subdivision 13, installed after January 1, 1992, and used to produce or store electric power.

(24) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used for an ice arena or ice rink, and used primarily for youth and high school programs.

(25) A structure that is situated on real property that is used for:

(i) housing for the elderly or for low- and moderate-income families as defined in Title II of the National Housing Act, as amended through December 31, 1990, and funded by a direct federal loan or federally insured loan made pursuant to Title II of the act; or

(ii) housing lower income families or elderly or handicapped persons, as defined in Section 8 of the United States Housing Act of 1937, as amended.

In order for a structure to be exempt under item (i) or (ii), it must also meet each of the following criteria:

(A) is owned by an entity which is operated as a nonprofit corporation organized under chapter 317A;

(B) is owned by an entity which has not entered into a housing assistance payments contract under Section 8 of the United States Housing Act of 1937, or, if the entity which owns the structure has entered into a housing assistance payments contract under Section 8 of the United States Housing Act of 1937, the contract provides assistance for less than 90 percent of the dwelling units in the structure, excluding dwelling units intended for management or maintenance personnel;

(C) operates an on-site congregate dining program in which participation by residents is mandatory, and provides assisted living or similar social and physical support services for residents; and

(D) was not assessed and did not pay tax under chapter 273 prior to the 1991 levy, while meeting the other conditions of this clause.

An exemption under this clause remains in effect for taxes levied in each year or partial year of the term of its permanent financing.

(26) Real and personal property that is located in the Superior National Forest, and owned or leased and operated by a nonprofit organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, and primarily used to provide recreational opportunities for disabled veterans and their families.

(27) Manure pits and appurtenances, which may include slatted floors and pipes, installed or operated in accordance with a permit, order, or certificate of compliance issued by the Minnesota pollution control agency. The exemption shall continue for as long as the permit, order, or certificate issued by the Minnesota pollution control agency remains in effect.

(28) Notwithstanding clause (8), item (a), attached machinery and other personal property which is part of a facility containing a cogeneration system as described in section 216B.166, subdivision 2, paragraph (a), if the cogeneration system has met the following criteria: (i) the system utilizes natural gas as a primary fuel and the cogenerated steam initially replaces steam generated from existing thermal boilers utilizing coal; (ii) the facility developer is selected as a result of a procurement process ordered by the public utilities commission; and (iii) construction of the facility is commenced after July 1, 1994, and before July 1, 1997.

(29) Real property acquired by a home rule charter city, statutory city, county, town, or school district under a lease purchase agreement or an installment purchase contract during the term of the lease purchase agreement as long as and to the extent that the property is used by the city, county, town, or school district and devoted to a public use and to the extent it is not subleased to any private individual, entity, association, or corporation in connection with a business or enterprise operated for profit.

(30) Property owned by a nonprofit charitable organization that qualifies for tax exemption under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1997, that is intended to be used as a business incubator in a high-unemployment county ~~but is not occupied on the assessment date~~. As used in this clause, a "business incubator" is a facility used for the development of nonretail businesses, offering access to equipment, space, services, and advice to the tenant businesses, for the purpose of encouraging economic development, diversification, and job creation in the area served by the organization, and "high-unemployment county" is a county that had an average annual unemployment rate of 7.9 percent or greater in 1997. Property that qualifies for the exemption under this clause is limited to no more than two contiguous parcels and structures that do not exceed in the aggregate 40,000 square feet. This exemption expires after taxes payable in 2005.

(31) Notwithstanding any other law to the contrary, real property that meets the following criteria is exempt:

(i) constitutes a wastewater treatment system (a) constructed by a municipality using public funds, (b) operates under a State Disposal System Permit issued by the Minnesota pollution control agency pursuant to chapters 115 and 116 and Minnesota Rules, chapter 7001, and (c) applies its effluent to land used as part of an agricultural operation;

(ii) is located within a municipality of a population of less than 10,000;

(iii) is used for treatment of effluent from a private potato processing facility; and

(iv) is owned by a municipality and operated by a private entity under agreement with that municipality.

(32) Notwithstanding clause (8), item (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 250 megawatts of installed capacity and that meets the requirements of this clause. At the time of construction, the facility must:

(i) not be owned by a public utility as defined in section 216B.02, subdivision 4;

(ii) utilize natural gas as a primary fuel;

(iii) be located within 20 miles of the intersection of an existing 42-inch (outside diameter) natural gas pipeline and a 345-kilovolt high-voltage electric transmission line; and

(iv) be designed to provide peaking, emergency backup, or contingency services, and have received a certificate of need pursuant to section 216B.243 demonstrating demand for its capacity.

Construction of the facility must be commenced after July 1, 1999, and before July 1, 2003. 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.

Sec. 4. Minnesota Statutes 1998, section 272.027, is amended to read:

272.027 [PERSONAL PROPERTY USED TO GENERATE ELECTRICITY FOR PRODUCTION AND RESALE.]

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.

Subd. 2. [EXEMPTION FOR CUSTOMER OWNED PROPERTY TRANSFERRED TO A UTILITY.] (a) Tools, implements, and machinery of an electric generating facility are exempt if all the following requirements are met:

(1) the electric generating facilities were operational and met the requirements for exemption of personal property under subdivision 1 on January 2, 1999; and

(2) the generating facility is sold to a Minnesota electric utility.

(b) Any tools, implements, and machinery installed to increase generation capacity are also exempt under this section provided that the existing tools, implements, and machinery are exempt under paragraph (a).

Subd. 3. [EXEMPTION ELECTRIC POWER PLANT PERSONAL PROPERTY; TACONITE AND STEEL MILL.]

Tools, implements, and machinery of an electric generating facility are exempt if all the following requirements are met:

(1) the electric generating facility, when completed, will have a capacity of at least 450 megawatts;

(2) the electric generating facility is adjacent to a taconite mine direct-reduction steel mill; and

(3) the electric generating facility supplied over 60 percent of its electricity generated in the prior year to the adjacent direct-reduction plant and steel mill.

Sec. 5. Minnesota Statutes 1998, section 272.03, subdivision 6, is amended to read:

Subd. 6. [TRACT, LOT, PARCEL, AND PIECE OR PARCEL.] (a) "Tract," "lot," "parcel," and "piece or parcel" of land means any contiguous quantity of land in the possession of, owned by, or recorded as the property of, the same claimant or person.

(b) Notwithstanding paragraph (a), property that is owned by a utility, leased for residential or recreational uses for terms of 20 years or longer, and separately valued by the assessor, will be treated for property tax purposes as separate parcels.

Sec. 6. Minnesota Statutes 1998, section 273.11, subdivision 1a, is amended to read:

Subd. 1a. [LIMITED MARKET VALUE.] In the case of all property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, or noncommercial seasonal recreational residential, the assessor shall compare the value with that determined in the preceding assessment. The amount of the increase entered in the current assessment shall not exceed the greater of (1) ~~ten~~ 8.5 percent of the value in the preceding assessment, or (2) ~~one-fourth~~ 15 percent of the difference between the current assessment and the preceding assessment. This limitation shall not apply to increases in value due to improvements. For purposes of this subdivision, the term "assessment" means the value prior to any exclusion under subdivision 16.

The provisions of this subdivision shall be in effect only for ~~assessment years 1993~~ through assessment year 2001.

For purposes of the assessment/sales ratio study conducted under section 127A.48, and the computation of state aids paid under chapters 122A, 123A, 123B, 124D, 125A, 126C, 127A, and 477A, market values and net tax capacities determined under this subdivision and subdivision 16, shall be used.

Sec. 7. Minnesota Statutes 1998, section 273.11, subdivision 16, is amended to read:

Subd. 16. [VALUATION EXCLUSION FOR CERTAIN IMPROVEMENTS.] Improvements to homestead property made before January 2, 2003, shall be fully or partially excluded from the value of the property for assessment purposes provided that (1) the house is at least ~~35~~ 45 years old at the time of the improvement and (2) ~~either~~

~~(a) the assessor's estimated market value of the house on January 2 of the current year is equal to or less than \$150,000, or \$400,000.~~

~~(b) if the estimated market value of the house is over \$150,000 market value but is less than \$300,000 on January 2 of the current year, the property qualifies if~~

~~(i) it is located in a city or town in which 50 percent or more of the owner-occupied housing units were constructed before 1960 based upon the 1990 federal census, and~~

~~(ii) the city or town's median family income based upon the 1990 federal census is less than the statewide median family income based upon the 1990 federal census, or~~

~~(c) if the estimated market value of the house is \$300,000 or more on January 2 of the current year, the property qualifies if~~

~~(i) it is located in a city or town in which 45 percent or more of the homes were constructed before 1940 based upon the 1990 federal census, and~~

~~(ii) it is located in a city or town in which 45 percent or more of the housing units were rental based upon the 1990 federal census, and~~

~~(iii) the city or town's median value of owner-occupied housing units based upon the 1990 federal census is less than the statewide median value of owner-occupied housing units based upon the 1990 federal census.~~

For purposes of determining this eligibility, "house" means land and buildings.

The age of a residence is the number of years since the original year of its construction. In the case of a residence that is relocated, the relocation must be from a location within the state and the only improvements eligible for exclusion under this subdivision are (1) those for which building permits were issued to the homeowner after the residence was relocated to its present site, and (2) those undertaken during or after the year the residence is initially occupied by the homeowner, excluding any market value increase relating to basic improvements that are necessary to install the residence on its foundation and connect it to utilities at its present site. In the case of an owner-occupied duplex or triplex, the improvement is eligible regardless of which portion of the property was improved.

If the property lies in a jurisdiction which is subject to a building permit process, a building permit must have been issued prior to commencement of the improvement. ~~Any improvement~~ The improvements for a single project or in any one year must add at least ~~\$1,000~~ \$5,000 to the value of the property to be eligible for exclusion under this subdivision. Only improvements to the structure which is the residence of the qualifying homesteader or construction of or improvements to no more than one two-car garage per residence qualify for the provisions of this subdivision. If an improvement was begun between January 2, 1992, and January 2, 1993, any value added from that improvement for the January 1994 and subsequent assessments shall qualify for exclusion under this subdivision provided that a building permit was obtained for the improvement between January 2, 1992, and January 2, 1993. Whenever a building permit is issued for property currently classified as homestead, the issuing jurisdiction shall notify the property owner of the possibility of valuation exclusion under this subdivision. The assessor shall require an application, including documentation of the age of the house from the owner, if unknown by the assessor. The application may be filed subsequent to the date of the building permit provided that the application must be filed within three years of the date the building permit was issued for the improvement. If the property lies in a jurisdiction which is not subject to a building permit process, the application must be filed within three years of the date the improvement was made. The assessor may require proof from the taxpayer of the date the improvement was made. Applications must be received prior to July 1 of any year in order to be effective for taxes payable in the following year.

No exclusion for an improvement may be granted ~~for an improvement~~ by a local board of review or county board of equalization, and no abatement of the taxes for qualifying improvements may be granted by the county board unless (1) a building permit was issued prior to the commencement of the improvement if the jurisdiction requires a building permit, and (2) an application was completed.

The assessor shall note the qualifying value of each improvement on the property's record, and the sum of those amounts shall be subtracted from the value of the property in each year for ten years after the improvement has been made, ~~at which time an amount equal to 20 percent of the qualifying value shall be added back in each of the five subsequent assessment years.~~ After ten years the amount of the qualifying value shall be added back as follows:

(1) 50 percent in the two subsequent assessment years if the qualifying value is equal to or less than \$10,000 market value; or

(2) 20 percent in the five subsequent assessment years if the qualifying value is greater than \$10,000 market value.

If an application is filed after the first assessment date at which an improvement could have been subject to the valuation exclusion under this subdivision, the ten-year period during which the value is subject to exclusion is reduced by the number of years that have elapsed since the property would have qualified initially. The valuation exclusion shall terminate whenever (1) the property is sold, or (2) the property is reclassified to a class which does not qualify for treatment under this subdivision. Improvements made by an occupant who is the purchaser of the property under a conditional purchase contract do not qualify under this subdivision unless the seller of the property is a governmental entity. The qualifying value of the property shall be computed based upon the increase from that structure's market value as of January 2 preceding the acquisition of the property by the governmental entity.

The total qualifying value for a homestead may not exceed \$50,000. The total qualifying value for a homestead with a house that is less than 70 years old may not exceed \$25,000. The term "qualifying value" means the increase in estimated market value resulting from the improvement if the improvement occurs when the house is at least 70

years old, or one-half of the increase in estimated market value resulting from the improvement otherwise. The \$25,000 and \$50,000 maximum qualifying value under this subdivision may result from ~~up to three separate multiple~~ improvements to the homestead. ~~The application shall state, in clear language, that if more than three improvements are made to the qualifying property, a taxpayer may choose which three improvements are eligible, provided that after the taxpayer has made the choice and any valuation attributable to those improvements has been excluded from taxation, no further changes can be made by the taxpayer.~~

If 50 percent or more of the square footage of a structure is voluntarily razed or removed, the valuation increase attributable to any subsequent improvements to the remaining structure does not qualify for the exclusion under this subdivision. If a structure is unintentionally or accidentally destroyed by a natural disaster, the property is eligible for an exclusion under this subdivision provided that the structure was not completely destroyed. The qualifying value on property destroyed by a natural disaster shall be computed based upon the increase from that structure's market value as determined on January 2 of the year in which the disaster occurred. A property receiving benefits under the homestead disaster provisions under section 273.123 is not disqualified from receiving an exclusion under this subdivision. If any combination of improvements made to a structure after January 1, 1993, increases the size of the structure by 100 percent or more, the valuation increase attributable to the portion of the improvement that causes the structure's size to exceed 100 percent does not qualify for exclusion under this subdivision.

Sec. 8. Minnesota Statutes 1998, section 273.111, is amended by adding a subdivision to read:

Subd. 15. [DISSECTED PARCELS; CONTINUED DEFERMENT.] Real estate consisting of more than ten, but less than 15, acres which has:

(1) been owned by the applicant or the applicant's parents for at least 70 years;

(2) been dissected by two or more major parkways or interstate highways; and

(3) qualified for the agricultural valuation and tax deferral under this section through assessment year 1996, taxes payable in 1997,

shall continue to qualify for treatment under this section until the applicant's death or transfer or sale by the applicant of the applicant's interest in the real estate. When the property ceases to qualify for treatment under this section, the recapture provisions of subdivision 9 will apply with respect to the last ten years that the property has been valued and assessed under this section.

Sec. 9. Minnesota Statutes 1998, section 273.124, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] (a) Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a residential homestead.

Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used as a homestead by its owner, who must be a Minnesota resident, is an agricultural homestead.

Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

Property of a trustee, beneficiary, or grantor of a trust is not disqualified from receiving homestead benefits if the homestead requirements under this chapter are satisfied.

The assessor shall require proof, as provided in subdivision 13, of the facts upon which classification as a homestead may be determined. Notwithstanding any other law, the assessor may at any time require a homestead application to be filed in order to verify that any property classified as a homestead continues to be eligible for homestead status. Notwithstanding any other law to the contrary, the department of revenue may, upon request from an assessor, verify whether an individual who is requesting or receiving homestead classification has filed a Minnesota income tax return as a resident for the most recent taxable year for which the information is available.

When there is a name change or a transfer of homestead property, the assessor may reclassify the property in the next assessment unless a homestead application is filed to verify that the property continues to qualify for homestead classification.

(b) For purposes of this section, homestead property shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner must use the property for the purposes of the homestead, and must apply to the assessor, both by the deadlines given in subdivision 9. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph and paragraph (g), "relative" means a parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, ~~or~~ aunt, nephew, or niece. This relationship may be by blood or marriage. Property that has been classified as seasonal recreational residential property at any time during which it has been owned by the current owner or spouse of the current owner will not be reclassified as a homestead unless it is occupied as a homestead by the owner; this prohibition also applies to property that, in the absence of this paragraph, would have been classified as seasonal recreational residential property at the time when the residence was constructed. Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. In the case of a residence located on agricultural land, only the house, garage, and immediately surrounding one acre of land shall be classified as a homestead under this paragraph, except as provided in paragraph (d).

(d) Agricultural property that is occupied and used for purposes of a homestead by a relative of the owner, is a homestead, only to the extent of the homestead treatment that would be provided if the related owner occupied the property, and only if all of the following criteria are met:

(1) the relative who is occupying the agricultural property is a son, daughter, father, or mother of the owner of the agricultural property or a son or daughter of the spouse of the owner of the agricultural property,

(2) the owner of the agricultural property must be a Minnesota resident,

(3) the owner of the agricultural property must not receive homestead treatment on any other agricultural property in Minnesota, and

(4) the owner of the agricultural property is limited to only one agricultural homestead per family under this paragraph.

Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative qualifying under this paragraph. For purposes of this paragraph, "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land.

Application must be made to the assessor by the owner of the agricultural property to receive homestead benefits under this paragraph. The assessor may require the necessary proof that the requirements under this paragraph have been met.

(e) In the case of property owned by a property owner who is married, the assessor must not deny homestead treatment in whole or in part if only one of the spouses occupies the property and the other spouse is absent due to: (1) marriage dissolution proceedings, (2) legal separation, (3) employment or self-employment in another location, or (4) other personal circumstances causing the spouses to live separately, not including an intent to obtain two homestead classifications for property tax purposes. To qualify under clause (3), the spouse's place of employment

or self-employment must be at least 50 miles distant from the other spouse's place of employment, and the homesteads must be at least 50 miles distant from each other. Homestead treatment, in whole or in part, shall not be denied to the owner's spouse who previously occupied the residence with the owner if the absence of the owner is due to one of the exceptions provided in this paragraph.

(f) The assessor must not deny homestead treatment in whole or in part if:

(1) in the case of a property owner who is not married, the owner is absent due to residence in a nursing home or boarding care facility and the property is not otherwise occupied; or

(2) in the case of a property owner who is married, the owner or the owner's spouse or both are absent due to residence in a nursing home or boarding care facility and the property is not occupied or is occupied only by the owner's spouse.

(g) If an individual is purchasing property with the intent of claiming it as a homestead and is required by the terms of the financing agreement to have a relative shown on the deed as a coowner, the assessor shall allow a full homestead classification. This provision only applies to first-time purchasers, whether married or single, or to a person who had previously been married and is purchasing as a single individual for the first time. The application for homestead benefits must be on a form prescribed by the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

(h) If residential or agricultural real estate is occupied and used for purposes of a homestead by a child of a deceased owner and the property is subject to jurisdiction of probate court, the child shall receive relative homestead classification under paragraph (c) or (d) to the same extent they would be entitled to it if the owner was still living, until the probate is completed. For purposes of this paragraph, "child" includes a relationship by blood or by marriage.

Sec. 10. Minnesota Statutes 1998, section 273.124, subdivision 7, is amended to read:

Subd. 7. [LEASED BUILDINGS OR LAND.] For purposes of class 1 determinations, homesteads include:

(a) buildings and appurtenances owned and used by the occupant as a permanent residence which are located upon land the title to which is vested in a person or entity other than the occupant;

(b) all buildings and appurtenances located upon land owned by the occupant and used for the purposes of a homestead together with the land upon which they are located, if all of the following criteria are met:

(1) the occupant is using the property as a permanent residence;

(2) the occupant is paying the property taxes and any special assessments levied against the property;

(3) the occupant has signed a lease which has an option to purchase the buildings and appurtenances;

(4) the term of the lease is at least five years; and

(5) the occupant has made a down payment of at least \$5,000 in cash if the property was purchased by means of a contract for deed or subject to a mortgage.

(c) all buildings and appurtenances and the land upon which they are located that are used for purposes of a homestead, if all of the following criteria are met:

(1) the land is owned by a utility, which maintains ownership of the land in order to facilitate compliance with the terms of its hydroelectric project license from the federal energy regulatory commission;

(2) the land is leased for a term of 20 years or more;

(3) the occupant is using the property as a permanent residence; and

(4) the occupant is paying the property taxes and any special assessments levied against the property.

Any taxpayer meeting all the requirements of this paragraph must notify the county assessor, or the assessor who has the powers of the county assessor pursuant to section 273.063, in writing, as soon as possible after signing the lease agreement and occupying the buildings as a homestead.

Sec. 11. Minnesota Statutes 1998, section 273.124, subdivision 8, is amended to read:

Subd. 8. [HOMESTEAD OWNED BY FAMILY FARM CORPORATION OR PARTNERSHIP OR LEASED TO FAMILY FARM CORPORATION OR PARTNERSHIP.] (a) Each family farm corporation and each partnership operating a family farm is entitled to class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a assessment for one homestead occupied by a shareholder or partner thereof who is residing on the land and actively engaged in farming of the land owned by the corporation or partnership. Homestead treatment applies even if legal title to the property is in the name of the corporation or partnership and not in the name of the person residing on it. "Family farm corporation" and "family farm" have the meanings given in section 500.24, except that the number of allowable shareholders or partners under this subdivision shall not exceed 12.

(b) In addition to property specified in paragraph (a), any other residences owned by corporations or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by shareholders or partners who are actively engaged in farming on behalf of the corporation or partnership must also be assessed as class 2a property or as class 1b property under section 273.13, subdivision 22, paragraph (b), ~~but the property eligible is limited to the residence itself and as much of the land surrounding the homestead, not exceeding one acre, as is reasonably necessary for the use of the dwelling as a home, and does not include any other structures that may be located on it.~~

(c) Agricultural property owned by a shareholder of a family farm corporation, as defined in paragraph (a), or by a partner in a partnership operating a family farm and leased to the family farm corporation by the shareholder or to the partnership by the partner, is eligible for classification as class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a under section 273.13, subdivision 23, paragraph (a), if the owner is actually residing on the property and is actually engaged in farming the land on behalf of the corporation or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation or partnership operating a family farm under the lease.

Sec. 12. Minnesota Statutes 1998, section 273.124, subdivision 13, is amended to read:

Subd. 13. [HOMESTEAD APPLICATION.] (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) On or before January 2, 1993, each county assessor shall mail a homestead application to the owner of each parcel of property within the county which was classified as homestead for the 1992 assessment year. The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The commissioner shall consult with the chairs of the house and senate tax committees on the contents of the homestead application form. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to continue receiving homestead treatment. The envelope containing the homestead application shall clearly identify its contents and alert the taxpayer of its necessary immediate response.

(c) Every property owner applying for homestead classification must furnish to the county assessor the social security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and social security number of each owner's spouse who occupies the property. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and social security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and social security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

The social security numbers or affidavits or other proofs of the property owners and spouses are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The social security number of each relative occupying the property and the social security number of each owner who is related to an occupant of the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The social security number of a relative occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue.

(e) The homestead application shall also notify the property owners that the application filed under this section will not be mailed annually and that if the property is granted homestead status for the 1993 assessment, or any assessment year thereafter, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If the homestead application is not returned within 30 days, the county will send a second application to the present owners of record. The notice of proposed property taxes prepared under section 275.065, subdivision 3, shall reflect the property's classification. Beginning with assessment year 1993 for all properties, if a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

(g) At the request of the commissioner, each county must give the commissioner a list that includes the name and social security number of each property owner and the property owner's spouse occupying the property, or relative of a property owner, applying for homestead classification under this subdivision. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

(h) If the commissioner finds that a property owner may be claiming a fraudulent homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose of this section, "homestead benefits" means the tax reduction resulting from the classification as a homestead under section 273.13, the taconite homestead credit under section 273.135, and the supplemental homestead credit under section 273.1391.

The county auditor shall send a notice to the person who owned the affected property at the time the homestead application related to the improper homestead was filed, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The person notified may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing proof of service as provided in section 278.01 with the Minnesota tax court within 60 days of the date of the notice from the county. Procedurally, the appeal is governed by the provisions in chapter 271 which apply to the appeal of a property tax assessment or levy, but without requiring any prepayment of the amount in controversy. If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of taxes and penalty to the county treasurer. The county treasurer will add interest to the unpaid homestead benefits and penalty amounts at the rate provided in section 279.03 for real property taxes becoming delinquent in the calendar year during which the amount remains unpaid. Interest may be assessed for the period beginning 60 days after demand for payment was made.

If the person notified is the current owner of the property, the treasurer may add the total amount of benefits, penalty, interest, and costs to the ad valorem taxes otherwise payable on the property by including the amounts on the property tax statements under section 276.04, subdivision 3. The amounts added under this paragraph to the ad valorem taxes shall include interest accrued through December 31 of the year preceding the taxes payable year for which the amounts are first added. These amounts, when added to the property tax statement, become subject to all the laws for the enforcement of real or personal property taxes for that year, and for any subsequent year.

If the person notified is not the current owner of the property, the treasurer may collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment of the benefits, penalty, interest, and costs, as if those amounts were delinquent tax obligations of the person who owned the property at the time the application related to the improperly allowed homestead was filed. The treasurer may relieve a prior owner of personal liability for the benefits, penalty, interest, and costs, and instead extend those amounts on the tax lists against the property as provided in this paragraph to the extent that the current owner agrees in writing. On all demands, billings, property tax statements, and related correspondence, the county must list and state separately the amounts of homestead benefits, penalty, interest and costs being demanded, billed or assessed.

(i) Any amount of homestead benefits recovered by the county from the property owner shall be distributed to the county, city or town, and school district where the property is located in the same proportion that each taxing district's levy was to the total of the three taxing districts' levy for the current year. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis county auditor to be deposited in the taconite property tax relief account. Any amount recovered that is attributable to supplemental homestead credit is to be transmitted to the commissioner of revenue for deposit in the general fund of the state treasury. The total amount of penalty collected must be deposited in the county general fund.

(j) If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

(k) In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners. The social security numbers and federal identification numbers that are maintained by a county or city assessor for property tax administration purposes, and that may appear on the lists retain their classification as private or nonpublic data; but may be viewed, accessed, and used by the county auditor or treasurer of the same county for the limited purpose of assisting the commissioner in the preparation of microdata samples under section 270.0681.

Sec. 13. Minnesota Statutes 1998, section 273.124, subdivision 14, is amended to read:

Subd. 14. [AGRICULTURAL HOMESTEADS; SPECIAL PROVISIONS.] (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

(1) the parcel on which the house is located is contiguous on at least two sides to (i) agricultural land, (ii) land owned or administered by the United States Fish and Wildlife Service, or (iii) land administered by the department of natural resources on which in lieu taxes are paid under sections 477A.11 to 477A.14;

(2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20 acres;

(3) the noncontiguous land is located not farther than four townships or cities, or a combination of townships or cities from the homestead; and

(4) the agricultural use value of the noncontiguous land and farm buildings is equal to at least 50 percent of the market value of the house, garage, and one acre of land.

Homesteads initially classified as class 2a under the provisions of this paragraph shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, as long as the homestead remains under the same ownership, the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use value qualifies under clause (4). Homestead classification under this paragraph is limited to property that qualified under this paragraph for the 1998 assessment.

(b) Agricultural property consisting of at least 40 acres shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the owner is actively farming the agricultural property;

(2) the owner of the agricultural property is a Minnesota resident;

(3) neither the owner nor the spouse of the agricultural property claims another agricultural homestead in Minnesota; and

(4) the owner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

~~(b)~~ (c) Except as provided in paragraph ~~(d)~~ (e), noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

~~(c)~~ (d) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

~~(d)~~ (e) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

Sec. 14. Minnesota Statutes 1998, section 273.124, is amended by adding a subdivision to read:

Subd. 20. [ADDITIONAL REQUIREMENTS PROHIBITED.] No political subdivision may impose any requirements not contained in this chapter or chapter 272 to disqualify property from being classified as a homestead if the property otherwise meets the requirements for homestead treatment under this chapter and chapter 272.

Sec. 15. Minnesota Statutes 1998, section 273.13, subdivision 22, is amended to read:

Subd. 22. [CLASS 1.] (a) Except as provided in subdivision 23, real estate which is residential and used for homestead purposes is class 1. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first ~~\$75,000~~ \$76,000 of market value of class 1a property has a net class rate of one percent of its market value; and the market value of class 1a property that exceeds ~~\$75,000~~ \$76,000 has a class rate of ~~1.7~~ 1.65 percent of its market value.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by

(1) any blind person, or the blind person and the blind person's spouse; or

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

(iii) has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 percent or more of total household income, as defined in section 290A.03, subdivision 5, from

(A) aid from any state as a result of that disability; or

(B) supplemental security income for the disabled; or

(C) workers' compensation based on a finding of total and permanent disability; or

(D) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or

(E) aid under the federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or

(F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability; or

(G) pension, annuity, or other income paid as a result of that disability from a private pension or disability plan, including employer, employee, union, and insurance plans and

(iii) has household income as defined in section 290A.03, subdivision 5, of \$50,000 or less; or

(4) any person who is permanently and totally disabled and whose household income as defined in section 290A.03, subdivision 5, is 275 percent or less of the federal poverty level.

Property is classified and assessed under clause (4) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph.

Property is classified and assessed pursuant to clause (1) only if the commissioner of economic security certifies to the assessor that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$32,000 market value of class 1b property has a net class rate of .45 percent of its market value. The remaining market value of class 1b property has a net class rate using the rates for class 1 or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort or a partner in a partnership that owns the resort, even if the title to the homestead is held by the corporation or partnership. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property has a class rate of one percent of total market value with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore. If any portion of the class 1c resort property is classified as class 4c under subdivision 25, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same class rates as class 1a property under paragraph (a).

Sec. 16. Minnesota Statutes 1998, section 273.13, subdivision 23, is amended to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property under subdivision 22. The value of the remaining land including improvements up to \$115,000 has a net class rate of 0.35 percent of market value. The ~~remaining~~ value of class 2a property over \$115,000 of market value ~~that does not exceed 320 acres up to and including \$600,000 market value~~ has a net class rate of 0.8 percent of market value. The remaining property over ~~\$115,000~~ \$600,000 market value ~~in excess of 320 acres~~ has a class rate of ~~1.25~~ 1.20 percent of market value.

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; (2) real estate that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources; (3) real estate that is nonhomestead agricultural land; or (4) a landing area or public access area of a privately owned public use airport. Class 2b property has a net class rate of ~~1.25~~ 1.20 percent of market value.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products or enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law Number 99-198. Contiguous acreage on the same parcel, or contiguous acreage on an immediately adjacent parcel under the same ownership, may

also qualify as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land included in state or federal farm programs. Agricultural classification for property shall be determined excluding the house, garage, and immediately surrounding one acre of land, and shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(d) Real estate, excluding the house, garage, and immediately surrounding one acre of land, of less than ten acres which is exclusively and intensively used for raising or cultivating agricultural products, shall be considered as agricultural land.

Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

Classification under this subdivision is not determinative for qualifying under section 273.111.

The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

(e) The term "agricultural products" as used in this subdivision includes production for sale of:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock described in sections 18.44 to 18.61, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

(2) fish bred for sale and consumption if the fish breeding occurs on land zoned for agricultural use;

(3) the commercial boarding of horses if the boarding is done in conjunction with raising or cultivating agricultural products as defined in clause (1);

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing; ~~and~~

(5) game birds and waterfowl bred and raised for use on a shooting preserve licensed under section 97A.115;

(6) insects primarily bred to be used as food for animals; and

(7) trees, grown for sale as a crop, and not sold for timber, lumber, wood, or wood products.

(f) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

(1) wholesale and retail sales;

(2) processing of raw agricultural products or other goods;

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

(g) To qualify for classification under paragraph (b), clause (4), a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of paragraph (b), clause (4), "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

(iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under paragraph (b), clause (4), must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

Sec. 17. Minnesota Statutes 1998, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Commercial and industrial property and utility real and personal property, ~~except class 5 property as identified in subdivision 31, clause (1);~~ is class 3a. Each parcel of real property has a class rate of ~~2.45~~ 2.4 percent of the first tier of market value, and ~~3.5~~ 3.4 percent of the remaining market value, except that in the case of contiguous parcels of ~~commercial and industrial~~ property owned by the same person or entity, only the value equal to the first-tier value of the contiguous parcels qualifies for the reduced class rate. For the purposes of this subdivision, the first tier means the first \$150,000 of market value. ~~In the case of utility property owned by one person or entity, only one parcel in each county has a reduced class rate on the first tier of market value. Real property owned in fee by a utility for transmission line right-of-way shall be classified at the class rate for the higher tier. All personal property shall be classified at the class rate for the higher tier. For purposes of this subdivision "personal property" means tools, implements, and machinery of an electric generating, transmission, or distribution system, or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures.~~

For purposes of this paragraph, parcels are considered to be contiguous even if they are separated from each other by a road, street, vacant lot, waterway, or other similar intervening type of property.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b ~~and has a class rate of 2.3 percent of the first \$50,000 of market value and 3.5 percent of the remainder, except that for employment property located in a border city enterprise zone designated pursuant to section 469.168, subdivision 4, paragraph (c);~~. The class rate of the first tier of market value and the class rate of the remainder is rates for class 3b property ~~are~~ determined under paragraph (a), ~~unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 469.171, subdivision 1.~~

(c)(1) Subject to the limitations of clause (2), structures which are (i) located on property classified as class 3a, (ii) constructed under an initial building permit issued after January 2, 1996, (iii) located in a transit zone as defined under section 473.3915, subdivision 3, (iv) located within the boundaries of a school district, and (v) not primarily used for retail or transient lodging purposes, shall have a class rate equal to 85 percent of to the lesser of 2.975 percent or the class rate of the second tier of the commercial property rate under paragraph (a) on any portion of the market value that does not qualify for the first tier class rate under paragraph (a). As used in item (v), a structure is primarily used for retail or transient lodging purposes if over 50 percent of its square footage is used for those purposes. A class rate equal to 85 percent of the lesser of 2.975 percent or the class rate of the second tier of the commercial property class rate under paragraph (a) shall also apply to improvements to existing structures that meet the requirements of items (i) to (v) if the improvements are constructed under an initial building permit issued after January 2, 1996, even if the remainder of the structure was constructed prior to January 2, 1996. For the purposes of this paragraph, a structure shall be considered to be located in a transit zone if any portion of the structure lies within the zone. If any property once eligible for treatment under this paragraph ceases to remain eligible due to revisions in transit zone boundaries, the property shall continue to receive treatment under this paragraph for a period of three years.

(2) This clause applies to any structure qualifying for the transit zone reduced class rate under clause (1) on January 2, 1999, or any structure meeting any of the qualification criteria in item (i) and otherwise qualifying for the transit zone reduced class rate under clause (1). Such a structure continues to receive the transit zone reduced class rate until the occurrence of one of the events in item (ii). Property qualifying under item (i)(D), that is located outside of a city of the first class, qualifies for the transit zone reduced class rate as provided in that item. Property qualifying under item (i)(E) qualifies for the transit zone reduced class rate as provided in that item.

(i) A structure qualifies for the rate in this clause if it is:

(A) property for which a building permit was issued before December 31, 1998; or

(B) property for which a building permit was issued before June 30, 2001, if:

(I) at least 50 percent of the land on which the structure is to be built has been acquired or is the subject of signed purchase agreements or signed options as of March 15, 1998, by the entity that proposes construction of the project or an affiliate of the entity;

(II) signed agreements have been entered into with one entity or with affiliated entities to lease for the account of the entity or affiliated entities at least 50 percent of the square footage of the structure or the owner of the structure will occupy at least 50 percent of the square footage of the structure; and

(III) one of the following requirements is met:

the project proposer has submitted the completed data portions of an environmental assessment worksheet by December 31, 1998; or

a notice of determination of adequacy of an environmental impact statement has been published by April 1, 1999;  
or

an alternative urban areawide review has been completed by April 1, 1999; or

(C) property for which a building permit is issued before July 30, 1999, if:

(I) at least 50 percent of the land on which the structure is to be built has been acquired or is the subject of signed purchase agreements as of March 31, 1998, by the entity that proposes construction of the project or an affiliate of the entity;

(II) a signed agreement has been entered into between the building developer and a tenant to lease for its own account at least 200,000 square feet of space in the building;

(III) a signed letter of intent is entered into by July 1, 1998, between the building developer and the tenant to lease the space for its own account; and

(IV) the environmental review process required by state law was commenced by December 31, 1998;

(D) property for which an irrevocable letter of credit with a housing and redevelopment authority was signed before December 31, 1998. The structure shall receive the transit zone reduced class rate during construction and for the duration of time that the original tenants remain in the building. Any unoccupied net leasable square footage that is not leased within 36 months after the certificate of occupancy has been issued for the building shall not be eligible to receive the reduced class rate. This reduced class rate applies only if the entity that constructed the structure continues to own the property;

(E) property, located in a city of the first class, and for which the building permits for the excavation, the parking ramp, and the office tower were issued prior to April 1, 1999, shall receive the reduced class rate during construction and for the first five assessment years immediately following its initial occupancy provided that, when completed, at least 25 percent of the net leasable square footage must be occupied by the entity or the parent entity constructing the structure each year during this time period. In order to receive the reduced class rate on the structure in any subsequent assessment years, at least 50 percent of the rentable square footage must be occupied by the entity or the parent entity that constructed the structure. This reduced class rate applies only if the entity or the parent entity that constructed the structure continues to own the property.

(ii) A structure specified by this clause, other than a structure qualifying under clause (i)(D) or (E), shall continue to receive the transit zone reduced class rate until the occurrence of one of the following events:

(A) if the structure upon initial occupancy will be owner occupied by the entity initially constructing the structure or an affiliated entity, the structure receives the reduced class rate until the structure ceases to be at least 50 percent occupied by the entity or an affiliated entity, provided, if the portion of the structure occupied by that entity or an affiliate of the entity is less than 85 percent, the transit zone class rate reduction for the portion of structure not so occupied terminates upon the leasing of such space to any nonaffiliated entity; or

(B) if the structure is leased by a single entity or affiliated entity at the time of initial occupancy, the structure shall receive the reduced class rate until the structure ceases to be at least 50 percent occupied by the entity or an affiliated entity, provided, if the portion of the structure occupied by that entity or an affiliate of the entity is less than 85 percent, the transit zone class rate reduction for the portion of structure not so occupied shall terminate upon the leasing of such space to any nonaffiliated entity; or

(C) if the structure meets the criteria in item (i)(C), the structure shall receive the reduced class rate until the expiration of the initial lease term of the applicable tenants.

Percentages occupied or leased shall be determined based upon net leasable square footage in the structure. The assessor shall allocate the value of the structure in the same fashion as provided in the general law for portions of any structure receiving and not receiving the transit tax class reduction as a result of this clause.

Sec. 18. Minnesota Statutes 1998, section 273.13, is amended by adding a subdivision to read:

Subd. 24a. [TRANSIT ZONE PROPERTIES; PERSONAL PROPERTY TAX.] (a) Notwithstanding the provisions of section 272.02 or any other law to the contrary, a personal property tax is imposed on the leasehold of a tenant of a structure described in subdivision 24, paragraph (c), clause (2), item (i)(C).

(b) The tax equals the amount obtained by multiplying the sum of the local tax rates by:

(1) the estimated market value of the structure multiplied by

(2) the square footage of the structure under lease that qualifies under subdivision 24, clause (c)(1), divided by  
(3) the total square footage of the structure that qualifies under subdivision 24, clause (c)(1), multiplied by  
(4) the difference between the class rate under subdivision 24, paragraph (a), for the second tier and the class rate under subdivision 24, paragraph (c), for the second tier for the qualifying parts of a structure.

(c) The tax under this subdivision does not apply to a lease that:

(1) was executed before May 1, 1999;  
(2) was entered according to a binding written agreement executed before May 1, 1999; or  
(3) is a lease entered under an expansion option contained in a lease or binding written agreement qualifying under clause (1) or (2).

(d) The tax imposed under this subdivision is a personal property tax and is imposed on the lessee or tenant and not on the structure or the real property. The tax is an obligation of the lessee or tenant and must be collected in the manner provided for personal property taxes.

(e) The personal property tax applies only to a year in which the leased structure qualifies for the transit zone class rate.

Sec. 19. Minnesota Statutes 1998, 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. 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. Class 4a property in a city with a population of 5,000 or less, that is (1) located outside of the metropolitan area, as defined in section 473.121, subdivision 2, or outside any county contiguous to the metropolitan area, and (2) whose city boundary is at least 15 miles from the boundary of any city with a population greater than 5,000 has a class rate of 2.15 percent of market value. All other class 4a property has a class rate of ~~2.5~~ 2.4 percent of market value. For purposes of this paragraph, population has the same meaning given in section 477A.011, subdivision 3.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential, and recreational;

(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;

(4) unimproved property that is classified residential as determined under subdivision 33.

Class 4b property has a class rate of ~~4.7~~ 1.65 percent of market value.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential, and recreational; and

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb has a class rate of ~~1.25~~ 1.2 percent on the first ~~\$75,000~~ \$76,000 of market value and a class rate of ~~1.7~~ 1.65 percent of its market value that exceeds ~~\$75,000~~ \$76,000.

Property that has been classified as seasonal recreational residential 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 property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for 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. In order for a property to be classified as class 4c, seasonal recreational residential for commercial purposes, 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 (i) 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 (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property 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. Class 4c property classified in this clause also includes the remainder of class 1c resorts provided that the entire property including that portion of the property classified as class 1c also meets the requirements for class 4c under this clause; otherwise the entire property is classified as class 3. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c or 4c, 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 will be designated class 1c or 4c 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 1c or 4c property must provide guest registers or other records demonstrating that the units for which class 1c or 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, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

(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 one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, 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), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1990. For purposes of this clause, "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 which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as 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;

(4) post-secondary 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) manufactured home parks as defined in section 327.14, subdivision 3; and

(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.

Class 4c property has a class rate of ~~1.8~~ 1.65 percent of market value, except that (i) ~~for each parcel of seasonal recreational property not used for commercial purposes the first \$75,000 of market value has a class rate of 1.25 percent, and the market value that exceeds \$75,000 has a class rate of 2.2 percent~~ has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5) have ~~a the same class rate of two percent as class 4b property~~, and (iii) property described in paragraph (d), clause (4), has the same class rate as the rate applicable to the first tier of class 4bb nonhomestead residential real estate under paragraph (c).

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the housing finance agency under sections 273.126 and 462A.071. Class 4d includes land in proportion to the total market value of the building that is qualifying low-income rental housing. 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.

Class 4d property has a class rate of one percent of market value.

~~(f) Class 4e property consists of the residential portion of any structure located within a city that was converted from nonresidential use to residential use, provided that:~~

~~(1) the structure had formerly been used as a warehouse;~~

~~(2) the structure was originally constructed prior to 1940;~~

~~(3) the conversion was done after December 31, 1995, but before January 1, 2003; and~~

~~(4) the conversion involved an investment of at least \$25,000 per residential unit.~~

~~Class 4e property has a class rate of 2.3 percent, provided that a structure is eligible for class 4e classification only in the 12 assessment years immediately following the conversion.~~

Sec. 20. Minnesota Statutes 1998, section 273.13, subdivision 31, is amended to read:

Subd. 31. [CLASS 5.] Class 5 property includes:

~~(1) tools, implements, and machinery of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures;~~

~~(2)~~ unmined iron ore and low-grade iron-bearing formations as defined in section 273.14; and

~~(3)~~ (2) all other property not otherwise classified.

Class 5 property has a class rate of ~~3.5~~ 3.4 percent of market value.

Sec. 21. Minnesota Statutes 1998, section 273.1382, is amended to read:

273.1382 [EDUCATION HOMESTEAD CREDIT; EDUCATION AGRICULTURAL CREDIT.]

Subdivision 1. [EDUCATION ~~HOMESTEAD~~ CREDIT TAX RATE.] Each year, the respective county auditors shall determine the initial tax rate for each school district for the general education levy certified under section 126C.13, subdivision 2 or 3. That rate plus the school district's education homestead credit tax rate adjustment under section 275.08, subdivision 1e, shall be the general education ~~homestead~~ credit ~~local~~ tax rate for the district. ~~The~~

Subd. 1a. [EDUCATION HOMESTEAD CREDIT.] Each county auditor shall then determine a general education homestead credit for each homestead within the county equal to 68 66.2 percent for taxes payable in 1999 and 69 83 percent for taxes payable in 2000 and thereafter of the general education homestead credit local tax rate times the net tax capacity of the homestead for the taxes payable year. The amount of general education homestead credit for a homestead may not exceed \$320 for taxes payable in 1999 and \$335 \$390 for taxes payable in 2000 and thereafter. In the case of an agricultural homestead, only the net tax capacity of the house, garage, and surrounding one acre of land shall be used in determining the property's education homestead credit.

~~Subd. 1a. [CREDIT PERCENTAGE REDUCTION.] If the general education levy target for fiscal year 2000 or 2001 is increased by another law enacted prior to the 1999 legislative session, the commissioner of revenue shall adjust the percentage rates of the education homestead credit for the corresponding taxes payable year by multiplying the percentage rate by the ratio of the prior general education levy target to the current general education levy target. If an adjustment is made under this section for fiscal year 2001, the adjusted rate shall remain in effect for future years until amended by subsequent legislation.~~

Subd. 1b. [EDUCATION AGRICULTURAL CREDIT.] Property classified as class 2a agricultural homestead or class 2b agricultural nonhomestead or timberland is eligible for education agricultural credit. The credit is equal to 54 percent, in the case of agricultural homestead property, or 50 percent, in the case of agricultural nonhomestead property or timberland, of the property's net tax capacity times the education credit tax rate determined in subdivision 1. The net tax capacity of class 2a property attributable to the house, garage, and surrounding one acre of land is not eligible for the credit under this subdivision.

Subd. 2. [CREDIT REIMBURSEMENTS.] (a) The commissioner of revenue shall determine the tax reductions allowed under this section for each taxes payable year, and for each school district based upon a review of the abstracts of tax lists submitted by the county auditors under section 275.29, and from any other information which the commissioner deems relevant. The commissioner of revenue shall generally compute the tax reductions at the unique taxing jurisdiction level, however the commissioner may compute the tax reductions at a higher geographic level if that would have a negligible impact, or if changes in the composition of unique taxing jurisdictions do not permit computation at the unique taxing jurisdiction level. The commissioner's determinations under this paragraph are not rules.

(b) The commissioner of revenue shall certify the total of the tax reductions granted under this section for each taxes payable year within each school district to the commissioner of children, families, and learning after July 1 and on or before August 1 of the taxes payable year. The commissioner of children, families, and learning shall reimburse each affected school district for the amount of the property tax reductions allowed under this section as provided in section 273.1392. The commissioner of children, families, and learning shall treat the reimbursement payments as entitlements for the same state fiscal year as certified, including with each district's initial payment all amounts that would have been paid up to that date, computed as if 90 percent of the annual reimbursement amount for the district were being paid one-twelfth in each month of the fiscal year.

Subd. 3. [APPROPRIATION.] An amount sufficient to make the payments required by this section is annually appropriated from the general fund to the commissioner of children, families, and learning.

Sec. 22. Minnesota Statutes 1998, section 273.1398, subdivision 1a, is amended to read:

Subd. 1a. [TAX BASE DIFFERENTIAL.] (a) For aids payable in 2000, the tax base differential is:

(1) 0.45 percent of the assessment year 1998 taxable market value of class 2a agricultural homestead property, excluding the house, garage, and surrounding one acre of land, between \$115,000 and \$600,000 and over 320 acres, minus the value over \$600,000 that is less than 320 acres; plus

(2) 0.5 percent of the assessment year 1998 taxable market value of noncommercial seasonal recreational residential property over \$75,000 in value; plus

(3) for purposes of computing the fiscal disparity adjustment only, the tax base differential is 0.2 percent of the assessment year 1998 taxable market value of class 3 commercial-industrial property over \$150,000.

(b) For the purposes of the distribution of homestead and agricultural credit aid for aids payable in 2000, the commissioner of revenue shall use the best information available as of June 30, 1999, to make an estimate of the value described in paragraph (a), clause (1). The commissioner shall adjust the distribution of homestead and agricultural credit aid for aids payable in 2001 and subsequent years if new information regarding the value described in paragraph (a), clause (1), becomes available after June 30, 1999.

Sec. 23. Minnesota Statutes 1998, section 273.1398, subdivision 8, is amended to read:

Subd. 8. [APPROPRIATION.] (a) An amount sufficient to pay the aids and credits provided under this section for school districts, intermediate school districts, or any group of school districts levying as a single taxing entity, is annually appropriated from the general fund to the commissioner of children, families, and learning. An amount sufficient to pay the aids and credits provided under this section for counties, cities, towns, and special taxing districts is annually appropriated from the general fund to the commissioner of revenue. A jurisdiction's aid amount may be increased or decreased based on any prior year adjustments for homestead credit or other property tax credit or aid programs.

(b) The commissioner of finance shall bill the commissioner of revenue for the cost of preparation of local impact notes as required by section 3.987 only to the extent to which those costs exceed those costs incurred in fiscal year 1997 and for any other new costs attributable to the local impact note function required by section 3.987, not to exceed \$100,000 in fiscal ~~year years~~ 1998 and 1999 and \$200,000 in fiscal year ~~1999~~ 2000 and thereafter.

The commissioner of revenue shall deduct the amount billed under this paragraph from aid payments to be made to cities and counties under subdivision 2 on a pro rata basis. The amount deducted under this paragraph is appropriated to the commissioner of finance for the preparation of local impact notes.

Sec. 24. Minnesota Statutes 1998, section 273.20, is amended to read:

273.20 [ASSESSOR MAY ENTER DWELLINGS, BUILDINGS, OR STRUCTURES.]

Any officer authorized by law to assess property for taxation may, when necessary to the proper performance of duties, enter any dwelling-house, building, or structure, and view the same and the property therein.

Any officer authorized by law to assess property for ad valorem tax purposes shall have reasonable access to land and structures as necessary for the proper performance of their duties. A property owner may refuse to allow an assessor to inspect their property. This refusal by the property owner must be either verbal or expressly stated in a letter to the county assessor. If the assessor is denied access to view a property, the assessor is authorized to estimate the property's estimated market value by making assumptions believed appropriate concerning the property's finish and condition.

Sec. 25. Minnesota Statutes 1998, 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 review 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. 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.

If in any county, at least 25 percent of the total net tax capacity of a city or town is noncommercial seasonal residential recreational property classified under section 273.13, subdivision 25, the county must hold two countywide informational meetings on Saturdays. The meetings will allow noncommercial seasonal residential recreational taxpayers to discuss their property valuation with the appropriate assessment staff. These Saturday informational meetings must be scheduled to allow the owner of the noncommercial seasonal residential recreational property the opportunity to attend one of the meetings prior to the scheduled board of review for their city or town. The Saturday meeting dates must be contained on the notice of valuation of real property under section 273.121.

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 of review 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 in cases where the owner or other person having control over the property will not permit the assessor to inspect the property and the interior of any buildings or structures.

(c) A local board of review 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 of review without regard to the one percent limitation.

(d) 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.

(e) 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 equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the 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 of review meeting.

(f) The board of review or the board of equalization 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 of review file written objections to an assessment or classification with the county assessor. The objections must be presented to the board of review at its meeting by the county assessor for its consideration.

Sec. 26. Minnesota Statutes 1998, section 276.131, is amended to read:

276.131 [DISTRIBUTION OF PENALTIES, INTEREST, AND COSTS.]

The penalties, interest, and costs collected on special assessments and real and personal property taxes must be distributed as follows:

(1) all penalties and interest collected on special assessments against real or personal property must be distributed to the taxing jurisdiction that levied the assessment;

(2) 50 percent of all penalties ~~and interest~~ collected on real and personal property taxes must be distributed to the ~~county in which the property is located~~ school districts within the county, and the ~~other remaining~~ 50 percent must be distributed to ~~the school districts within the county~~. ~~The distribution to the school district must be in accordance with the provisions of section 127A.34; and~~

(3) in the case of interest on taxes that have been delinquent for a period of one year or less, (a) 50 percent of the interest must be distributed to the school districts within the county and (b) the remaining 50 percent shall be distributed to the county;

(4) in the case of interest on taxes that have been delinquent for a period of more than one year, (a) 50 percent of the interest must be distributed to the school districts within the county and (b) the remaining 50 percent must be distributed as follows: (i) the city or town where the property is located shall receive a share of the amount of interest equal to the proportion that the city's or town's local tax rate for the year that the interest was collected, is to the sum of the city's or town's local tax rate and the county's local tax rate for the year that the interest was collected and (ii) the balance must be distributed to the county; and

(5) all costs collected by the county on special assessments and on delinquent real and personal property taxes must be distributed to the county in which the property is located.

The distribution of all penalties and interest to the school district must be in accordance with the provisions of section 127A.34.

Sec. 27. Minnesota Statutes 1998, section 290A.03, subdivision 6, is amended to read:

Subd. 6. [HOMESTEAD.] "Homestead" means the dwelling occupied as the claimant's principal residence and so much of the land surrounding it, not exceeding ten acres, as is reasonably necessary for use of the dwelling as a home and any other property used for purposes of a homestead as defined in section 273.13, subdivision 22, except for agricultural land assessed as part of a homestead pursuant to section 273.13, subdivision 23, "homestead" is limited to ~~320 acres~~ the first \$600,000 of market value or, where the farm homestead is rented, one acre. The homestead may be owned or rented and may be a part of a multidwelling or multipurpose building and the land on which it is built. A manufactured home, as defined in section 273.125, subdivision 8, or a park trailer taxed as a manufactured home under section 168.012, subdivision 9, assessed as personal property may be a dwelling for purposes of this subdivision.

Sec. 28. Minnesota Statutes 1998, section 290B.03, subdivision 1, is amended to read:

Subdivision 1. [PROGRAM QUALIFICATIONS.] The qualifications for the senior citizens' property tax deferral program are as follows:

(1) the property must be owned and occupied as a homestead by a person 65 years of age or older. In the case of a married couple, both of the spouses must be at least 65 years old at the time the first property tax deferral is granted, regardless of whether the property is titled in the name of one spouse or both spouses, or titled in another way that permits the property to have homestead status;

(2) the total household income of the qualifying homeowners, as defined in section 290A.03, subdivision 5, for the calendar year preceding the year of the initial application may not exceed ~~\$30,000~~ \$60,000;

(3) the homestead must have been owned and occupied as the homestead of at least one of the qualifying homeowners for at least 15 years prior to the year the initial application is filed;

(4) there are no delinquent property taxes, penalties, or interest on the homesteaded property;

(5) there are no delinquent special assessments on the homesteaded property;

(6) there are no state or federal tax liens or judgment liens on the homesteaded property;

(7) there are no mortgages or other liens on the property that secure future advances, except for those subject to credit limits that result in compliance with clause (8); and

(8) the total unpaid balances of debts secured by mortgages and other liens on the property, including unpaid special assessments, but not including property taxes payable during the year, does not exceed 30 percent of the assessor's estimated market value for the year.

Sec. 29. Minnesota Statutes 1998, section 290B.04, subdivision 2, is amended to read:

Subd. 2. [APPROVAL; RECORDING.] The commissioner shall approve all initial applications that qualify under this chapter and shall notify qualifying homeowners on or before December 1. The commissioner may investigate the facts or require confirmation in regard to an application. The commissioner shall record or file a notice of qualification for deferral, including the names of the qualifying homeowners and a legal description of the property, in the office of the county recorder, or registrar of titles, whichever is applicable, in the county where the qualifying property is located. The notice must state that it serves as a notice of lien and that it includes deferrals under this section for future years. The homeowner shall pay the recording or filing fees for the notice, which, notwithstanding section 357.18, shall be paid by the homeowner at the time of satisfaction of the lien.

Sec. 30. Minnesota Statutes 1998, section 290B.04, subdivision 3, is amended to read:

Subd. 3. [EXCESS-INCOME CERTIFICATION BY TAXPAYER.] A taxpayer whose initial application has been approved under subdivision 2 shall notify the commissioner of revenue in writing by July 1 if the taxpayer's household income for the preceding calendar year exceeded ~~\$30,000~~ \$60,000. The certification must state the homeowner's total household income for the previous calendar year. No property taxes may be deferred under this chapter in any year following the year in which a program participant filed or should have filed an excess-income certification under this subdivision, unless the participant has filed a resumption of eligibility certification as described in subdivision 4.

Sec. 31. Minnesota Statutes 1998, section 290B.04, subdivision 4, is amended to read:

Subd. 4. [RESUMPTION OF ELIGIBILITY CERTIFICATION BY TAXPAYER.] A taxpayer who has previously filed an excess-income certification under subdivision 3 may resume program participation if the taxpayer's household income for a subsequent year is ~~\$30,000~~ \$60,000 or less. If the taxpayer chooses to resume program participation, the taxpayer must notify the commissioner of revenue in writing by July 1 of the year following a calendar year in which the taxpayer's household income is ~~\$30,000~~ \$60,000 or less. The certification must state the taxpayer's total household income for the previous calendar year. Once a taxpayer resumes participation in the program under this subdivision, participation will continue until the taxpayer files a subsequent excess-income certification under subdivision 3 or until participation is terminated under section 290B.08, subdivision 1.

Sec. 32. Minnesota Statutes 1998, section 290B.05, subdivision 1, is amended to read:

Subdivision 1. [DETERMINATION BY COMMISSIONER.] The commissioner shall determine each qualifying homeowner's "annual maximum property tax amount" following approval of the homeowner's initial application and following the receipt of a resumption of eligibility certification. The "annual maximum property tax amount" equals ~~five~~ three percent of the homeowner's total household income for the year preceding either the initial application or the resumption of eligibility certification, whichever is applicable. Following approval of the initial application, the commissioner shall determine the qualifying homeowner's "maximum allowable deferral." No tax may be deferred relative to the appropriate assessment year for any homeowner whose total household income for the previous year exceeds ~~\$30,000~~ \$60,000. No tax shall be deferred in any year in which the homeowner does not meet the program qualifications in section 290B.03. The maximum allowable total deferral is equal to 75 percent of the assessor's estimated market value for the year, less the balance of any mortgage loans and other amounts secured by liens against the property at the time of application, including any unpaid special assessments but not including property taxes payable during the year.

Sec. 33. Minnesota Statutes 1998, section 298.22, subdivision 7, is amended to read:

Subd. 7. [GIANTS RIDGE RECREATION AREA.] (a) In addition to the other powers granted in this section and other law, the commissioner, for purposes of fostering economic development and tourism within the Giants Ridge recreation area, may spend any money made available to the agency under section 298.28 to acquire real or personal property or interests therein by gift, purchase, or lease and may convey by lease, sale, or other means of conveyance or commitment any or all of those property interests acquired.

(b) ~~Notwithstanding any other law to the contrary, property conveyed under this subdivision and used for residential purposes is not eligible for property tax homestead classification under section 273.124 or for a property tax refund under chapter 290A.~~

(c) In furtherance of development of the Giants Ridge recreation area, the commissioner may establish and participate in charitable foundations and nonprofit corporations, including a corporation within the meaning of section 317A.011, subdivision 6.

(c) The term "Giants Ridge recreation area" refers to an economic development project area established by the commissioner in furtherance of the powers delegated in this section within St. Louis county in the western portions of the town of White and in the eastern portion of the westerly, adjacent, unorganized township.

Sec. 34. Minnesota Statutes 1998, section 373.40, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "Bonds" means an obligation as defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, development rights in the form of conservation easements under chapter 84C, buildings, or other improvements within the county for the purpose of a county courthouse, administrative building, health or social service facility, correctional facility, jail, law enforcement center, hospital, morgue, library, park, qualified indoor ice arena, and roads and bridges. An improvement must have an expected useful life of five years or more to qualify. "Capital improvement" does not include light rail transit or any activity related to it or a recreation or sports facility building (such as, but not limited to, a gymnasium, ice arena, racquet sports facility, swimming pool, exercise room or health spa), unless the building is part of an outdoor park facility and is incidental to the primary purpose of outdoor recreation.

(c) "Commissioner" means the commissioner of trade and economic development.

(d) "Metropolitan county" means a county located in the seven-county metropolitan area as defined in section 473.121 or a county with a population of 90,000 or more.

(e) "Population" means the population established by the most recent of the following (determined as of the date the resolution authorizing the bonds was adopted):

(1) the federal decennial census,

(2) a special census conducted under contract by the United States Bureau of the Census, or

(3) a population estimate made either by the metropolitan council or by the state demographer under section 4A.02.

(f) "Qualified indoor ice arena" means a facility that meets the requirements of section 373.43.

(g) "Tax capacity" means total taxable market value, but does not include captured market value.

Sec. 35. Minnesota Statutes 1998, section 375.18, subdivision 12, is amended to read:

Subd. 12. [LAND FOR PUBLIC USE.] Each county board may acquire by gift or purchase and improve land within the county, for use as a park, site for a building, or other public purpose, and, when required by the public interest, sell and convey it. The land may be paid for out of moneys in the county treasury not otherwise appropriated, or by issuing bonds of the county. The county board may acquire development rights in the form of a conservation easement under chapter 84C. The holder of the conservation easement may be determined by a governmental body.

Sec. 36. Minnesota Statutes 1998, section 462A.071, subdivision 2, is amended to read:

Subd. 2. [APPLICATION.] (a) In order to qualify for certification under subdivision 1, the owner or manager of the property must annually apply to the agency. The application must be in the form prescribed by the agency, contain the information required by the agency, and be submitted by the date and time specified by the agency. Beginning in calendar year 2000, the agency shall adopt procedures and deadlines for making application to permit certification of the units qualifying to the assessor by no later than April 1 of the assessment year.

(b) Each application must include:

- (1) the property tax identification number;
- (2) the number, type, and size of units the applicant seeks to qualify as low-income housing under class 4d;
- (3) the number, type, and size of units in the property for which the applicant is not seeking qualification, if any;
- (4) a certification that the property has been inspected by a qualified inspector within the past three years and meets the minimum housing quality standards or is exempt from the inspection requirement under subdivision 4;
- (5) a statement indicating the qualifying units in compliance with the income limits;
- (6) an executed agreement to restrict rents meeting the requirements specified by the agency or executed leases for the units for which qualification as low-income housing as class 4d under section 273.13 is sought and the rent schedule; and
- (7) any additional information the agency deems appropriate to require.

(c) The applicant must pay a per-unit application fee to be set by the agency. The application fee charged by the agency must approximately equal the costs of processing and reviewing the applications. The fee must be deposited in the housing development fund.

Sec. 37. Minnesota Statutes 1998, section 469.002, subdivision 10, is amended to read:

Subd. 10. [FEDERAL LEGISLATION.] "Federal legislation" includes the United States Housing Act of 1937, United States Code, title 42, sections 1401 to 1440, as amended through December 31, ~~1989~~ 1998; the National Housing Act, United States Code, title 12, sections 1701 to 1750g, as amended through December 31, 1989; and any other legislation of the Congress of the United States relating to federal assistance for clearance or rehabilitation of substandard or blighted areas, land assembly, redevelopment projects, or housing.

Sec. 38. Minnesota Statutes 1998, section 469.012, subdivision 1, is amended to read:

Subdivision 1. [SCHEDULE OF POWERS.] An authority shall be a public body corporate and politic and shall have all the powers necessary or convenient to carry out the purposes of sections 469.001 to 469.047, except that the power to levy and collect taxes or special assessments is limited to the power provided in sections 469.027 to 469.033. Its powers include the following powers in addition to others granted in sections 469.001 to 469.047:

- (1) to sue and be sued; to have a seal, which shall be judicially noticed, and to alter it; to have perpetual succession; and to make, amend, and repeal rules consistent with sections 469.001 to 469.047;
- (2) to employ an executive director, technical experts, and officers, agents, and employees, permanent and temporary, that it requires, and determine their qualifications, duties, and compensation; for legal services it requires, to call upon the chief law officer of the city or to employ its own counsel and legal staff; so far as practicable, to use the services of local public bodies in its area of operation, provided that those local public bodies, if requested, shall make the services available;
- (3) to delegate to one or more of its agents or employees the powers or duties it deems proper;
- (4) within its area of operation, to undertake, prepare, carry out, and operate projects and to provide for the construction, reconstruction, improvement, extension, alteration, or repair of any project or part thereof;

(5) subject to the provisions of section 469.026, to give, sell, transfer, convey, or otherwise dispose of real or personal property or any interest therein and to execute leases, deeds, conveyances, negotiable instruments, purchase agreements, and other contracts or instruments, and take action that is necessary or convenient to carry out the purposes of these sections;

(6) within its area of operation, to acquire real or personal property or any interest therein by gifts, grant, purchase, exchange, lease, transfer, bequest, devise, or otherwise, and by the exercise of the power of eminent domain, in the manner provided by chapter 117, to acquire real property which it may deem necessary for its purposes, after the adoption by it of a resolution declaring that the acquisition of the real property is necessary to eliminate one or more of the conditions found to exist in the resolution adopted pursuant to section 469.003 or to provide decent, safe, and sanitary housing for persons of low and moderate income, or is necessary to carry out a redevelopment project. Real property needed or convenient for a project may be acquired by the authority for the project by condemnation pursuant to this section. This includes any property devoted to a public use, whether or not held in trust, notwithstanding that the property may have been previously acquired by condemnation or is owned by a public utility corporation, because the public use in conformity with the provisions of sections 469.001 to 469.047 shall be deemed a superior public use. Property devoted to a public use may be so acquired only if the governing body of the municipality has approved its acquisition by the authority. An award of compensation shall not be increased by reason of any increase in the value of the real property caused by the assembly, clearance or reconstruction, or proposed assembly, clearance or reconstruction for the purposes of sections 469.001 to 469.047 of the real property in an area;

(7) within its area of operation, and without the adoption of an urban renewal plan, to acquire, by all means as set forth in clause (6) but without the adoption of a resolution provided for in clause (6), real property, and to demolish, remove, rehabilitate, or reconstruct the buildings and improvements or construct new buildings and improvements thereon, or to so provide through other means as set forth in Laws 1974, chapter 228, or to grade, fill, and construct foundations or otherwise prepare the site for improvements. The authority may dispose of the property pursuant to section 469.029, provided that the provisions of section 469.029 requiring conformance to an urban renewal plan shall not apply. The authority may finance these activities by means of the redevelopment project fund or by means of tax increments or tax increment bonds or by the methods of financing provided for in section 469.033 or by means of contributions from the municipality provided for in section 469.041, clause (9), or by any combination of those means. Real property with buildings or improvements thereon shall only be acquired under this clause when the buildings or improvements are substandard. The exercise of the power of eminent domain under this clause shall be limited to real property which contains, or has contained within the three years immediately preceding the exercise of the power of eminent domain and is currently vacant, buildings and improvements which are vacated and substandard. Notwithstanding the prior sentence, in cities of the first class the exercise of the power of eminent domain under this clause shall be limited to real property which contains, or has contained within the three years immediately preceding the exercise of the power of eminent domain, buildings and improvements which are substandard. For the purpose of this clause, substandard buildings or improvements mean hazardous buildings as defined in section 463.15, subdivision 3, or buildings or improvements that are dilapidated or obsolescent, faultily designed, lack adequate ventilation, light, or sanitary facilities, or any combination of these or other factors that are detrimental to the safety or health of the community;

(8) within its area of operation, to determine the level of income constituting low or moderate family income. The authority may establish various income levels for various family sizes. In making its determination, the authority may consider income levels that may be established by the Department of Housing and Urban Development or a similar or successor federal agency for the purpose of federal loan guarantees or subsidies for persons of low or moderate income. The authority may use that determination as a basis for the maximum amount of income for admissions to housing development projects or housing projects owned or operated by it;

(9) to provide in federally assisted projects any relocation payments and assistance necessary to comply with the requirements of the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and any amendments or supplements thereto;

(10) to make an agreement with the governing body or bodies creating the authority which provides exemption from all ad valorem real and personal property taxes levied or imposed by the body or bodies creating the authority. In the case of low-rent public housing that received financial assistance under the United States Housing Act of 1937, or successor federal legislation, an authority may make an agreement with the governing body or bodies creating the authority to provide exemption from all real and personal property taxes levied or imposed by the state, city, county, or other political subdivision, for which the authority shall make payments in lieu of taxes to the state, city, county, or other political subdivisions as provided in section 469.040. The governing body shall agree on behalf of all the applicable governing bodies affected that local cooperation as required by the federal government shall be provided by the local governing body or bodies in whose jurisdiction the project is to be located, at no cost or at no greater cost than the same public services and facilities furnished to other residents;

(11) to cooperate with or act as agent for the federal government, the state or any state public body, or any agency or instrumentality of the foregoing, in carrying out any of the provisions of sections 469.001 to 469.047 or of any other related federal, state, or local legislation; and upon the consent of the governing body of the city to purchase, lease, manage, or otherwise take over any housing project already owned and operated by the federal government;

(12) to make plans for carrying out a program of voluntary repair and rehabilitation of buildings and improvements, and plans for the enforcement of laws, codes, and regulations relating to the use of land and the use and occupancy of buildings and improvements, and to the compulsory repair, rehabilitation, demolition, or removal of buildings and improvements. The authority may develop, test, and report methods and techniques, and carry out demonstrations and other activities for the prevention and elimination of slums and blight;

(13) to borrow money or other property and accept contributions, grants, gifts, services, or other assistance from the federal government, the state government, state public bodies, or from any other public or private sources;

(14) to include in any contract for financial assistance with the federal government any conditions that the federal government may attach to its financial aid of a project, not inconsistent with purposes of sections 469.001 to 469.047, including obligating itself (which obligation shall be specifically enforceable and not constitute a mortgage, notwithstanding any other laws) to convey to the federal government the project to which the contract relates upon the occurrence of a substantial default with respect to the covenants or conditions to which the authority is subject; to provide in the contract that, in case of such conveyance, the federal government may complete, operate, manage, lease, convey, or otherwise deal with the project until the defaults are cured if the federal government agrees in the contract to reconvey to the authority the project as then constituted when the defaults have been cured;

(15) to issue bonds for any of its corporate purposes and to secure the bonds by mortgages upon property held or to be held by it or by pledge of its revenues, including grants or contributions;

(16) to invest any funds held in reserves or sinking funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control or in the manner and subject to the conditions provided in section 118A.04 for the deposit and investment of public funds;

(17) within its area of operation, to determine where blight exists or where there is unsafe, unsanitary, or overcrowded housing;

(18) to carry out studies of the housing and redevelopment needs within its area of operation and of the meeting of those needs. This includes study of data on population and family groups and their distribution according to income groups, the amount and quality of available housing and its distribution according to rentals and sales prices, employment, wages, desirable patterns for land use and community growth, and other factors affecting the local housing and redevelopment needs and the meeting of those needs; to make the results of those studies and analyses available to the public and to building, housing, and supply industries;

(19) if a local public body does not have a planning agency or the planning agency has not produced a comprehensive or general community development plan, to make or cause to be made a plan to be used as a guide in the more detailed planning of housing and redevelopment areas;

(20) to lease or rent any dwellings, accommodations, lands, buildings, structures, or facilities included in any project and, subject to the limitations contained in sections 469.001 to 469.047 with respect to the rental of dwellings in housing projects, to establish and revise the rents or charges therefor;

(21) to own, hold, and improve real or personal property and to sell, lease, exchange, transfer, assign, pledge, or dispose of any real or personal property or any interest therein;

(22) to insure or provide for the insurance of any real or personal property or operations of the authority against any risks or hazards;

(23) to procure or agree to the procurement of government insurance or guarantees of the payment of any bonds or parts thereof issued by an authority and to pay premiums on the insurance;

(24) to make expenditures necessary to carry out the purposes of sections 469.001 to 469.047;

(25) to enter into an agreement or agreements with any state public body to provide informational service and relocation assistance to families, individuals, business concerns, and nonprofit organizations displaced or to be displaced by the activities of any state public body;

(26) to compile and maintain a catalog of all vacant, open and undeveloped land, or land which contains substandard buildings and improvements as that term is defined in clause (7), that is owned or controlled by the authority or by the governing body within its area of operation and to compile and maintain a catalog of all authority owned real property that is in excess of the foreseeable needs of the authority, in order to determine and recommend if the real property compiled in either catalog is appropriate for disposal pursuant to the provisions of section 469.029, subdivisions 9 and 10;

(27) to recommend to the city concerning the enforcement of the applicable health, housing, building, fire prevention, and housing maintenance code requirements as they relate to residential dwelling structures that are being rehabilitated by low- or moderate-income persons pursuant to section 469.029, subdivision 9, for the period of time necessary to complete the rehabilitation, as determined by the authority;

(28) to recommend to the city the initiation of municipal powers, against certain real properties, relating to repair, closing, condemnation, or demolition of unsafe, unsanitary, hazardous, and unfit buildings, as provided in section 469.041, clause (5);

(29) to sell, at private or public sale, at the price or prices determined by the authority, any note, mortgage, lease, sublease, lease purchase, or other instrument or obligation evidencing or securing a loan made for the purpose of economic development, job creation, redevelopment, or community revitalization by a public agency to a business, for-profit or nonprofit organization, or an individual;

(30) within its area of operation, to acquire and sell real property that is benefited by federal housing assistance payments, other rental subsidies, interest reduction payments, or interest reduction contracts for the purpose of preserving the affordability of low- and moderate-income multifamily housing;

(31) to apply for, enter into contracts with the federal government, administer, and carry out a section 8 program. Authorization by the governing body creating the authority to administer the program at the authority's initial application is sufficient to authorize operation of the program in its area of operation for which it was created without additional local governing body approval. Approval by the governing body or bodies creating the authority constitutes approval of a housing program for purposes of any special or general law requiring local approval of section 8 programs undertaken by city, county, or multicounty authorities; and

(32) to secure a mortgage or loan for a rental housing project by obtaining the appointment of receivers or assignments of rents and profits under sections 559.17 and 576.01, except that the limitation relating to the minimum amounts of the original principal balances of mortgages specified in sections 559.17, subdivision 2, clause (2); and 576.01, subdivision 2, does not apply.

Sec. 39. Minnesota Statutes 1998, section 475.52, subdivision 1, is amended to read:

Subdivision 1. [STATUTORY CITIES.] Any statutory city may issue bonds or other obligations for the acquisition or betterment of public buildings, means of garbage disposal, hospitals, nursing homes, homes for the aged, schools, libraries, museums, art galleries, parks, playgrounds, stadia, sewers, sewage disposal plants, subways, streets, sidewalks, warning systems; for any utility or other public convenience from which a revenue is or may be derived; for a permanent improvement revolving fund; for changing, controlling or bridging streams and other waterways; for the acquisition and betterment of bridges and roads within two miles of the corporate limits for the acquisition of development rights in the form of conservation easements under chapter 84C; and for acquisition of equipment for snow removal, street construction and maintenance, or fire fighting. Without limitation by the foregoing the city may issue bonds to provide money for any authorized corporate purpose except current expenses.

Sec. 40. Minnesota Statutes 1998, section 475.52, subdivision 3, is amended to read:

Subd. 3. [COUNTIES.] Any county may issue bonds for the acquisition or betterment of courthouses, county administrative buildings, health or social service facilities, correctional facilities, law enforcement centers, jails, morgues, libraries, parks, and hospitals, for roads and bridges within the county or bordering thereon and for road equipment and machinery and for ambulances and related equipment for the acquisition of development rights in the form of conservation easements under chapter 84C, and for capital equipment for the administration and conduct of elections providing the equipment is uniform countywide, except that the power of counties to issue bonds in connection with a library shall not exist in Hennepin county.

Sec. 41. Minnesota Statutes 1998, section 475.52, subdivision 4, is amended to read:

Subd. 4. [TOWNS.] Any town may issue bonds for the acquisition and betterment of town halls, town roads and bridges, nursing homes and homes for the aged, and for acquisition of equipment for snow removal, road construction or maintenance, and fire fighting for the acquisition of development rights in the form of conservation easements under chapter 84C and for the acquisition and betterment of any buildings to house and maintain town equipment.

Sec. 42. Minnesota Statutes 1998, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as provided in paragraphs (b), ~~(c), and (d)~~ (k), "city aid base" means, for each city, the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, and the amount of disparity reduction aid it received in calendar year 1993 under Minnesota Statutes 1992, section 273.1398, subdivision 3.

(b) For aids payable in 1996 and thereafter, a city that in 1992 or 1993 transferred an amount from governmental funds to its sewer and water fund, which amount exceeded its net levy for taxes payable in the year in which the transfer occurred, has a "city aid base" equal to the sum of (i) its city aid base, as calculated under paragraph (a), and (ii) one-half of the difference between its city aid distribution under section 477A.013, subdivision 9, for aids payable in 1995 and its city aid base for aids payable in 1995.

(c) The city aid base for any city with a population less than 500 is increased by \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

- (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;
- (ii) the city portion of the tax capacity rate exceeds 100 percent; and
- (iii) its city aid base is less than \$60 per capita.

(d) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

- (i) the city has a population in 1994 of 2,500 or more;
- (ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;
- (iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and
- (iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(e) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

- (i) the city was incorporated as a statutory city after December 1, 1993;
- (ii) its city aid base does not exceed \$5,600; and
- (iii) the city had a population in 1996 of 5,000 or more.

(f) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

- (i) the city had a population in 1996 of at least 50,000;
- (ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and
- (iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.

(g) Beginning in 2002, the city aid base for a city is equal to the sum of its city aid base in 2001 and the amount of additional aid it was certified to receive under section 477A.06 in 2001. For 2002 only, the maximum amount of total aid a city may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by the amount it was certified to receive under section 477A.06 in 2001.

(h) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only, provided that:

- (1) the city has a population that is greater than 1,000 and less than 2,500;
- (2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and
- (3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(i) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

- (1) the city had a population in 1997 of 2,500 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$650 per capita;

(3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;

(4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and

(5) the city aid base of the city used in calculating aid under section 477A.013 is less than \$7 per capita.

(j) The city aid base for a city is increased by \$225,000 in calendar years 2000 to 2002 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$225,000 in calendar year 2000 only, provided that:

(1) the city had a population of at least 5,000;

(2) its population had increased by at least 50 percent in the ten-year period ending in 1997;

(3) the city is located outside of the Minneapolis-St. Paul metropolitan statistical area as defined by the United States Bureau of the Census; and

(4) the city received less than \$30 per capita in aid under section 477A.013, subdivision 9, for aids payable in 1999.

(k) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

(1) the city has a population in 1997 of 2,000 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$455 per capita;

(3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than \$195 per capita; and

(4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

Sec. 43. Minnesota Statutes 1998, section 477A.06, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY.] (a) For assessment years 1998, 1999, and 2000, for all class 4d property on which construction was begun before January 1, 1999, the assessor shall determine the difference between the actual net tax capacity and the net tax capacity that would be determined for the property if the class rates for assessment year 1997 were in effect.

(b) In calendar years 1999, 2000, and 2001, each city shall be eligible for aid equal to (i) the amount by which the sum of the differences determined in clause (a) for the corresponding assessment year exceeds ~~2.5~~ two percent of the city's total taxable net tax capacity for taxes payable in 1998, multiplied by (ii) the city government's average local tax rate for taxes payable in 1998.

Sec. 44. Laws 1997, chapter 231, article 2, section 68, subdivision 3, as amended by Laws 1998, chapter 389, article 3, section 36, is amended to read:

Subd. 3. [~~MORATORIUM ON CHANGES IN ELDERLY ASSISTED LIVING FACILITIES; ASSESSMENT PRACTICES.~~] (a) An assessor may not change the current practices or policies used generally in assessing elderly assisted living facilities.

(b) An assessor may not change the 1999 assessment of an existing elderly assisted living facility, unless the change is made as a result of a change in ownership, occupancy, or use of the facility. This paragraph does not apply to:

- (1) a facility that was constructed during calendar year 1997, 1998, or 1999;
  - (2) a facility that was converted to an elderly assisted living facility during calendar year 1997, 1998, or 1999;
- or
- (3) a change in market value.
- (c) This subdivision expires ~~and no longer applies on the earlier of:~~
- ~~(1) the enactment of legislation establishing criteria for the property taxation of elderly assisted living facilities;~~
  - ~~or~~
  - ~~(2) final adjournment of the 1999 regular legislative session December 31, 1999.~~

Sec. 45. Laws 1997, First Special Session chapter 3, section 27, is amended to read:

Sec. 27. [TAXPAYER'S PERSONAL INFORMATION; DISCLOSURE.]

(a) An owner of property in Washington or Ramsey county that is subject to property taxation must be informed in a clear and conspicuous manner in writing on a form sent to property taxpayers that the property owner's name, address, and other information may be used, rented, or sold for business purposes, including surveys, marketing, and solicitation.

(b) If the property owner so requests on the form provided, then any such list generated by the county and sold for business purposes must exclude the owner's name and address if the business purpose is conducting surveys, marketing, or solicitation.

(c) This section expires August 1, ~~1999~~ 2001.

Sec. 46. [ABATEMENT OF TAXES.]

Subdivision 1. [PROPERTY DEFINED.] As used in this section and section 47, "property" means property located in Lake county that meets the following description:

All that part of Government Lot Two (2) of Section One (1) in Township Fifty-two (52) North, Range Eleven (11) West of the Fourth Principal Meridian, lying within the following described lines:

Commencing at a point on the North-South quarter line of said Section 1 which is 20 feet south of the center of said Section 1 measured along said North-South quarter line;

thence easterly at a right angle to said North-South quarter line a distance of 5 feet to the point of Beginning;

thence continuing in an easterly direction at a right angle to said North-South quarter line a distance of 335 feet;

thence southerly at a right angle to the last described line a distance of 80 feet;

thence easterly at a right angle to the last described line a distance of 210 feet;

thence southerly at a right angle to the last described line a distance of 255 feet;

thence southeasterly at an angle of 102 degrees to the last described line to the ordinary low-water mark of Agate Bay;

thence easterly along said ordinary low-water mark to the East boundary line of said Government Lot 2;

thence in a northerly direction along said East boundary line to a point on said East boundary line which is 75 feet distant in a northerly direction from the East-West quarter line of said Section 1, extended, as measured along said East boundary line;

thence in a northwesterly direction to a point which is 190 feet easterly measured at a right angle to the North-South quarter line of said Section 1 from a point on the North-South quarter line, which point is 725 feet northerly of the center of said Section 1 when measured along said North-South quarter line;

thence in a westerly direction at a right angle to said North-South quarter line a distance of 185 feet;

thence southerly along a line parallel to and 5 feet distant easterly from said North-South quarter line a distance of 230 feet;

thence easterly at a right angle to the last described line a distance of 130 feet;

thence southerly at a right angle to the last described line a distance of 119.27 feet;

thence westerly at a right angle to the last described line a distance of 130 feet;

thence southerly along a line parallel to and 5 feet distant easterly from said North-South quarter line a distance of 395.73 feet to the point of beginning.

Subd. 2. [AUTHORIZATION.] Upon a majority vote of its members, the governing bodies of each of Lake county, the city of Two Harbors, and Lake Superior independent school district No. 381, may abate the taxes levied on the property described in subdivision 1 in 1979 to 1990, payable in 1980 to 1991, as well as any interest and penalties due on those taxes.

Sec. 47. [RECORDING OF CONVEYANCE AUTHORIZED.]

Notwithstanding Minnesota Statutes, section 272.12, or any other law to the contrary, if the governing bodies of Lake county, the city of Two Harbors, and Lake Superior independent school district No. 381 have all abated the taxes, interest, and penalties as provided in section 46, subdivision 2, the county auditor may record the conveyance of the property described in section 46, subdivision 1.

Sec. 48. [LOCAL PERFORMANCE AID RECIPIENTS; OTHER AID INCREASES.]

(a) If a county received local performance aid under Minnesota Statutes, section 477A.05, in calendar year 1999, the amount of homestead and agricultural credit aid determined and payable to the county under Minnesota Statutes, section 273.1398, in 2000 and subsequent years is increased by the amount of performance aid it received in 1999.

(b) If a city received local performance aid under Minnesota Statutes, section 477A.05, in calendar year 1999, the city aid base of the city under Minnesota Statutes, section 477A.011, subdivision 36, is increased for aid payable in 2000 and subsequent years by the amount of performance aid it received in 1999, and the maximum amount of total aid it may receive under Minnesota Statutes, section 477A.013, subdivision 9, paragraph (c), is also increased by that amount in calendar year 2000 only.

(c) For purposes of determining the limitation on aid increases under Minnesota Statutes, section 477A.013, subdivision 9, paragraph (b), for aid payable in 2000, the sum of the aid to all cities in 2000 does not include the aid increase under paragraph (a) of this section.

## Sec. 49. [RECOMMENDATIONS ON UTILITY TAX POLICY.]

The commissioner of revenue, upon consultation with the commissioner of public service and other appropriate state agencies, shall convene meetings of representatives from utilities which pay personal property taxes on generation facilities and local governments in which those facilities are sited. These meetings shall assess policy issues related to the taxation of Minnesota utility generation facilities in a changing energy market, including:

- (1) the effects of future restructuring of the electric industry;
- (2) impacts on revenue to local governments and debt issuance;
- (3) evolution of utility tax policy in Minnesota and other states;
- (4) sufficiency of Minnesota's future electric power supply; and
- (5) any other relevant issues, including environmental, labor, and consumer issues.

The meetings shall be open to any interested parties. The commissioner shall examine utility tax policy issues and make recommendations, as warranted, on the future of the personal property tax on generation facilities and the replacement of revenues that would be lost to local units of government as a result of a partial or full exemption of these personal property taxes.

The commissioner shall report on the progress of these meetings, including options being considered and a plan for completing the report, to the chairs of the senate committees on taxes and jobs, energy and community development, the house committees on taxes and commerce, and the governor, by January 15, 2000, with a final report to those same officials by December 1, 2000.

## Sec. 50. [383D.74] [DAKOTA COUNTY; ADMINISTRATIVE PENALTIES.]

Subdivision 1. [PENALTIES.] The Dakota county board may impose an administrative penalty for violation of an ordinance enacted under chapter 103F. No penalty may be imposed unless the owner has received notice, served personally or by mail, of the alleged violation and an opportunity for a hearing before a person authorized by the county board to conduct the hearing. A decision that a violation occurred must be in writing. The amount of the penalty with interest may not exceed the amount allowed for a single misdemeanor violation. A person aggrieved by a decision under this section may have the decision reviewed in the district court. If a penalty imposed under this section is unpaid for more than 60 days after the date when payment is due, the county board may certify the penalty to the county auditor for collection to the same extent and in the same manner provided by law for the assessment and collection of real estate taxes.

Subd. 2. [EXPIRATION.] The authority to impose a penalty under this section expires on December 31, 2000.

## Sec. 51. [LEGISLATIVE INTENT.]

It is the intent of the legislature that one-half of the actual property tax savings to the taxpayer as a result of the class rate reduction under section 19, for manufactured home parks, for taxes payable in 2000 to 2004, be reinvested by the taxpayer in capital improvements of the manufactured home park or used for direct assistance to homeowners for home improvements.

## Sec. 52. [2000 CHARITY CARE AID.]

Subdivision 1. [PURPOSE.] The purpose of charity care aid is to prevent or reduce the reliance on county property taxes to meet the cost of providing medical care to individuals who are indigent and who do not reside in the county.

Subd. 2. [QUALIFICATION.] A county qualifies for payment under this section in 2000 only if it contains a hospital that has a medical assistance disproportionate population adjustment as determined under section 256.969, subdivision 9, greater than 16 percent.

Subd. 3. [REPORTS BY HOSPITALS AND COUNTIES.] (a) By June 1, 1999, a hospital described in subdivision 2 must file a report with the county in which it is located setting forth its audited financial statements and a schedule setting forth the aggregate amount of charity care for calendar year 1998 that meets the following criteria:

(1) the patient is from a county other than the county in which the hospital is located; and

(2) the hospital has made a preliminary determination that:

(i) the patient is not eligible for any public health care program or it cannot be determined whether the person is eligible for any public health care program; and

(ii) the person is uninsured or it cannot be determined if the person is uninsured or the person has insufficient resources to pay the cost of services delivered by the hospital.

(b) By July 1, 1999, each county must report to the commissioner of revenue the total amount of charity care reported to it by hospitals under this subdivision.

Subd. 4. [AMOUNT OF AID.] (a) Subject to the limitation in paragraph (b), payment to a county under this section is equal to the aggregate amount of charity care, as reported under subdivision 3, for calendar year 1998.

(b) The total of all payments under this section may not exceed \$10,000,000. If the amounts reported under subdivision 3 for all counties exceeds \$10,000,000, the distributions to each county must be allocated in proportion to the total amount of uncompensated care reported to the commissioner by the county so that the total of the payments does not exceed \$10,000,000.

Subd. 5. [PAYMENT DATES.] The aid amounts must be paid as provided in section 477A.015.

Subd. 6. [USE OF FUNDS.] Each county that receives a payment under this section must remit all charity care aid funds to hospitals described in subdivision 2 that apply to the county for reimbursement. If the aid a county receives is less than the total amount of uncompensated care reported by eligible hospitals in the county, the aid amounts remitted to the hospitals must be proportional to the amounts reported.

Subd. 7. [REPORT TO THE COMMISSIONER.] By March 15, 2001, each county that receives the aid must file a report with the commissioner of revenue describing how charity care aids were spent, and verifying that they were paid to hospitals described in subdivision 2 for charity care purposes for individuals who do not reside in the county.

Subd. 8. [NOTICE TO COUNTIES.] The commissioner of revenue shall annually notify the governing body of each county, providing information, to the extent available to the commissioner, regarding the amount of reimbursements paid under this section attributable to care provided to residents of that county.

Subd. 9. [HENNEPIN COUNTY LEVY LIMIT ADJUSTMENT.] For taxes levied in 1999 only, the levy limit for Hennepin county under Minnesota Statutes, section 275.71, subdivision 4, is reduced by an amount equal to the amount of charity aid allocated to the Hennepin county medical center.

Subd. 10. [APPROPRIATION.] The amount sufficient to make the payments under this section is appropriated from the general fund to the commissioner of revenue.

Sec. 53. [PROPERTY TAX ABATEMENT; PROPERTY DAMAGED BY TORNADO.]

Subdivision 1. [ABATEMENT AMOUNT.] The county auditor shall grant an abatement for taxes payable in 1999 to any property in a qualifying county, as defined in Laws 1998, chapter 383, section 20, that contains a structure that has been determined by the assessor to have lost over 50 percent of its estimated market value due to wind damage sustained on March 29, 1998, excluding residential homestead property and the portion of agricultural homestead property consisting of the house, garage, and surrounding one acre of land. The abatement is equal to 75 percent of the amount by which the net tax capacity of the structure was reduced by the wind damage, multiplied by the payable 1999 total local net tax capacity tax rate, plus 75 percent of the amount by which the referendum market value of the structure was reduced by the wind damage, multiplied by the payable 1999 total market value tax rate. If the amount of the abatement exceeds the remaining tax due on the property for taxes payable in 1999, a refund shall be issued to the taxpayer by the county treasurer by June 30, 1999.

Subd. 2. [CERTIFICATION.] The amount of abatements granted under this section shall be reported to the commissioner of revenue by the county auditor by June 30, 1999, in a form prescribed by the commissioner. The commissioner may require the county to provide other information necessary to verify the accuracy of the abatement amounts submitted.

Subd. 3. [PAYMENT.] The commissioner shall make payments equal to the amount of abatements granted to each county by August 30, 1999. The county treasurer shall distribute the payments to the affected taxing jurisdictions equal to the amount of the tax that was abated as part of the October 1999 regular settlement as provided in Minnesota Statutes, section 276.111.

Subd. 4. [APPROPRIATION.] The amount necessary to fund the payments required under this section is appropriated from the general fund to the commissioner of revenue in fiscal year 2000.

Sec. 54. [REPEALER.]

(a) Minnesota Statutes 1998, section 273.11, subdivision 10, is repealed.

(b) Minnesota Statutes 1998, section 477A.05, is repealed.

(c) Laws 1998, chapter 389, article 3, section 45, is repealed.

Sec. 55. [EFFECTIVE DATES.]

Sections 1 and 2 are effective for petitions filed on or after the day following final enactment.

Sections 3, 4, 5, 9, paragraph (c), 10, 11, 15, 16, 17, paragraphs (a) and (b), 19, 20, 21, 22, 25, and 33 are effective for taxes levied in 1999, payable in 2000, and thereafter.

Section 6 is effective for assessment years 1999 through 2001.

Section 7 is effective for improvements made on or after July 1, 1999.

Section 8 is effective retroactively for property taxes payable in 1998 and thereafter.

Section 9, paragraph (h), is effective for taxes payable in 1999 and subsequent years.

Section 13 is effective beginning with the 1999 assessment, taxes payable in 2000 and thereafter. For eligibility for the 1999 assessment year under section 13, paragraph (b), the owner or the person who is actively farming the property must notify the county assessor by July 1, 1999, and furnish to the assessor the information required by the assessor to determine whether the qualifying criteria has been met for the 1999 assessment on the agricultural property.

Sections 12, 14, 24, 29, 36 to 38, 44, and 53 are effective the day following final enactment.

Sections 17, paragraph (c), 18, and 54, paragraph (c), are effective for taxes levied in 2000, payable in 2001 and thereafter.

Section 20, paragraph (f), is effective for the 2000 assessment and thereafter, for taxes payable in 2001 and thereafter, except that for taxes payable in 2001, the date for filing an application with the county assessor under section 20, paragraph (f), clause (3), is September 1, 1999.

Section 26 is effective for penalties and interest on property taxes collected after June 30, 1999.

Section 27 is effective for property tax refunds for claims for property taxes payable filed in 2000 and thereafter for taxes payable in 2000 and thereafter.

Sections 22, 48, and 54, paragraph (b), are effective for aids payable in 2000 and thereafter.

Sections 28 and 30 to 32 are effective for deferrals of property taxes payable in 2000 and thereafter. The changes in the annual tax amount percentage and the maximum annual household income in sections 28 and 30 to 32 apply to all homeowners and all property taxes deferred beginning in payable 2000, including those homeowners who initially qualified under this program for taxes payable in 1999.

Section 45 applies to Washington county only and is effective the day after the chief clerical officer of Washington county files a certificate of approval that complies with Minnesota Statutes, section 645.021, subdivision 3.

Sections 46 and 47 are effective the day following final enactment, upon approval by and compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing bodies of Lake county, the city of Two Harbors, and Lake Superior independent school district No. 381.

## ARTICLE 6

### LEVY AUTHORIZATION AND LEVY LIMITS

Section 1. Minnesota Statutes 1998, section 204B.135, is amended by adding a subdivision to read:

Subd. 5. [REDISTRICTING EXPENSES.] The county board may levy a tax not to exceed \$1 per capita in the year ending in "0" to pay costs incurred in the year ending in "1" or "2" that are reasonably related to the redistricting of election districts, establishment of precinct boundaries, designation of polling places, and the updating of voter records in the statewide registration system. The county auditor shall distribute to each municipality in the county on a per capita basis 25 percent of the amount levied as provided in this subdivision, based on the population of the municipality in the most recent census. This levy is not subject to statutory levy limits.

Sec. 2. [275.078] [AUTHORIZATION; TAX RATE INCREASE.]

On or before October 1, 1999, and each subsequent year, the county auditor shall certify to the governing body of each home rule charter or statutory city in the county and to the county board, the following information for the taxing jurisdiction:

(1) the taxing jurisdiction's certified levy under section 275.08 for the previous year, taxes payable in the current year, excluding any amount levied to pay general obligation bonds, less (i) the areawide portion of the levy under section 276A.06, subdivision 3, or 473F.08, subdivision 3, if any, for taxes payable in the following year; and (ii) the sum of the net tax capacity adjustment amount and the fiscal disparities adjustment amount under section 273.1398, subdivision 2, if any, for aids payable in the following year;

(2) the taxing jurisdiction's taxable net tax capacity for the current assessment year, for taxes payable in the following year; and

(3) the tax rate obtained by dividing the amount in clause (1) by the amount in clause (2), rounded to the nearest hundredth percent.

In order to impose a tax rate for purposes other than to pay general obligation bonds for taxes payable in the following year that is higher than the tax rate certified by the county auditor under clause (3), the governing body of the city or the county board must adopt a resolution, after holding a public hearing, authorizing a higher tax rate and file a copy of the resolution with the county auditor on or before October 20, 1999, and each year thereafter. A county auditor is prohibited from fixing a tax rate for purposes other than to pay general obligation bonds for taxes payable in the following year that is higher than the rate certified under clause (3) if a resolution has not been filed, unless the higher rate is due solely to a reduction in the taxing jurisdiction's net tax capacity certified under clause (2) resulting from classification changes, exemptions, tax court judgments, or clerical or administrative errors made by the county. For purposes of this section, "public hearing" includes, but is not limited to, regularly scheduled city council hearings and county board meetings.

Sec. 3. Minnesota Statutes 1998, section 275.70, subdivision 5, is amended to read:

Subd. 5. [SPECIAL LEVIES.] "Special levies" means those portions of ad valorem taxes levied by a local governmental unit for the following purposes or in the following manner:

(1) to pay the costs of the principal and interest on bonded indebtedness or to reimburse for the amount of liquor store revenues used to pay the principal and interest due on municipal liquor store bonds in the year preceding the year for which the levy limit is calculated;

(2) to pay the costs of principal and interest on certificates of indebtedness issued for any corporate purpose except for the following:

(i) tax anticipation or aid anticipation certificates of indebtedness;

(ii) certificates of indebtedness issued under sections 298.28 and 298.282;

(iii) certificates of indebtedness used to fund current expenses or to pay the costs of extraordinary expenditures that result from a public emergency; or

(iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an insufficiency in other revenue sources;

(3) to provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(4) to fund payments made to the Minnesota state armory building commission under section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(5) for unreimbursed expenses related to flooding that occurred during the first half of calendar year 1997, as allowed by the commissioner of revenue under section 275.74, paragraph (b);

(6) for local units of government located in an area designated by the Federal Emergency Management Agency pursuant to a major disaster declaration issued for Minnesota by President Clinton after April 1, 1997, and before June 11, 1997, for the amount of tax dollars lost due to abatements authorized under section 273.123, subdivision 7, and Laws 1997, chapter 231, article 2, section 64, to the extent that they are related to the major disaster and to the extent that neither the state or federal government reimburses the local government for the amount lost;

(7) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;

(8) 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 1997, or (ii) it is a new matching requirement that didn't exist prior to 1998;

(9) to pay the expenses reasonably and necessarily incurred in preparing for or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes, in accordance with standards formulated by the emergency services division of the state department of public safety, as allowed by the commissioner of revenue under section 275.74, paragraph (b);

(10) for the amount of tax revenue lost due to abatements authorized under section 273.123, subdivision 7, for damage related to the tornadoes of March 29, 1998, to the extent that neither the state or federal government provides reimbursement for the amount lost;

(11) 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; ~~and~~

(12) to pay an abatement under section 469.1815-; and

(13) to pay the operating or maintenance costs of a county jail as authorized in section 641.01 or 641.262, or of a correctional facility as defined in section 241.021, subdivision 1, paragraph (5), to the extent that the county can demonstrate to the commissioner of revenue that the amount has been included in the county budget as a direct result of a rule, minimum requirement, minimum standard, or directive of the department of corrections. 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.

Sec. 4. Minnesota Statutes 1998, section 275.71, subdivision 2, is amended to read:

Subd. 2. [LEVY LIMIT BASE.] (a) The levy limit base for a local governmental unit for taxes levied in 1997 shall be equal to the sum of:

(1) the amount the local governmental unit levied in 1996, less any amount levied for debt, as reported to the department of revenue under section 275.62, subdivision 1, clause (1), and less any tax levied in 1996 against market value as provided for in section 275.61;

(2) the amount of aids the local governmental unit was certified to receive in calendar year 1997 under sections 477A.011 to 477A.03 before any reductions for state tax increment financing aid under section 273.1399, subdivision 5;

(3) the amount of homestead and agricultural credit aid the local governmental unit was certified to receive under section 273.1398 in calendar year 1997 before any reductions for tax increment financing aid under section 273.1399, subdivision 5;

(4) the amount of local performance aid the local governmental unit was certified to receive in calendar year 1997 under section 477A.05; and

(5) the amount of any payments certified to the local government unit in 1997 under sections 298.28 and 298.282.

If a governmental unit was not required to report under section 275.62 for taxes levied in 1997, the commissioner shall request information on levies used for debt from the local governmental unit and adjust its levy limit base accordingly.

(b) The levy limit base for a local governmental unit for taxes levied in 1998 is equal to its adjusted levy limit base in the previous year, subject to any adjustments under section 275.72 and multiplied by the increase that would have occurred under subdivision 3, clause (3), if that clause had been in effect for taxes levied in 1997.

(c) The levy limit base for a city with a population greater than 2,500 for taxes levied in 1999 is limited to its adjusted levy limit base in the previous year, subject to adjustments under section 275.72.

(d) The levy limit base for a county for taxes levied in 1999 is limited to the difference between (1) its adjusted levy limit base in the previous year subject to adjustments under section 275.72, and (2) one-half of the county's share of the net cost to the state for assumption of district court costs, as reported by the supreme court to the commissioner of revenue under section 273.1398, subdivision 4a, paragraph (a).

Sec. 5. Minnesota Statutes 1998, section 275.71, subdivision 3, is amended to read:

Subd. 3. [ADJUSTED LEVY LIMIT BASE.] For taxes levied in 1998 and 1999, the adjusted levy limit is equal to the levy limit base computed under subdivision 2 or section 275.72, multiplied by:

(1) one plus a percentage equal to the percentage growth in the implicit price deflator; and

(2) for all cities and for counties outside of the seven-county metropolitan area, one plus a percentage equal to the percentage increase in number of households, if any, for the most recent 12-month period for which data is available; and for counties located in the seven-county metropolitan area, one plus a percentage equal to the greater of the percentage increase in the number of households in the county or the percentage increase in the number of households in the entire seven-county metropolitan area for the most recent 12-month period for which data is available; and

(3) one plus a percentage equal to the percentage increase in the taxable market value of the jurisdiction due to new construction of class 3 and class 5 property, as defined in section 273.13, subdivisions 24 and 31, for the most recent year for which data are available.

Sec. 6. Minnesota Statutes 1998, section 275.71, subdivision 4, is amended to read:

Subd. 4. [PROPERTY TAX LEVY LIMIT.] For taxes levied in 1998 and 1999, the property tax levy limit for a local governmental unit is equal to its adjusted levy limit base determined under subdivision 3 plus any additional levy authorized under section 275.73, which is levied against net tax capacity, reduced by the sum of (1) the total amount of aids that the local governmental unit is certified to receive under sections 477A.011 to 477A.014, (2) homestead and agricultural aids it is certified to receive under section 273.1398, (3) local performance aid it is certified to receive under section 477A.05, (4) taconite aids under sections 298.28 and 298.282 including any aid which was required to be placed in a special fund for expenditure in the next succeeding year, (5) flood loss aid under section 273.1383, and (6) low-income housing aid under sections 477A.06 and 477A.065.

Sec. 7. Minnesota Statutes 1998, section 465.82, is amended by adding a subdivision to read:

Subd. 4. [DIFFERENTIAL TAXATION.] The plan for cooperation and combination adopted in accordance with subdivision 1 may establish that the tax rate of the local government unit with the lesser tax rate prior to the effective date of combination shall be increased in substantially equal proportions over not more than six years to equality with the tax rate on the property already within the borders of the local unit of government with the higher tax rate. The appropriate period of time, if any, for transition to the higher tax rate shall be based on the time reasonably required to effectively provide equal municipal services to the residents of the local unit of government with the lower tax rate.

Sec. 8. Minnesota Statutes 1998, section 473.252, subdivision 2, is amended to read:

Subd. 2. [SOURCES OF FUNDS.] The council shall credit to the tax base revitalization account within the fund the amount, if any, provided for under ~~subdivision 4~~, and the amount, if any, distributed to the council under section 473F.08, subdivision 3b.

Sec. 9. Laws 1988, chapter 645, section 3, is amended to read:

Sec. 3. [TAX; PAYMENT OF EXPENSES.]

(a) The tax levied by the hospital district under Minnesota Statutes, section 447.34, must not be levied at a rate that exceeds 2 mills .0063 percent of taxable market value. The proceeds

(b) .0048 percent of taxable market value of that tax in paragraph (a) may be used only for acquisition, betterment, and maintenance of the district's hospital and nursing home facilities and equipment, and not for administrative or salary expenses.

(c) .0015 percent of taxable market value of the tax in paragraph (a) may be used solely for the purpose of capital expenditures as it relates to ambulance acquisitions for the Cook ambulance service and the Orr ambulance service and not for administrative or salary expenses.

The part of the levy referred to in paragraph (c) must be administered by the Cook Hospital and passed on directly to the Cook area ambulance service board and the city of Orr to be held in trust until funding for a new ambulance is needed by either the Cook ambulance service or the Orr ambulance service.

Sec. 10. Laws 1997, chapter 231, article 3, section 9, is amended to read:

Sec. 9. [EFFECTIVE DATE.]

Sections 1 and 3 to 7, as amended by Laws 1998, chapter 389, article 4, sections 1 to 6, are effective for taxes levied in 1997 and 1998 through 1999, payable in 1998 and 1999 through 2000.

Upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of Faribault county or the city of Blue Earth, section 8 is effective for taxes levied in 1997 and 1998 through 1999 in the county or city that approves it.

Sec. 11. [CEMETERY LEVY FOR SAWYER BY CARLTON COUNTY.]

Subdivision 1. [LEVY AUTHORIZED.] Notwithstanding other law to the contrary, the Carlton county board of commissioners may levy in and for the unorganized township of Sawyer an amount up to \$1,000 annually for cemetery purposes, beginning with taxes payable in 2000 and ending with taxes payable in 2009.

Subd. 2. [EFFECTIVE DATE.] This section is effective June 1, 1999, without local approval.

Sec. 12. [COUNTY OF GOODHUE; LEVY LIMITS AND AID ADJUSTMENTS.]

Subdivision 1. [LEVY LIMIT BASE.] The levy limit base of the county of Goodhue for taxes levied in 1999 under Minnesota Statutes, section 275.71, subdivision 2, is increased by \$422,324.

Subd. 2. [TEMPORARY COUNTY AGRICULTURAL AND HOMESTEAD CREDIT AID ADJUSTMENTS.] For aids paid in calendar year 1999 only, the county of Goodhue shall receive an additional aid payment of \$422,324 under the provisions of Minnesota Statutes, section 273.1398. For aids paid in calendar years 2000 and 2001, the aid paid to the county of Goodhue under section 273.1398, subdivision 2, shall be reduced by \$211,162. The additional aid paid in 1999 shall not be included in calculating any limitation on levies or expenditures in calendar year 1999 but the reductions in calendar years 2000 and 2001 shall be included in calculating any limitation on levies or expenditures.

Subd. 3. [APPROPRIATION.] \$422,324 is appropriated in fiscal year 2000 to the commissioner of revenue from the general fund to make the payment under subdivision 2.

Subd. 4. [EFFECTIVE DATE.] Subdivision 1 is effective for taxes levied in 1999 upon compliance with the governing body of the county of Goodhue with Minnesota Statutes, section 645.021, subdivision 3. Subdivision 2 is effective for aids payable in calendar years 1999 to 2001.

Sec. 13. [CITY OF GRANT; LEVY LIMITS.]

Subdivision 1. [LEVY LIMIT BASE INCREASE.] The levy limit base for the city of Grant for taxes levied in 1999 under Minnesota Statutes, section 275.71, subdivision 2, is increased by an amount equal to the difference between (1) the amount the city would have raised if it had imposed a tax rate equal to one-third of the statewide average city tax effort rate for taxes payable in 1999, as defined in Minnesota Statutes, section 477A.011, subdivision 35, on its net tax capacity for taxes payable in 1999, as defined in Minnesota Statutes, section 477A.011, subdivision 20; and (2) the amount it levied for taxes payable in 1999.

Subd. 2. [LOCAL APPROVAL; EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Grant with Minnesota Statutes, section 645.021, subdivision 3, for taxes levied in 1999, payable in 2000.

Sec. 14. [NORTH FORK CROW RIVER WATERSHED DISTRICT.]

Subdivision 1. [LEVY AUTHORIZED.] Notwithstanding Minnesota Statutes, section 103D.905, subdivision 3, the North Fork Crow River watershed district may annually levy up to .04836 percent of taxable market value, or \$140,000, whichever is less, for its administrative fund.

Subd. 2. [EFFECTIVE DATE.] This section is effective without local approval beginning with taxes levied in 1999, payable in 2000.

Sec. 15. [SAUK RIVER WATERSHED DISTRICT.]

Subdivision 1. [LEVY AUTHORIZED.] Notwithstanding Minnesota Statutes, section 103D.905, subdivision 3, the Sauk river watershed district may annually levy up to \$200,000 for its administrative fund for taxes payable in 2000, 2001, 2002, 2003, and 2004.

Subd. 2. [EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 16. [CITY OF STILLWATER; DIVISION INTO URBAN AND RURAL SERVICE DISTRICTS.]

Notwithstanding the provisions of Minnesota Statutes, section 272.67, subdivisions 1 and 6, in order to carry out an orderly annexation agreement entered into for the annexation of a part or all of Stillwater township, the city of Stillwater may divide its area into urban service districts and rural service districts constituting separate taxing districts for the purpose of all municipal property taxes including those levied for the payment of bonds and judgments and interest on them.

Sec. 17. [REPEALER.]

Minnesota Statutes 1998, section 473.252, subdivisions 4 and 5, are repealed.

Sec. 18. [EFFECTIVE DATE.]

Sections 3 to 6 and 10 are effective for taxes levied in 1999, and payable in 2000. Section 7 is effective the day following final enactment for taxes levied in 1999 and thereafter. Sections 8 and 17 are effective for taxes levied in 1999, payable in 2000, and thereafter.

The .0015 percent of taxable market value levy described in section 9, paragraph (c), is effective for the cities of Cook and Orr and the counties of St. Louis and Koochiching for affected parts of those counties on January 1, 2000, to be requested in the year 2000, with the first payment to be received in 2001.

## ARTICLE 7

## SPECIAL TAXES

Section 1. Minnesota Statutes 1998, section 60A.19, subdivision 6, is amended to read:

Subd. 6. [RETLIATORY PROVISIONS.] (1) When by the laws of any other state or country any taxes, fines, deposits, penalties, licenses, or fees, ~~other than assessments made by an insurance guaranty association or similar organization~~, in addition to or in excess of those imposed by the laws of this state upon foreign insurance companies and their agents doing business in this state, ~~other than assessments by an insurance guaranty association or similar organization organized under the laws of this state~~, are imposed on insurance companies of this state and their agents doing business in that state or country, or when any conditions precedent to the right to do business in that state are imposed by the laws thereof, beyond those imposed upon these foreign companies by the laws of this state, the same taxes, fines, deposits, penalties, licenses, fees, and conditions precedent shall be imposed upon every similar insurance company of that state or country and their agents doing or applying to do business in this state so long as these foreign laws remain in force. Special purpose obligations or assessments, including assessments by an insurance guaranty association, joint underwriting association or similar organization, or assessments imposed in connection with particular kinds of insurance, are not taxes, licenses, or fees as these terms are used in this section.

(2) In the event that a domestic insurance company, after complying with all reasonable laws and rulings of any other state or country, is refused permission by that state or country to transact business therein after the commissioner of commerce of Minnesota has determined that that company is solvent and properly managed and after the commissioner has so certified to the proper authority of that other state or country, then, and in every such case, the commissioner may forthwith suspend or cancel the certificate of authority of every insurance company organized under the laws of that other state or country to the extent that it insures, or seeks to insure, in this state against any of the risks or hazards which that domestic company seeks to insure against in that other state or country. Without limiting the application of the foregoing provision, it is hereby determined that any law or ruling of any other state or country which prescribes to a Minnesota domestic insurance company the premium rate or rates for life insurance issued or to be issued outside that other state or country shall not be reasonable.

(3) This section does not apply to insurance companies organized or domiciled in a state or country, the laws of which do not impose retaliatory taxes, fines, deposits, penalties, licenses, or fees or which grant, on a reciprocal basis, exemptions from retaliatory taxes, fines, deposits, penalties, licenses, or fees to insurance companies domiciled in this state.

Sec. 2. Minnesota Statutes 1998, section 296A.16, is amended by adding a subdivision to read:

Subd. 4a. [UNDYED KEROSENE; REFUNDS.] Notwithstanding subdivision 1, the commissioner shall allow a refund of the tax paid on undyed kerosene used exclusively for a purpose other than as fuel for a motor vehicle using the streets and highways. To obtain a refund, the person making the sale to an end user must meet the Internal Revenue Service requirements for sales from a blocked pump. A claim for a refund may be filed as provided in this section.

Sec. 3. Minnesota Statutes 1998, section 296A.16, is amended by adding a subdivision to read:

Subd. 4b. [RACING GASOLINE; REFUNDS.] Notwithstanding subdivision 1, the commissioner shall allow a licensed distributor a refund of the tax paid on leaded gasoline of 110 octane or more that does not meet ASTM specification D4814 for gasoline and that is sold in bulk for use in nonregistered motor vehicles. A claim for a refund may be filed as provided for in this section.

Sec. 4. Minnesota Statutes 1998, section 297E.01, is amended by adding a subdivision to read:

Subd. 17a. [BUSINESS DAY.] "Business day" means Monday through Friday, excluding any holidays as defined in section 645.44.

Sec. 5. Minnesota Statutes 1998, section 297E.02, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION.] A tax is imposed on all lawful gambling other than (1) ~~pull-tabs purchased and placed into inventory after January 1, 1987, pull-tab deals or games; and~~ (2) ~~tipboards purchased and placed into inventory after June 30, 1988 tipboard deals or games; and~~ (3) items listed in section 297E.01, subdivision 8, clauses (4) and (5), at the rate of ~~9.5~~ 9 percent on the gross receipts as defined in section 297E.01, subdivision 8, less prizes actually paid. The tax imposed by this subdivision is in lieu of the tax imposed by section 297A.02 and all local taxes and license fees except a fee authorized under section 349.16, subdivision 8, or a tax authorized under subdivision 5.

The tax imposed under this subdivision is payable by the organization or party conducting, directly or indirectly, the gambling.

Sec. 6. Minnesota Statutes 1998, section 297E.02, subdivision 3, is amended to read:

Subd. 3. [COLLECTION; DISPOSITION.] Taxes imposed by this section other than in subdivision 4 are due and payable to the commissioner when the gambling tax return is required to be filed. Taxes imposed by subdivision 4 are due and payable to the commissioner on or before the last business day of the month following the month in which the taxable sale was made. Returns covering the taxes imposed under this section must be filed with the commissioner on or before the 20th day of the month following the close of the previous calendar month. The commissioner may require that the returns be filed via magnetic media or electronic data transfer. The proceeds, along with the revenue received from all license fees and other fees under sections 349.11 to 349.191, 349.211, and 349.213, must be paid to the state treasurer for deposit in the general fund.

Sec. 7. Minnesota Statutes 1998, section 297E.02, subdivision 4, is amended to read:

Subd. 4. [PULL-TAB AND TIPBOARD TAX.] (a) A tax is imposed on the sale of each deal of pull-tabs and tipboards sold by a distributor. The rate of the tax is ~~1.9~~ 1.8 percent of the ideal gross of the pull-tab or tipboard deal. The sales tax imposed by chapter 297A on the sale of the pull-tabs and tipboards by the distributor is imposed on the retail sales price less the tax imposed by this subdivision. The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

(b) The liability for the tax imposed by this section is incurred when the pull-tabs and tipboards are delivered by the distributor to the customer or to a common or contract carrier for delivery to the customer, or when received by the customer's authorized representative at the distributor's place of business, regardless of the distributor's method of accounting or the terms of the sale.

The tax imposed by this subdivision is imposed on all sales of pull-tabs and tipboards, except the following:

- (1) sales to the governing body of an Indian tribal organization for use on an Indian reservation;
- (2) sales to distributors licensed under the laws of another state or of a province of Canada, as long as all statutory and regulatory requirements are met in the other state or province;
- (3) sales of promotional tickets as defined in section 349.12; and
- (4) pull-tabs and tipboards sold to an organization that sells pull-tabs and tipboards under the exemption from licensing in section 349.166, subdivision 2. A distributor shall require an organization conducting exempt gambling to show proof of its exempt status before making a tax-exempt sale of pull-tabs or tipboards to the organization. A distributor shall identify, on all reports submitted to the commissioner, all sales of pull-tabs and tipboards that are exempt from tax under this subdivision.

(c) A distributor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

(d) Any customer who purchases deals of pull-tabs or tipboards from a distributor may file an annual claim for a refund or credit of taxes paid pursuant to this subdivision for unsold pull-tab and tipboard tickets. The claim must be filed with the commissioner on a form prescribed by the commissioner by March 20 of the year following the calendar year for which the refund is claimed. The refund must be filed as part of the customer's February monthly return. The refund or credit is equal to ~~1.9~~ 1.8 percent of the face value of the unsold pull-tab or tipboard tickets, provided that the refund or credit will be ~~1.95~~ 1.85 percent of the face value of the unsold pull-tab or tipboard tickets for claims for a refund or credit of taxes filed on the February ~~1999~~ 2000 monthly return. The refund claimed will be applied as a credit against tax owing under this chapter on the February monthly return. If the refund claimed exceeds the tax owing on the February monthly return, that amount will be refunded. The amount refunded will bear interest pursuant to section 270.76 from 90 days after the claim is filed.

Sec. 8. Minnesota Statutes 1998, section 297E.02, subdivision 6, is amended to read:

Subd. 6. [COMBINED RECEIPTS TAX.] In addition to the taxes imposed under subdivisions 1 and 4, a tax is imposed on the combined receipts of the organization. As used in this section, "combined receipts" is the sum of the organization's gross receipts from lawful gambling less gross receipts directly derived from the conduct of bingo, raffles, and paddlewheels, as defined in section 297E.01, subdivision 8, for the fiscal year. The combined receipts of an organization are subject to a tax computed according to the following schedule:

If the combined receipts for the fiscal year are:	The tax is:
Not over \$500,000	zero
Over \$500,000, but not over \$700,000	<del>1.9</del> <u>1.8</u> percent of the amount over \$500,000, but not over \$700,000
Over \$700,000, but not over \$900,000	<del>\$3,800</del> <u>\$3,600</u> plus <del>3.8</del> <u>3.6</u> percent of the amount over \$700,000, but not over \$900,000
Over \$900,000	<del>\$11,400</del> <u>\$10,800</u> plus <del>5.7</del> <u>5.4</u> percent of the amount over \$900,000

Sec. 9. Minnesota Statutes 1998, section 297F.01, subdivision 23, is amended to read:

Subd. 23. [WHOLESALE PRICE.] "Wholesale price" means the established price for which a manufacturer or person sells a tobacco product to a distributor, exclusive of any discount or other reduction.

Sec. 10. Minnesota Statutes 1998, section 297F.17, subdivision 6, is amended to read:

Subd. 6. [TIME LIMIT FOR BAD DEBT ~~DEDUCTION~~ REFUND.] Claims for refund must be filed with the commissioner ~~within one year of~~ during the one-year period beginning with the timely filing date of the taxpayer's federal income tax return containing the bad debt deduction that is being claimed. Claimants under this subdivision are subject to the notice requirements of section 289A.38, subdivision 7.

Sec. 11. Minnesota Statutes 1998, section 297H.05, is amended to read:

297H.05 [SELF-HAULERS.]

(a) A self-hauler of mixed municipal solid waste shall pay the tax to the operator of the waste management facility to which the waste is delivered at the rate imposed under section 297H.03, based on the sales price of the waste management services.

(b) A self-hauler of non-mixed-municipal solid waste shall pay the tax to the operator of the waste management facility to which the waste is delivered at the rate imposed under section 297H.04.

(c) The tax imposed on the self-hauler of non-mixed-municipal solid waste may be based either on the capacity of the container, the actual volume, or the weight-to-volume conversion schedule in paragraph (d). However, the tax must be calculated by the operator using the same method for calculating the tipping fee so that both are calculated according to container capacity, actual volume, or weight.

(d) The weight-to-volume conversion schedule for:

(1) construction debris as defined in section 115A.03, subdivision 7, is one ton equals 3.33 cubic yards, or \$2 per ton;

(2) industrial waste as defined in section 115A.03, subdivision 13a, is equal to 60 cents per cubic yard. The commissioner of revenue, after consultation with the commissioner of the pollution control agency, shall determine, and may publish by notice, a conversion schedule for various industrial wastes; and

(3) infectious waste as defined in section 116.76, subdivision 12, and pathological waste as defined in section 116.76, subdivision 14, is 150 pounds equals one cubic yard, or 60 cents per 150 pounds.

(e) For mixed municipal solid waste the tax is imposed upon the difference between the market price and the tip fee at a processing or disposal facility if the tip fee is less than the market price and the political subdivision subsidizes the cost of service at the facility. The political subdivision is liable for the tax.

Sec. 12. Minnesota Statutes 1998, section 297H.06, subdivision 2, is amended to read:

Subd. 2. [MATERIALS.] The tax is not imposed upon charges to generators of mixed municipal solid waste or upon the volume of non-mixed-municipal solid waste for waste management services to manage the following materials:

(1) mixed municipal solid waste and non-mixed-municipal solid waste generated outside of Minnesota;

(2) recyclable materials that are separated for recycling by the generator, collected separately from other waste, and recycled, to the extent the price of the service for handling recyclable material is separately itemized;

(3) recyclable non-mixed-municipal solid waste that is separated for recycling by the generator, collected separately from other waste, delivered to a waste facility for the purpose of recycling, and recycled;

(4) industrial waste, when it is transported to a facility owned and operated by the same person that generated it;

(5) mixed municipal solid waste from a recycling facility that separates or processes recyclable materials and reduces the volume of the waste by at least 85 percent, provided that the exempted waste is managed separately from other waste;

(6) recyclable materials that are separated from mixed municipal solid waste by the generator, collected and delivered to a waste facility that recycles at least 85 percent of its waste, and are collected with mixed municipal solid waste that is segregated in leakproof bags, provided that the mixed municipal solid waste does not exceed five percent of the total weight of the materials delivered to the facility and is ultimately delivered to a waste facility identified as a preferred waste management facility in county solid waste plans under section 115A.46;

(7) through December 31, 2002, source-separated compostable waste, if the waste is delivered to a facility exempted as described in this clause. To initially qualify for an exemption, a facility must apply for an exemption in its application for a new or amended solid waste permit to the pollution control agency. The first time a facility applies to the agency it must certify in its application that it will comply with the criteria in items (i) to (v) and the commissioner of the agency shall so certify to the commissioner of revenue who must grant the exemption. For each subsequent calendar year, by October 1 of the preceding year, the facility must apply to the agency for certification to renew its exemption for the following year. The application must be filed according to the procedures of, and contain the information required by, the agency. The commissioner of revenue shall grant the exemption if the commissioner of the pollution control agency finds and certifies to the commissioner of revenue that based on an evaluation of the composition of incoming waste and residuals and the quality and use of the product:

- (i) generators separate materials at the source;
- (ii) the separation is performed in a manner appropriate to the technology specific to the facility that:
  - (A) maximizes the quality of the product;
  - (B) minimizes the toxicity and quantity of residuals; and
  - (C) provides an opportunity for significant improvement in the environmental efficiency of the operation;
- (iii) the operator of the facility educates generators, in coordination with each county using the facility, about separating the waste to maximize the quality of the waste stream for technology specific to the facility;
- (iv) process residuals do not exceed 15 percent of the weight of the total material delivered to the facility; and
- (v) the final product is accepted for use; ~~and~~
- (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. 13. [EFFECTIVE DATES.]

Section 1 is effective for taxable years beginning after December 31, 1999. Section 2 is effective retroactively for sales made after June 30, 1998. Section 3 is effective retroactively for sales made after January 31, 1999. Section 4 is effective August 1, 1999. Sections 5, 7, and 8 are effective July 1, 1999. Section 6 is effective for taxes first becoming due on or after August 1, 1999. Sections 9 and 12 are effective the day following final enactment. Section 10 is effective for refund claims filed on or after July 1, 1999. Section 11 is effective for services provided on or after July 1, 1999.

## ARTICLE 8

### MINNESOTACARE TAXES

Section 1. Minnesota Statutes 1998, section 295.50, subdivision 4, is amended to read:

Subd. 4. [HEALTH CARE PROVIDER.] (a) "Health care provider" means:

- (1) a person whose health care occupation is regulated or required to be regulated by the state of Minnesota furnishing any or all of the following goods or services directly to a patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services, drugs, laboratory, diagnostic or therapeutic services;
- (2) a person who provides goods and services not listed in clause (1) that qualify for reimbursement under the medical assistance program provided under chapter 256B;

- (3) a staff model health plan company;
- (4) an ambulance service required to be licensed; or
- (5) a person who sells or repairs hearing aids and related equipment or prescription eyewear.

(b) Health care provider does not include: (1) hospitals; medical supplies distributors, except as specified under paragraph (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other jurisdiction; pharmacies; surgical centers; bus and taxicab transportation, or any other providers of transportation services other than ambulance services required to be licensed; supervised living facilities for persons with mental retardation or related conditions, licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; residential care homes licensed under chapter 144B; board and lodging establishments providing only custodial services that are licensed under chapter 157 and registered under section 157.17 to provide supportive services or health supervision services; adult foster homes as defined in Minnesota Rules, part 9555.5105; day training and habilitation services for adults with mental retardation and related conditions as defined in section 252.41, subdivision 3; and boarding care homes, as defined in Minnesota Rules, part 4655.0100;

~~(c) For purposes of this subdivision, "directly to a patient or consumer" includes goods and services provided in connection with independent medical examinations under section 65B.56 or other examinations for purposes of litigation or insurance claims.~~

(2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart 15; a person providing personal care services and supervision of personal care services as defined in Minnesota Rules, part 9505.0335; a person providing private duty nursing services as defined in Minnesota Rules, part 9505.0360; and home care providers required to be licensed under chapter 144A;

(3) a person who employs health care providers solely for the purpose of providing patient services to its employees; and

(4) an educational institution that employs health care providers solely for the purpose of providing patient services to its students if the institution does not receive fee for service payments or payments for extended coverage.

Sec. 2. Minnesota Statutes 1998, section 295.52, subdivision 7, is amended to read:

Subd. 7. [TAX REDUCTION.] (a) Notwithstanding subdivisions 1, 1a, 2, 3, and 4, the tax imposed under this section equals for calendar years 1998 and 1999 shall be equal to, 2000, and 2001, 1.5 percent of the gross revenues received on or after January 1, 1998, and before January 1, 2000. The commissioner shall extend the reduced tax rate of 1.5 percent for gross revenues received on or after January 1, 2000, and before January 1, 2002, if the commissioner of finance determines that the health care access fund structural balance projected for fiscal year 2001 will remain positive, prior to any increase of the one percent premium tax under section 60A.15, subdivision 1, paragraph (h), and prior to any tax expenditures related to the increase in the maximum tax credit for research expenses under section 295.53, subdivision 4a, as amended by Laws 1997, chapter 225 2002.

Sec. 3. Minnesota Statutes 1998, section 295.53, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTIONS.] (a) The following payments are excluded from the gross revenues subject to the hospital, surgical center, or health care provider taxes under sections 295.50 to 295.57:

(1) payments received for services provided under the Medicare program, including payments received from the government, and organizations governed by sections 1833 and 1876 of title XVIII of the federal Social Security Act, United States Code, title 42, section 1395, and enrollee deductibles, coinsurance, and copayments, whether paid by the Medicare enrollee or by a Medicare supplemental coverage as defined in section 62A.011, subdivision 3, clause (10). Payments for services not covered by Medicare are taxable;

- (2) medical assistance payments including payments received directly from the government or from a prepaid plan;
- (3) payments received for home health care services;
- (4) payments received from hospitals or surgical centers for goods and services on which liability for tax is imposed under section 295.52 or the source of funds for the payment is exempt under clause (1), (2), (7), (8), ~~or (10)~~, or (13);
- (5) payments received from health care providers for goods and services on which liability for tax is imposed under this chapter or the source of funds for the payment is exempt under clause (1), (2), (7), (8), ~~or (10)~~, or (13);
- (6) amounts paid for legend drugs, other than nutritional products, to a wholesale drug distributor who is subject to tax under section 295.52, subdivision 3, reduced by reimbursements received for legend drugs under clauses (1), (2), (7), and (8);
- (7) payments received under the general assistance medical care program including payments received directly from the government or from a prepaid plan;
- (8) payments received for providing services under the MinnesotaCare program including payments received directly from the government or from a prepaid plan and enrollee deductibles, coinsurance, and copayments. For purposes of this clause, coinsurance means the portion of payment that the enrollee is required to pay for the covered service;
- (9) payments received by a health care provider or the wholly owned subsidiary of a health care provider for care provided outside Minnesota ~~to a patient who is not domiciled in Minnesota~~;
- (10) payments received from the chemical dependency fund under chapter 254B;
- (11) payments received in the nature of charitable donations that are not designated for providing patient services to a specific individual or group;
- (12) payments received for providing patient services incurred through a formal program of health care research conducted in conformity with federal regulations governing research on human subjects. Payments received from patients or from other persons paying on behalf of the patients are subject to tax;
- (13) payments received from any governmental agency for services benefiting the public, not including payments made by the government in its capacity as an employer or insurer;
- (14) payments received for services provided by community residential mental health facilities licensed under Minnesota Rules, parts 9520.0500 to 9520.0690, community support programs and family community support programs approved under Minnesota Rules, parts 9535.1700 to 9535.1760, and community mental health centers as defined in section 245.62, subdivision 2;
- (15) government payments received by a regional treatment center;
- (16) payments received for hospice care services;
- (17) payments received by a health care provider for hearing aids and related equipment or prescription eyewear delivered outside of Minnesota;
- (18) payments received by a ~~post-secondary~~ an educational institution from student tuition, student activity fees, health care service fees, government appropriations, donations, or grants. Fee for service payments and payments for extended coverage are taxable; ~~and~~

(19) payments received for services provided by: assisted living programs and congregate housing programs;

(20) payments received from nursing homes licensed under chapter 144A for services provided to a nursing home; and

(21) payments received for examinations for purposes of utilization reviews, insurance claims or eligibility, litigation, and employment, including reviews of medical records for those purposes.

(b) Payments received by wholesale drug distributors for legend drugs sold directly to veterinarians or veterinary bulk purchasing organizations are excluded from the gross revenues subject to the wholesale drug distributor tax under sections 295.50 to 295.59.

Sec. 4. Minnesota Statutes 1998, section 295.55, subdivision 2, is amended to read:

Subd. 2. [ESTIMATED TAX; HOSPITALS; SURGICAL CENTERS.] (a) Each hospital or surgical center must make estimated payments of the taxes for the calendar year in monthly installments to the commissioner within 15 days after the end of the month.

(b) Estimated tax payments are not required of hospitals or surgical centers if: (1) the tax for the current calendar year is less than \$500; or (2) the tax for the previous calendar year is less than \$500, if the taxpayer had a tax liability and was doing business the entire year; or (3) if a hospital has been allowed a grant under section 144.1484, subdivision 2, for the year.

(c) Underpayment of estimated installments bear interest at the rate specified in section 270.75, from the due date of the payment until paid or until the due date of the annual return ~~at the rate specified in section 270.75~~ whichever comes first. An underpayment of an estimated installment is the difference between the amount paid and the lesser of (1) 90 percent of one-twelfth of the tax for the calendar year or (2) one-twelfth of the total tax for the actual gross revenues received during the month previous calendar year if the taxpayer had a tax liability and was doing business the entire year.

Sec. 5. Minnesota Statutes 1998, section 295.55, subdivision 3, is amended to read:

Subd. 3. [ESTIMATED TAX; OTHER TAXPAYERS.] (a) Each taxpayer, other than a hospital or surgical center, must make estimated payments of the taxes for the calendar year in quarterly installments to the commissioner by April 15, July 15, October 15, and January 15 of the following calendar year.

(b) Estimated tax payments are not required if: (1) the tax for the current calendar year is less than \$500; or (2) the tax for the previous calendar year is less than \$500, if the taxpayer had a tax liability and was doing business the entire year.

(c) Underpayment of estimated installments bear interest at the rate specified in section 270.75, from the due date of the payment until paid or until the due date of the annual return ~~at the rate specified in section 270.75~~ whichever comes first. An underpayment of an estimated installment is the difference between the amount paid and the lesser of (1) 90 percent of one-quarter of the tax for the calendar year or (2) one-quarter of the total tax for the actual gross revenues received during the quarter previous calendar year if the taxpayer had a tax liability and was doing business the entire year.

Sec. 6. Minnesota Statutes 1998, section 295.57, is amended by adding a subdivision to read:

Subd. 4. [SAMPLING TECHNIQUES.] The commissioner may use statistical or other sampling techniques consistent with generally accepted auditing standards in examining returns or records and making assessments.

Sec. 7. [HEALTH CARE ACCESS FUND TRANSFER.]

\$27,000,000 is appropriated for fiscal year 2000; \$27,000,000 is appropriated for fiscal year 2001; and \$30,900,000 is appropriated for fiscal year 2002 from the general fund to the commissioner of finance for deposit in the health care access fund under Minnesota Statutes, section 16A.724.

## Sec. 8. [EFFECTIVE DATE.]

The provisions of section 1, striking paragraph (c), and section 3, clause (21), are effective for services provided after December 31, 1998. The rest of section 1, the rest of section 3 and sections 4 and 5 are effective for payments received on or after January 1, 2000. Section 6 is effective the day following final enactment.

## ARTICLE 9

## TACONITE TAXATION

Section 1. Minnesota Statutes 1998, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in ~~1997 and 1998~~ 1999, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of \$2.141 per gross ton of merchantable iron ore concentrate produced therefrom.

(b) For concentrates produced in ~~1999~~ 2000 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" for the gross national product means the implicit price deflator prepared by the bureau of economic analysis of the United States Department of Commerce.

(c) On concentrates produced in 1997 and thereafter, an additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of \$2.141 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's production of direct reduced ore, no tax is imposed under this section. As used in this paragraph, "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. For the third year of a plant's production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth such production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth such production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite or iron sulfides, the production of taconite or iron sulfides consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite or iron sulfides.

Sec. 2. Minnesota Statutes 1998, section 298.28, subdivision 9a, is amended to read:

Subd. 9a. [TACONITE ECONOMIC DEVELOPMENT FUND.] (a) 15.4 cents per ton for distributions in ~~1996, 1998, 1999, and 2000~~ and ~~20.4 cents per ton for distributions in 1997 shall,~~ 2001, and 2002 must be paid to the taconite economic development fund. No distribution shall be made under this paragraph in any year in which total industry production falls below 30 million tons.

(b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets shall be paid to the taconite economic development fund. The amount paid shall not exceed \$700,000 annually for all companies. If the initial amount to be paid to the fund exceeds this amount, each company's payment shall be prorated so the total does not exceed \$700,000.

Sec. 3. Minnesota Statutes 1998, section 298.28, subdivision 9b, is amended to read:

Subd. 9b. [TACONITE ENVIRONMENTAL FUND.] Five cents per ton for distributions in ~~1998, 1999, and 2000 shall,~~ 2001, and 2002 must be paid to the taconite environmental fund for use under section 298.2961. No distribution may be made under this paragraph in any year in which total industry production falls below 30,000,000 tons.

Sec. 4. Minnesota Statutes 1998, section 298.296, subdivision 4, is amended to read:

Subd. 4. [TEMPORARY LOAN AUTHORITY.] (a) The board may recommend that up to \$7,500,000 from the corpus of the trust may be used for loans, grants, or equity investments as provided in this subdivision. The money would be available for loans for construction and equipping of facilities constituting (1) a value added iron products plant, which may be either a new plant or a facility incorporated into an existing plant that produces iron upgraded to a minimum of 75 percent iron content or any iron alloy with a total minimum metallic content of 90 percent; or (2) a new mine or minerals processing plant for any mineral subject to the net proceeds tax imposed under section 298.015. A loan under this paragraph may not exceed \$5,000,000 for any facility.

(b) Additionally, the board must reserve the first \$2,000,000 of the net interest, dividends, and earnings arising from the investment of the trust after June 30, 1996, to be used for additional grants for the purposes set forth in paragraph (a). This amount must be reserved until it is used for the grants ~~or until June 30, 1999, whichever is earlier.~~

(c) Additionally, the board may recommend that up to \$5,500,000 from the corpus of the trust may be used for additional grants for the purposes set forth in paragraph (a).

(d) The board may require that it receive an equity percentage in any project to which it contributes under this section.

~~(e) The authority to make loans and grants under this subdivision terminates June 30, 1999.~~

Sec. 5. [MINNESOTA MINERALS 21ST CENTURY FUND APPROPRIATION.]

Subdivision 1. [APPROPRIATION.] \$20,000,000 is appropriated in fiscal year 2000 from the general fund to the Minnesota minerals 21st century fund, if a bill styled as H. F. No. 2390 is enacted in 1999 and creates such a fund. Notwithstanding any other law enacted during the 1999 regular legislative session, the maximum total appropriation authorized for the purposes of the Minnesota minerals 21st century fund under all laws enacted during the 1999 regular legislative session is \$20,000,000. Any amounts appropriated in any other law enacted during the 1999 legislative session that would cause the appropriation to exceed \$20,000,000 are canceled. This limitation does not apply to the appropriation transfer contained in 1999 H. F. No. 2390, article 2, section 71.

Subd. 2. [MATCHING REQUIREMENT.] If a bill styled as H. F. No. 2390 is enacted in 1999 and it provides for creation of the Minnesota minerals 21st century fund, the commissioner of the iron range resources and rehabilitation board shall, upon the recommendation of the board, match the funds allocated under subdivision 1 to the extent they are used for a loan or equity investment meeting the requirements of the provision creating the Minnesota minerals 21st century fund within H. F. No. 2390. Notwithstanding Minnesota Statutes, section 645.33, this subdivision supersedes any contrary provisions of H. F. No. 2390 that is enacted in 1999.

## ARTICLE 10

### TAX INCREMENT FINANCING

Section 1. Minnesota Statutes 1998, section 273.1399, subdivision 6, is amended to read:

Subd. 6. [EXEMPT DISTRICTS.] (a) The provisions of this section do not apply to exempt tax increment financing districts as specified by this subdivision.

(b) A tax increment financing district for an ethanol production facility that satisfies all of the following requirements is exempt:

(1) The district is an economic development district, that qualifies under section 469.176, subdivision 4c, paragraph (a), clause (1).

(2) The facility is certified by the commissioner of agriculture to qualify for state payments for ethanol development under section 41A.09 to the extent funds are available.

(3) Increments from the district are used only to finance the qualifying ethanol development project located in the district or to pay for administrative costs of the district.

(4) The district is located outside of the seven-county metropolitan area, as defined in section 473.121.

(5) The tax increment financing plan was approved by a resolution of the county board.

(6) The exemption provided by this paragraph applies until the first year after the total amount of increment for the district exceeds \$1,500,000. The county auditor shall notify the commissioner of revenue of the expiration of the exemption by June 1 of the year in which the auditor projects the revenues from increments will exceed \$1,500,000. On or before the expiration of the exemption, the municipality may elect to make a qualifying local contribution under paragraph (d) in lieu of the state aid reduction.

(c) A qualified housing district is exempt.

(d)(1) A district is exempt if the municipality elects at the time of approving the tax increment financing plan for the district to make a qualifying local contribution. To qualify for the exemption in each year, the authority or the municipality must make a qualifying local contribution equal to the listed percentages of increment from the district or subdistrict:

(A) for an economic development district, ~~a housing district~~, or a renewal and renovation district, ten percent;

(B) for a redevelopment district, a housing district, a mined underground space district, a hazardous substance subdistrict, or a soils condition district, five percent.

(2) If the municipality elects to make a qualifying contribution and fails to make the required contribution for a year, the state aid reduction applies for the year. The state aid reduction equals the greater of (A) the required local contribution or (B) the amount of the aid reduction that applies under subdivision 3. For a district exempt under paragraph (b), no qualifying local contribution is required for years in which the district is exempt.

(3)(A) If the sum of required local contributions for all districts in the municipality exceeds two percent of city net tax capacity as defined in section 477A.011, subdivision 20, for a year, the municipality's total required local contribution for that year is limited to two percent of net tax capacity to qualify for the exemption under this subdivision. The municipality may allocate the contribution among the districts on which it has made elections as it determines appropriate.

(B) If a municipality makes an election under this subdivision for a district in a year in which item (A) applies, a minimum annual qualifying contribution must be made for the district equal to the lesser of 0.25 percent of city net tax capacity or three percent of increment revenues. This minimum contribution applies for the life of the district for each year that the restriction in item (A) applies and is in addition to the contribution required by item (A).

(4) The amount of the local contribution must be made out of unrestricted money of the authority or municipality, such as the general fund, a property tax levy, or a federal or a state grant-in-aid which may be spent for general government purposes. The local contribution may not be made, directly or indirectly, with tax increments or developer payments as defined under section 469.1766. The local contribution must be used to pay project costs and cannot be used for general government purposes or for improvements or costs that the authority or municipality planned to incur absent the project. The authority or municipality may request contributions from other local government entities that will benefit from the district's activities. These contributions reduce the local contribution required of the municipality or authority by this paragraph. Cities, counties, towns, and schools may contribute to paying these costs, notwithstanding any other law to the contrary.

(5) The municipality may make a local contribution in excess of the required contribution for a year. If it does so, the municipality may credit the excess to a local contribution account for the district. The balance in the account may be used to meet the requirements for qualifying local contributions for later years. No interest or investment earnings may be credited or imputed to the account, except those (A) actually paid by the municipality out of its unrestricted funds or by another person or entity, other than a developer as used in section 469.1766, and (B) used as required for a qualifying local contribution.

(6) If the state contributes to the project costs through a direct grant or similar incentive, the required local contribution is reduced by one-half of the dollar amount of the state grant or other similar incentive.

Sec. 2. Minnesota Statutes 1998, section 469.176, subdivision 4g, is amended to read:

Subd. 4g. [GENERAL GOVERNMENT USE PROHIBITED.] (a) These revenues shall not be used to circumvent existing levy limit law. No revenues derived from tax increment from any district, whether certified before or after August 1, 1979, shall be used for the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the state or federal government or for a commons area used as a public park, or a facility used for social, recreational, or conference purposes. This provision shall not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure, ~~a commons area used as a public park, or a facility used for social, recreational, or conference purposes and not primarily for conducting the business of the municipality or of a privately owned facility for conference purposes.~~

(b) If any publicly owned facility used for social, recreational, or conference purposes and financed in whole or in part from revenues derived from a district is operated or managed by an entity other than the authority, the operating and management policies of the facility must be approved by the governing body of the authority.

(c)(1) Tax increments may not be used to pay for the cost of public improvements, equipment, or other items, if:

(i) the improvements, equipment, or other items are located outside of the area of the tax increment financing district from which the increments were collected; and

(ii) the improvements, equipment, or items that (i) primarily serve a decorative or aesthetic purpose, or (ii) serve a functional purpose, but their cost is increased by more than 100 percent as a result of the selection of materials, design, or type as compared with more commonly used materials, designs, or types for similar improvements, equipment, or items.

(2) The provisions of this paragraph do not apply to expenditures related to the rehabilitation of historic structures that are:

- (i) individually listed on the National Register of Historic Places; or
- (ii) a contributing element to a historic district listed on the National Register of Historic Places.

Sec. 3. Minnesota Statutes 1998, section 469.1763, is amended by adding a subdivision to read:

Subd. 6. [POOLING PERMITTED FOR DEFICITS.] (a) This subdivision applies only to districts for which the request for certification was made before June 2, 1997.

(b) The municipality for the district may transfer available increments from another tax increment financing district located in the municipality, if the transfer is necessary to eliminate a deficit in the district to which the increments are transferred. A deficit in the district for purposes of this subdivision means the lesser of the following two amounts:

- (1)(i) the amount due during the calendar year to pay preexisting obligations of the district; minus
- (ii) the total increments to be collected from properties located within the district that are available for the calendar year, plus
- (iii) total increments from properties located in other districts in the municipality that are available to be used to meet the district's obligations under this section, excluding this subdivision, or other provisions of law (but excluding a special tax under section 469.1791 and the grant program under Laws 1997, chapter 231, article 1, section 19); or

(2) the reduction in increments collected from properties located in the district for the calendar year as a result of the changes in class rates in Laws 1997, chapter 231, article 1; Laws 1998, chapter 389, article 2; and this act.

(c) A preexisting obligation means bonds issued and sold before June 2, 1997, and bonds issued to refund such bonds or to reimburse expenditures made in conjunction with a signed contractual agreement entered into before June 2, 1997, to the extent that the bonds are secured by a pledge of increments from the tax increment financing district. For purposes of this subdivision, bonds exclude an obligation to reimburse or pay a developer or owner of property located in the district for amounts incurred or paid by the developer or owner.

(d) The municipality may require a development authority, other than a seaway port authority, to transfer available increments for any of its tax increment financing districts in the municipality to make up an insufficiency in another district in the municipality, regardless of whether the district was established by the development authority or another development authority. This authority applies notwithstanding any law to the contrary, but applies only to a development authority that:

- (1) was established by the municipality; or
- (2) the governing body of which is appointed, in whole or part, by the municipality or an officer of the municipality or which consists, in whole or part, of members of the governing body of the municipality.

(e) The authority under this subdivision to spend tax increments outside of the area of the district from which the tax increments were collected:

(1) may only be exercised after obtaining approval of the use of the increments, in writing, by the commissioner of revenue;

(2) is an exception to the restrictions under section 469.176, subdivision 4i, and the other provisions of this section, and the percentage restrictions under subdivision 2 must be calculated after deducting increments spent under this subdivision from the total increments for the district; and

(3) applies notwithstanding the provisions of the tax increment financing act in effect for districts for which the request for certification was made before June 30, 1982, or any other law to the contrary.

Sec. 4. [469.1764] [PRE-1982 DISTRICTS; POOLING RULES.]

Subdivision 1. [SCOPE; APPLICATION.] (a) This section applies to a tax increment financing district or area added to a district, if the request for certification of the district or the area added to the district was made after July 31, 1979, and before July 1, 1982.

(b) This section, section 469.1763, subdivision 6, and any special law applying to the district are the exclusive authority to spend tax increments on activities located outside of the geographic area of a tax increment financing district that is subject to this section.

(c) This section does not apply to increments from a district that is subject to the provisions of this section, if:

(1) the district was decertified before the enactment of this section and all increments spent on activities located outside of the geographic area of the district were repaid and distributed as excess increments under section 469.176, subdivision 2; or

(2) the use of increments on activities located outside of the geographic area of the district consists solely of payment of debt service on bonds under section 469.129, subdivision 2, and any bonds issued to refund bonds issued under that subdivision.

Subd. 2. [STATE AUDITOR NOTIFICATION.] By August 1, 1999, the state auditor shall notify in writing each authority for which the auditor has records that the authority has a district subject to this section.

Subd. 3. [RATIFICATION OF PAST SPENDING.] (a) The following expenditures of increments on activities located outside of the geographic area of a district subject to this section are permitted:

(1) expenditures made before the earlier of (i) notification by the state auditor or (ii) December 31, 1999; and

(2) expenditures to pay preexisting outside district obligations.

Subd. 4. [DECERTIFICATION REQUIRED.] (a) The provisions of this subdivision apply to any tax increment financing district subject to this section, if increments from the district were used on activities located outside of the geographic area of the district.

(b) After December 31, 1999, any tax increments received by the authority from a district subject to this subdivision may be expended only to pay:

(1) preexisting in-district obligations;

(2) preexisting outside district obligations; and

(3) administrative expenses.

After all preexisting obligations have been paid or defeased, the district must be decertified and any remaining increments distributed as excess increments under section 469.176, subdivision 2.

Subd. 5. [DEFINITIONS.] (a) "Notification by the state auditor" means the receipt by the authority or the municipality of the final written notification from the state auditor that its expenditures of increments from the district on activities located outside of the geographic area of the district were not in compliance with state law.

(b) "Preexisting outside district obligations" means:

(1) bonds secured by increments from a district subject to this section and used to finance activities outside the geographic area of the district, if the bonds were issued and the pledge of increment was made before the earlier of (i) notification by the state auditor, or (ii) April 1, 1999;

(2) bonds issued to refund bonds qualifying under clause (1), if the refunding bonds do not increase the total amount of tax increments required to pay the refunded bonds; and

(3) binding written agreements secured by the increments from the district subject to this section and used to finance activities outside the geographic area of the district, if the agreement was entered before the earlier of (i) notification by the state auditor or (ii) May 1, 1999.

(c) "Preexisting in-district obligations" means:

(1) bonds secured by increments from a district subject to this section and not used to finance activities outside of the geographic area of the district, if the bonds were issued and the pledge of increments was made before April 1, 1999;

(2) bonds issued to refund bonds qualifying under clause (1), if the refunding bonds do not increase the total amount of tax increments required to pay the refunded bonds; and

(3) binding written agreements secured by increments from a district subject to this section and not used to finance activities outside of the geographic area of the district, if the agreements were entered into and the pledge of increments was made before June 30, 1999.

Sec. 5. Minnesota Statutes 1998, section 469.1771, subdivision 1, is amended to read:

Subdivision 1. [ENFORCEMENT.] (a) The owner of taxable property located in the city, town, school district, or county in which the tax increment financing district is located may bring suit for equitable relief or for damages, as provided in subdivisions 3 and 4, arising out of a failure of a municipality or authority to comply with the provisions of sections 469.174 to 469.179, or related provisions of this chapter. The prevailing party in a suit filed under the preceding sentence is entitled to costs, including reasonable attorney fees.

(b) The state auditor may examine and audit political subdivisions' use of tax increment financing. Without previous notice, the state auditor may examine or audit accounts and records on a random basis as the auditor deems to be in the public interest. If the state auditor finds evidence that an authority or municipality has violated a provision of the law for which a remedy is provided under this section, the state auditor shall forward the relevant information to the county attorney. The county attorney may bring an action to enforce the provisions of sections 469.174 to 469.179 or related provisions of this chapter, for matters referred by the state auditor or on behalf of the county. If the county attorney determines not to bring an action or if the county attorney has not brought an action within 12 months after receipt of the initial notification by the state auditor of the violation, the county attorney shall notify the state auditor in writing.

(c) If the state auditor finds an authority is not in compliance with sections 469.174 to 469.179 or related provisions of law, the auditor shall notify the governing body of the municipality that approved the tax increment financing district of its findings. The governing body of the municipality must respond in writing to the state auditor within 60 days after receiving the notification. Its written response must state whether the municipality accepts, in whole or part, the auditor's findings. If the municipality does not accept the findings, the statement must indicate the basis for its disagreement. The state auditor shall annually summarize the responses it receives under this section and send the summary and copies of the responses to the chairs of the committees of the legislature with jurisdiction over tax increment financing.

(d) The state auditor shall notify the attorney general in writing and provide supporting materials for a violation found by the auditor, if the:

(1) auditor receives notification from the county attorney under paragraph (b) or receives no notification for a 12-month period after initially notifying the county attorney and the state auditor confirms with the county attorney or the municipality that no action has been brought regarding the matter; and

(2) municipality or development authority have not eliminated or resolved the violation to the satisfaction of the state auditor.

The auditor shall provide the municipality and development authority a copy of the notification sent to the attorney general.

Sec. 6. Minnesota Statutes 1998, section 469.1771, is amended by adding a subdivision to read:

Subd. 2b. [ACTION TO SUSPEND TIF AUTHORITY.] (a) Upon receipt of a notification from the state auditor under subdivision 1, paragraph (d), the attorney general shall review the materials submitted by the auditor and any materials submitted by the municipality and development authority. If the attorney general finds that the municipality or development authority violated a provision of the law enumerated in subdivision 1 and that the violation was substantial, the attorney general shall file a petition in the tax court to suspend the authority of the municipality and development authority to exercise tax increment financing powers.

(b) Before filing a petition under this subdivision, the attorney shall attempt to resolve the matter using appropriate alternative dispute resolution procedures, such as those under sections 572.31 to 572.40.

(c) If the tax court finds that the municipality or development authority failed to comply with the law and that the noncompliance was substantial, the court shall suspend the authority of the municipality or development to exercise tax increment financing powers. The court shall set the period of the suspension for a period not to exceed five years. In determining the length of the suspension, the court may consider:

(1) the substantiality of the violation or violations;

(2) the dollar amount of the violation or violations;

(3) the sophistication of the municipality or development authority;

(4) the extent to which the municipality or development authority violated a clear and unambiguous requirement of the law;

(5) whether the municipality or development authority continued to violate the law after receiving notification from the state auditor that it was not in compliance with the law;

(6) the extent to which the municipality or development authority engaged in a pattern of violations; and

(7) any other factors the court determines are relevant to whether the municipality or development authority's authority to exercise tax increment financing powers should be suspended.

(d) For purposes of this subdivision, the exercise of tax increment financing powers means:

(1) the authority to request certification of a new tax increment financing district or the addition of area to an existing tax increment financing district;

(2) the authority to issue bonds under section 469.178;

(3) the authority to amend a tax increment financing plan to authorize new activities or expenditures.

Sec. 7. Minnesota Statutes 1998, section 469.1791, subdivision 3, is amended to read:

Subd. 3. [PRECONDITIONS TO ESTABLISH DISTRICT.] (a) A city may establish a special taxing district within a tax increment financing district under this section only if the conditions under paragraphs (b) and (c) are met or if the city elects to exercise the authority under paragraph (d).

(b) The city has determined that:

(1) total tax increments from the district, including unspent increments from previous years and increments transferred under paragraph (c), will be insufficient to pay the amounts due in a year on preexisting obligations; and

(2) this insufficiency of increments resulted from the reduction in property tax class rates enacted in the 1997 and 1998 legislative sessions.

(c) The city has agreed to transfer any available increments from other tax increment financing districts in the city to pay the preexisting obligations of the district under section 469.1763, subdivision 6. This requirement does not apply to any available increments of a qualified housing district, as defined in section 273.1399, subdivision 1. ~~Notwithstanding any law to the contrary, the city may require a development authority to transfer available increments for any of its tax increment financing districts in the city to make up an insufficiency in another district in the city, regardless of whether the district was established by the development authority or another development authority. Notwithstanding any law to the contrary, increments transferred under this authority must be spent to pay preexisting obligations. "Development authority" for this purpose means any authority as defined in section 469.174, subdivision 2.~~

(d) If a tax increment financing district does not qualify under paragraphs (b) and (c), the governing body may elect to establish a special taxing district under this section. If the city elects to exercise this authority, increments from the tax increment financing district and the proceeds of the tax imposed under this section may only be used to pay preexisting obligations and reasonable administrative expenses of the authority for the tax increment financing district. The tax increment financing district must be decertified when all preexisting obligations have been paid.

Sec. 8. Minnesota Statutes 1998, section 469.1813, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY.] The governing body of a political subdivision may grant an abatement of the taxes imposed by the political subdivision on a parcel of property, or defer the payments of the taxes and abate the interest and penalty that otherwise would apply, if:

(a) it expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement; and

(b) it finds that doing so is in the public interest because it will:

(1) increase or preserve tax base;

(2) provide employment opportunities in the political subdivision;

(3) provide or help acquire or construct public facilities;

(4) help redevelop or renew blighted areas; ~~or~~

(5) help provide access to services for residents of the political subdivision; or

(6) finance or provide public infrastructure.

Sec. 9. Minnesota Statutes 1998, section 469.1813, is amended by adding a subdivision to read:

Subd. 1a. [USE OF TERM.] As used in this section and sections 469.1814 and 469.1815, "abatement" includes a deferral of taxes with abatement of interest and penalties unless the context indicates otherwise.

Sec. 10. Minnesota Statutes 1998, section 469.1813, subdivision 2, is amended to read:

Subd. 2. [ABATEMENT RESOLUTION.] (a) The governing body of a political subdivision may grant an abatement only by adopting an abatement resolution, specifying the terms of the abatement. In the case of a town, the board of supervisors may approve the abatement resolution. The resolution must also include a specific statement as to the nature and extent of the public benefits which the governing body expects to result from the agreement. The resolution may provide that the political subdivision will retain or transfer to another political subdivision the abatement to pay for all or part of the cost of acquisition or improvement of public infrastructure, whether or not located on or adjacent to the parcel for which the tax is abated. The abatement may reduce all or part of the property tax levied by amount for the political subdivision on the parcel. A political subdivision's maximum annual amount for a parcel equals its total local tax rate multiplied by the total net tax capacity of the parcel.

(b) The political subdivision may limit the abatement:

(1) to a specific dollar amount per year or in total;

(2) to the increase in property taxes resulting from improvement of the property;

(3) to the increases in property taxes resulting from increases in the market value or tax capacity of the property;  
or

(4) in any other manner the governing body of the subdivision determines is appropriate; or

(5) to the interest and penalty that would otherwise be due on taxes that are deferred.

(c) The political subdivision may not abate tax attributable to the value of the land or the areawide tax under chapter 276A or 473F, except as provided in this subdivision.

Sec. 11. Minnesota Statutes 1998, section 469.1813, is amended by adding a subdivision to read:

Subd. 6a. [DEFERMENT PAYMENT SCHEDULE.] When the tax is deferred and the interest and penalty abated, the political subdivision must set a schedule for repayments. The deferred payment must be included with the current taxes due and payable in the years the deferred payments are due and payable and must be levied accordingly.

Sec. 12. Minnesota Statutes 1998, section 469.1813, subdivision 3, is amended to read:

Subd. 3. [SCHOOL DISTRICT ABATEMENT PROCEDURE ABATEMENTS.] Notwithstanding the amounts in subdivision 2, a school district that grants an abatement under this section must limit the abatement for any property to not more than an amount equal to the product of: (1) the property's net tax capacity, and (2) the difference between the district's total tax rate for that year and one-half of the general education tax rate for that year. An abatement granted under this section is not an abatement for purposes of state aid or local levy under sections 127A.40 to 127A.51.

Sec. 13. Minnesota Statutes 1998, section 469.1813, subdivision 6, is amended to read:

Subd. 6. [DURATION LIMIT.] (a) A political subdivision other than a school district may grant an abatement for a period no longer than ten years. The subdivision may specify in the abatement resolution a shorter duration. If the resolution does not specify a period of time, the abatement is for eight years. If an abatement has been granted

to a parcel of property and the period of the abatement has expired, the political subdivision that granted the abatement may not grant another abatement for eight years after the expiration of the first abatement. This prohibition does not apply to improvements added after and not subject to the first abatement.

~~(b) A school district may grant an abatement for only one year at a time. Once a school district has authorized an abatement for a property, it may reauthorize the abatement in any subsequent year for the next seven years, or nine years if provided in the original abatement agreement. This prohibition does not apply to improvements added after and not subject to the original abatement agreement.~~

Sec. 14. Minnesota Statutes 1998, section 469.1813, is amended by adding a subdivision to read:

Subd. 9. [CONSENT OF PROPERTY OWNER NOT REQUIRED.] A political subdivision may abate the taxes on a parcel under sections 469.1812 to 469.1815 without obtaining the consent of the property owner.

Sec. 15. Minnesota Statutes 1998, section 469.1815, subdivision 2, is amended to read:

Subd. 2. [PROPERTY TAXES; ABATEMENT PAYMENT.] The total property taxes shall be levied on the property and shall be due and payable to the county at the times provided under section 279.01. The political subdivision will pay the abatement to the property owner, lessee, or a representative of the bondholders or will retain the abatement to pay public infrastructure costs, as provided by the abatement resolution.

Sec. 16. Laws 1997, chapter 231, article 1, section 19, subdivision 1, is amended to read:

Subdivision 1. [TIF GRANTS.] (a) The commissioner of revenue shall pay grants to municipalities for deficits in tax increment financing districts caused by the changes in class rates under this act. Municipalities must submit applications for the grants in a form prescribed by the commissioner by no later than ~~March~~ August 1 for grants payable during the calendar year. The maximum grant equals the lesser of:

(1) for taxes payable in the year before the grant is paid, the reduction in the tax increment financing district's revenues derived from increment resulting from the class rate changes in this article, Laws 1998, chapter 389, article 2, and those enacted in the 1999 regular legislative session; or

(2) the municipality's total tax increments, including unspent increments from previous years, less the amount due during the calendar year to pay (i) bonds issued and sold before the day following final enactment of this act and (ii) binding contracts entered into before the day following final enactment of this act.

(b) The commissioner of revenue may require applicants for grants ~~or pooling authority~~ under this section to provide any information the commissioner deems appropriate. The commissioner shall calculate the amount under paragraph (a), clause (2), based on the reports for the tax increment financing district or districts filed with the state auditor on or before ~~July~~ August 1 of the year before the year in which the grant is to be paid.

(c) This subdivision applies only to deficits in tax increment financing districts for which:

(1) the request for certification was made before the enactment date of this act; and

(2) all timely reports have been filed with the state auditor, as required by Minnesota Statutes, section 469.175.

(d) The commissioner shall pay the grants under this subdivision by December 26 of the year.

(e) \$2,000,000 is appropriated to the commissioner of revenue to make grants under this section. This appropriation is available until expended or this section expires under subdivision 3, whichever is earlier. If the amount of grant entitlements for a year exceed the appropriation, the commissioner shall reduce each grant proportionately so the total equals the amount available.

Sec. 17. Laws 1997, chapter 231, article 1, section 19, subdivision 3, is amended to read:

Subd. 3. [EXPIRATION.] This section expires on January 1, ~~2001~~ 2002.

Sec. 18. [CITY OF ONAMIA; USE OF TAX INCREMENT FINANCING.]

Subdivision 1. [APPLICATION OF TIME LIMIT.] For tax increment financing district No. 1-1, established April 14, 1993, by the city of Onamia, Minnesota Statutes, section 469.1763, subdivision 3, applies to the qualified portion of the district by permitting a period of ten years for commencement of activities within the district. As used in this section, "qualified portion of the district" means only that portion of the district consisting of three parcels fronting on U.S. 169.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of Onamia and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 19. [ST. CLOUD HOUSING AND REDEVELOPMENT AUTHORITY.]

Subdivision 1. [TAX INCREMENT POOLING.] Notwithstanding the provisions of Minnesota Statutes, section 469.1763, subdivision 2, and the provisions of the tax increment financing act in effect for districts established by the St. Cloud housing and redevelopment authority for which the request for certification was made after August 1, 1979, and before June 30, 1982, revenue derived from tax increments paid by properties in the districts may be expended through a development fund or otherwise within other tax increment districts established by the authority to finance the redevelopment of commercial properties outside of tax increment financing districts which were destroyed or impacted in a natural gas explosion on December 11, 1998.

Subd. 2. [EFFECTIVE DATE.] This section is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 20. [CITY OF ST. PAUL.]

Subdivision 1. [DELAY OF DEEMED COMMENCEMENT OF TAX INCREMENT FINANCING DISTRICT.] Notwithstanding Minnesota Statutes, section 469.176, or any other law to the contrary, the duration limit of the Williams Hill tax increment district in the city of St. Paul is determined as if the date of receipt of the first tax increment by the authority occurs when the aggregate of all tax increments received from the district reaches \$2,000. In no case may the duration limit of the district be extended by more than two years.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon approval by and compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3, by the governing body of the city of St. Paul.

Sec. 21. [CITY OF JACKSON; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [DISTRICT EXTENSION.] (a) Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1c, full tax increments from U.S. 71/I-90 tax increment financing district in the city of Jackson must be paid to and may be retained by the city of Jackson through taxes payable in 2002. The amount to be retained by the city is limited to \$170,000. Any increments received during the extension in excess of \$170,000 must be returned as excess increments under Minnesota Statutes, section 469.176, subdivision 2.

Subd. 2. [EFFECTIVE DATE.] This section is effective the day after compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 22. [CITY OF MINNEOTA; TAX INCREMENT FINANCING.]

Subdivision 1. [ACTIONS RATIFIED.] The expenditure of tax increments on administrative expenses and public utility or other improvements by the city of Minneota for its tax increment financing district, adopted by city resolution 4-15-85A, are ratified and deemed to be authorized by the tax increment financing plan for the district.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Minnesota with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 23. [CITY OF FRIDLEY, TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXTENSION OF TIME.] (a) Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, upon approval of the governing body of the city of Fridley, the Fridley housing and redevelopment authority may, by resolution, extend the duration of tax increment financing district No. 6 located in the city of Fridley. The housing and redevelopment authority may not extend the duration beyond December 31, 2025.

(b) The provisions of Minnesota Statutes, sections 273.1399, subdivision 8, and 469.1782, subdivision 1, apply to this district if extended, except that the maximum state aid reduction for a year may not exceed the least of the following amounts:

(1) the amount under Minnesota Statutes, section 469.1782, subdivision 1;

(2) \$200,000, plus one-half of (the amount under Minnesota Statutes, section 469.1782, subdivision 1, minus \$200,000);

(3) 2.5 percent of the net tax capacity of the city; or

(4) five percent of the prior year's tax increment from the district.

(c) Notwithstanding any law to the contrary, effective upon approval of this section, no increments may be spent on activities located outside of the area of the district, other than for administrative expenses, sanitary sewer, and the costs of trunk highway No. 65 and other road improvements that are a direct result of development occurring within the area of the district.

(d) In the taxes payable year that the district would be terminated under general law, the original net tax capacity of tax increment financing district No. 6 must be increased by the net tax capacity of 200,000 square feet of building improvements, exclusive of parking structures.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021.

Sec. 24. [CITY OF BROOKLYN CENTER; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [CHANGE OF FISCAL DISPARITIES ELECTION.] Notwithstanding Minnesota Statutes, section 469.177, subdivision 3, paragraph (c), the governing body of the city of Brooklyn Center may change its election of the computation of tax increment for tax increment district No. 4 under Minnesota Statutes, section 469.177, subdivision 3, from the method of computation in paragraph (b) to the method in paragraph (a) of that provision.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of Brooklyn Center and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 25. [CITY OF DAWSON; TAX INCREMENT DISTRICT.]

Subdivision 1. [DISTRICT EXTENDED.] Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, the Dawson economic development authority may collect tax increments from tax increment financing district No. 7 for a period of 18 years after receipt by the authority of the first increment.

Subd. 2. [EFFECTIVE DATE; APPLICABILITY.] Subdivision 1 is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 26. [MINNEAPOLIS; TAX INCREMENT FINANCING.]

Subdivision 1. [SOCIAL AND RECREATIONAL FACILITIES.] The provisions of section 2 do not apply to the Mill Ruins Park and Milwaukee Road Depot tax increment financing districts and to a district designated in the future that contains the former federal reserve bank building in the city of Minneapolis.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the city of Minneapolis with the requirements of Minnesota Statutes 1998, section 645.021, subdivision 3.

Sec. 27. [APPROPRIATION; TIF GRANTS.]

\$4,000,000 is appropriated to the commissioner of revenue for purposes of grants under Laws 1997, chapter 231, article 1, section 19, to municipalities to offset deficits in tax increment financing districts.

Sec. 28. [REPEALER.]

Laws 1997, chapter 231, article 1, section 19, subdivision 2, is repealed.

Sec. 29. [EFFECTIVE DATE.]

Section 1 is effective for requests for certification of a new district or for the addition of geographic area to a district made after June 30, 1999.

Section 2 is effective for all tax increment financing districts, regardless of when the request for certification was made, but does not apply to (1) expenditures made before January 1, 2000; (2) expenditures made under a binding contract entered before January 1, 2000; or (3) expenditures made under a binding contract entered pursuant to a letter of intent with the developer or contractor if the letter of intent was entered before January 1, 2000.

Section 3 is effective for all districts for which the request for certification was made before June 2, 1997.

Section 4 is effective the day following final enactment and applies to districts for which the request for certification was made after July 31, 1979, and before July 1, 1982.

Sections 5 and 6 apply to all districts for which the request for certification was made after August 1, 1979, but is limited to final letters of noncompliance issued by the state auditor after December 31, 1999.

Sections 8 to 17, and 28 are effective the day following final enactment.

## ARTICLE 11

### STATE FUNDING OF DISTRICT COURTS TRANSFER OF FINES, FEES, AND OTHER MONEY TO STATE

Section 1. Minnesota Statutes 1998, section 97A.065, subdivision 2, is amended to read:

Subd. 2. [FINES AND FORFEITED BAIL.] (a) Fines and forfeited bail collected from prosecutions of violations of: the game and fish laws; sections 84.091 to 84.15; sections 84.81 to 84.91; section 169.121, when the violation involved an off-road recreational vehicle as defined in section 169.01, subdivision 86; chapter 348; and any other law relating to wild animals or aquatic vegetation, must be paid to the treasurer of the county where the violation is prosecuted. The county treasurer shall submit one-half of the receipts to the commissioner and credit the balance to the county general revenue fund except as provided in paragraphs (b), (c), and (d). In a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in 1999 S. F. No. 2221, article 7, section 26, the share that would otherwise go to the county under this paragraph must be submitted to the state treasurer for deposit in the state treasury and credited to the general fund.

(b) The commissioner must reimburse a county, from the game and fish fund, for the cost of keeping prisoners prosecuted for violations under this section if the county board, by resolution, directs: (1) the county treasurer to submit all fines and forfeited bail to the commissioner; and (2) the county auditor to certify and submit monthly itemized statements to the commissioner.

(c) The county treasurer shall submit one-half of the receipts collected under paragraph (a) from prosecutions of violations of sections 84.81 to 84.91, and 169.121, except receipts that are surcharges imposed under section 357.021, subdivision 6, to the state treasurer and credit the balance to the county general fund. The state treasurer shall credit these receipts to the snowmobile trails and enforcement account in the natural resources fund.

(d) The county treasurer shall indicate the amount of the receipts that are surcharges imposed under section 357.021, subdivision 6, and shall submit all of those receipts to the state treasurer.

Sec. 2. Minnesota Statutes 1998, section 273.1398, subdivision 2, is amended to read:

Subd. 2. [HOMESTEAD AND AGRICULTURAL CREDIT AID.] Homestead and agricultural credit aid for each unique taxing jurisdiction equals the product of (1) the homestead and agricultural credit aid base, and (2) the growth adjustment factor, plus the net tax capacity adjustment and the fiscal disparity adjustment. ~~For aid payable in 2000, each county shall have its homestead and agricultural credit aid permanently reduced by an amount equal to one-third of the additional amount received by the county under section 477A.03, subdivision 2, paragraph (c), clause (ii).~~

Sec. 3. Minnesota Statutes 1998, section 273.1398, is amended by adding a subdivision to read:

Subd. 4a. [AID OFFSET FOR COURT COSTS.] (a) By July 15, 1999, the supreme court shall determine and certify to the commissioner of revenue for each county, other than counties located in the eighth judicial district, the county's share of the costs assumed under 1999 S. F. No. 2221, article 7, during the fiscal year beginning July 1, 2000, less an amount equal to the county's share of transferred fines collected by the district courts in the county during calendar year 1998.

(b) Payments to a county under subdivision 2 or section 273.166 for calendar year 2000 must be permanently reduced by an amount equal to 75 percent of the net cost to the state for assumption of district court costs as certified in paragraph (a).

(c) Payments to a county under subdivision 2 or section 273.166 for calendar year 2001 must be permanently reduced by an amount equal to 25 percent of the net cost to the state for assumption of district court costs as certified in paragraph (a).

Sec. 4. Minnesota Statutes 1998, section 299D.03, subdivision 5, is amended to read:

Subd. 5. [FINES AND FORFEITED BAIL MONEY.] (a) All fines and forfeited bail money, from traffic and motor vehicle law violations, collected from persons apprehended or arrested by officers of the state patrol, shall be paid by the person or officer collecting the fines, forfeited bail money or installments thereof, on or before the tenth day after the last day of the month in which these moneys were collected, to the county treasurer of the county where the violation occurred. Three-eighths of these receipts shall be credited to the general revenue fund of the county, except that in a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in 1999 S. F. No. 2221, article 7, section 26, this three-eighths share must be transmitted to the state treasurer for deposit in the state treasury and credited to the general fund. The other five-eighths of these receipts shall be transmitted by that officer to the state treasurer and shall be credited as follows:

(1) In the fiscal year ending June 30, 1991, the first \$275,000 in money received by the state treasurer after June 4, 1991, must be credited to the transportation services fund, and the remainder in the fiscal year credited to the trunk highway fund.

(2) In fiscal year 1992, the first \$215,000 in money received by the state treasurer in the fiscal year must be credited to the transportation services fund, and the remainder credited to the trunk highway fund.

(3) In fiscal years 1993 and subsequent years, the entire amount received by the state treasurer must be credited to the trunk highway fund. If, however, the violation occurs within a municipality and the city attorney prosecutes the offense, and a plea of not guilty is entered, one-third of the receipts shall be credited to the general revenue fund of the county, one-third of the receipts shall be paid to the municipality prosecuting the offense, and one-third shall be transmitted to the state treasurer as provided in this subdivision. All costs of participation in a nationwide police communication system chargeable to the state of Minnesota shall be paid from appropriations for that purpose.

(b) Notwithstanding any other provisions of law, all fines and forfeited bail money from violations of statutes governing the maximum weight of motor vehicles, collected from persons apprehended or arrested by employees of the state of Minnesota, by means of stationary or portable scales operated by these employees, shall be paid by the person or officer collecting the fines or forfeited bail money, on or before the tenth day after the last day of the month in which the collections were made, to the county treasurer of the county where the violation occurred. Five-eighths of these receipts shall be transmitted by that officer to the state treasurer and shall be credited to the highway user tax distribution fund. Three-eighths of these receipts shall be credited to the general revenue fund of the county, except that in a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in 1999 S. F. No. 2221, article 7, section 26, this three-eighths share must be transmitted to the state treasurer for deposit in the state treasury and credited to the general fund.

Sec. 5. Minnesota Statutes 1998, section 357.021, subdivision 1a, is amended to read:

Subd. 1a. [TRANSMITTAL OF FEES TO STATE TREASURER.] (a) Every person, including the state of Minnesota and all bodies politic and corporate, who shall transact any business in the district court, shall pay to the court administrator of said court the sundry fees prescribed in subdivision 2. Except as provided in paragraph (d), the court administrator shall transmit the fees monthly to the state treasurer for deposit in the state treasury and credit to the general fund.

(b) In a county which has a screener-collector position, fees paid by a county pursuant to this subdivision shall be transmitted monthly to the county treasurer, who shall apply the fees first to reimburse the county for the amount of the salary paid for the screener-collector position. The balance of the fees collected shall then be forwarded to the state treasurer for deposit in the state treasury and credited to the general fund. In a county in ~~the eighth~~ a judicial district under section 480.181, subdivision 1, paragraph (b), as added in 1999 S. F. No. 2221, article 7, section 26, which has a screener-collector position, the fees paid by a county shall be transmitted monthly to the state treasurer for deposit in the state treasury and credited to the general fund. A screener-collector position for purposes of this paragraph is an employee whose function is to increase the collection of fines and to review the incomes of potential clients of the public defender, in order to verify eligibility for that service.

(c) No fee is required under this section from the public authority or the party the public authority represents in an action for:

(1) child support enforcement or modification, medical assistance enforcement, or establishment of parentage in the district court, or child or medical support enforcement conducted by an administrative law judge in an administrative hearing under section 518.5511;

(2) civil commitment under chapter 253B;

(3) the appointment of a public conservator or public guardian or any other action under chapters 252A and 525;

(4) wrongfully obtaining public assistance under section 256.98 or 256D.07, or recovery of overpayments of public assistance;

(5) court relief under chapter 260;

(6) forfeiture of property under sections 169.1217 and 609.531 to 609.5317;

(7) recovery of amounts issued by political subdivisions or public institutions under sections 246.52, 252.27, 256.045, 256.25, 256.87, 256B.042, 256B.14, 256B.15, 256B.37, and 260.251, or other sections referring to other forms of public assistance;

(8) restitution under section 611A.04; or

(9) actions seeking monetary relief in favor of the state pursuant to section 16D.14, subdivision 5.

(d) The fees collected for child support modifications under subdivision 2, clause (13), must be transmitted to the county treasurer for deposit in the county general fund. The fees must be used by the county to pay for child support enforcement efforts by county attorneys.

Sec. 6. Minnesota Statutes 1998, section 477A.03, subdivision 2, is amended to read:

Subd. 2. [ANNUAL APPROPRIATION.] (a) A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue.

(b) Aid payments to counties under section 477A.0121 are limited to \$20,265,000 in 1996. Aid payments to counties under section 477A.0121 are limited to \$27,571,625 in 1997. For aid payable in 1998 and thereafter, the total aids paid under section 477A.0121 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(c)(i) For aids payable in 1998 and thereafter, the total aids paid to counties under section 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(ii) Aid payments to counties under section 477A.0122 in 2000 are further increased by an additional ~~\$30,000,000~~ \$20,000,000 in 2000.

(d) Aid payments to cities in 1999 under section 477A.013, subdivision 9, are limited to \$380,565,489. For aids payable in 2000 and 2001, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. For aids payable in 2002, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3, and increased by the amount certified to be paid in 2001 under section 477A.06. For aids payable in 2003 and thereafter, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. The additional amount authorized under subdivision 4 is not included when calculating the appropriation limits under this paragraph.

Sec. 7. Minnesota Statutes 1998, section 485.018, subdivision 5, is amended to read:

Subd. 5. [COLLECTION OF FEES.] The court administrator of district court shall charge and collect all fees as prescribed by law and all such fees collected by the court administrator as court administrator of district court shall be paid to the county treasurer. Except for those portions of forfeited bail paid to victims pursuant to existing law, the county treasurer shall forward all revenue from fees and forfeited bail collected under chapters 357, ~~487~~, and 574 to the state treasurer for deposit in the state treasury and credit to the general fund, unless otherwise provided in chapter 611A or other law, in the manner and at the times prescribed by the state treasurer, but not less often than once each month. If the defendant or probationer is located after forfeited bail proceeds have been forwarded to the state treasurer, the state treasurer shall reimburse the county, on request, for actual costs expended for extradition, transportation, or other costs necessary to return the defendant or probationer to the jurisdiction where the bail was posted, in an amount not more than the amount of forfeited bail. ~~All other money must be deposited in the county general fund unless otherwise provided by law.~~ The court administrator of district court shall not retain any additional compensation, per diem or other emolument for services as court administrator of district court, but may receive and retain mileage and expense allowances as prescribed by law.

Sec. 8. Minnesota Statutes 1998, section 487.02, subdivision 2, is amended to read:

Subd. 2. Except as provided in this subdivision, the county board shall levy taxes annually against the taxable property within the county as necessary for the establishment, operation and maintenance of the county court or courts within the county. Any county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added by 1999 S. F. No. 2221, article 7, section 26, is prohibited from levying property taxes for these purposes, except for any amounts necessary to pay the costs incurred in the first six months of calendar year 2000 with respect to counties in the fifth, seventh, and ninth judicial districts.

Sec. 9. Minnesota Statutes 1998, section 487.32, subdivision 3, is amended to read:

Subd. 3. A judge of a county court may order any sums forfeited to be reinstated and the county state treasurer shall then refund accordingly. The county state treasurer shall reimburse the court administrator if the court administrator refunds the deposit upon a judge's order and obtains a receipt to be used as a voucher.

Sec. 10. Minnesota Statutes 1998, section 487.33, subdivision 5, is amended to read:

Subd. 5. [ALLOCATION.] The court administrator shall provide the county treasurer with the name of the municipality or other subdivision of government where the offense was committed which employed or provided by contract the arresting or apprehending officer and the name of the municipality or other subdivision of government which employed the prosecuting attorney or otherwise provided for prosecution of the offense for each fine or penalty and the total amount of fines or penalties collected for each municipality or other subdivision of government. On or before the last day of each month, the county treasurer shall pay over to the treasurer of each municipality or subdivision of government within the county all fines or penalties for parking violations for which complaints and warrants have not been issued and one-third of all fines or penalties collected during the previous month for offenses committed within the municipality or subdivision of government from persons arrested or issued citations by officers employed by the municipality or subdivision or provided by the municipality or subdivision by contract. An additional one-third of all fines or penalties shall be paid to the municipality or subdivision of government providing prosecution of offenses of the type for which the fine or penalty is collected occurring within the municipality or subdivision, imposed for violations of state statute or of an ordinance, charter provision, rule or regulation of a city whether or not a guilty plea is entered or bail is forfeited. Except as provided in section 299D.03, subdivision 5, or as otherwise provided by law, all other fines and forfeitures and all fees and statutory court costs collected by the court administrator shall be paid to the county treasurer of the county in which the funds were collected who shall dispense them as provided by law. In a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in 1999 S. F. No. 2221, article 7, section 26, all other fines, forfeitures, fees, and statutory court costs must be paid to the state treasurer for deposit in the state treasury and credited to the general fund.

Sec. 11. Minnesota Statutes 1998, section 574.34, subdivision 1, is amended to read:

Subdivision 1. [GENERAL.] Fines and forfeitures not specially granted or appropriated by law shall be paid into the treasury of the county where they are incurred, except in a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in 1999 S. F. No. 2221, article 7, section 26, the fines and forfeitures must be deposited in the state treasury and credited to the general fund.

Sec. 12. [APPROPRIATION.]

\$18,731,000 is appropriated for fiscal year 2001 from the general fund to the district courts for purposes of funding the district court expenses under this article.

Sec. 13. [EFFECTIVE DATES; CONTINGENCY.]

(a) Sections 2 and 6 are effective for aids payable in 2000. The other provisions of this article providing for the transfer of fees and fines to the state are effective January 1, 2000, with respect to counties in the eighth judicial district, and July 1, 2000, with respect to counties in the fifth, seventh, and ninth judicial districts.

(b) Notwithstanding paragraph (a), this article does not take effect unless the state assumes the district court costs under 1999 S. F. No. 2221, article 7.

## ARTICLE 12

## BUSINESS SUBSIDIES

## Section 1. [116J.993] [DEFINITIONS.]

Subdivision 1. [SCOPE.] For the purposes of sections 116J.993 to 116J.995, the terms defined in this section have the meanings given them.

Subd. 2. [BENEFIT DATE.] "Benefit date" means the date that the recipient receives the business subsidy. If the business subsidy involves the purchase, lease, or donation of physical equipment, then the benefit date begins when the recipient puts the equipment into service. If the business subsidy is for improvements to property, then the benefit date refers to the earliest date of either:

(1) when the improvements are finished for the entire project; or

(2) when a business occupies the property. If a business occupies the property and the subsidy grantor expects that other businesses will also occupy the same property, the grantor may assign a separate benefit date for each business when it first occupies the property.

Subd. 3. [BUSINESS SUBSIDY.] "Business subsidy" or "subsidy" means a state or local government agency grant, contribution of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient, any reduction or deferral of any tax or any fee, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business.

The following forms of financial assistance are not a business subsidy:

(1) a business subsidy of less than \$25,000;

(2) assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;

(3) public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;

(4) redevelopment property polluted by contaminants as defined in section 116J.552, subdivision 3;

(5) assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code, provided that the assistance is equal to or less than 50 percent of the total cost;

(6) assistance provided to organizations whose primary mission is to provide job readiness and training services if the sole purpose of the assistance is to provide those services;

(7) assistance for housing;

(8) assistance for pollution control or abatement;

(9) assistance for energy conservation;

(10) tax reductions resulting from conformity with federal tax law;

(11) workers' compensation and unemployment compensation;

- (12) benefits derived from regulation;
- (13) indirect benefits derived from assistance to educational institutions;
- (14) funds from bonds allocated under chapter 474A;
- (15) assistance for a collaboration between a Minnesota higher education institution and a business;
- (16) assistance for a tax increment financing soils condition district as defined under section 469.174, subdivision 19;
- (17) redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value; and
- (18) general changes in tax increment financing law and other general tax law changes of a principally technical nature.

Subd. 4. [GRANTOR.] "Grantor" means any state or local government agency with the authority to grant a business subsidy.

Subd. 5. [LOCAL GOVERNMENT AGENCY.] "Local government agency" includes a statutory or home rule charter city, housing and redevelopment authority, town, county, port authority, economic development authority, community development agency, nonprofit entity created by a local government agency, or any other entity created by or authorized by a local government with authority to provide business subsidies.

Subd. 6. [RECIPIENT.] "Recipient" means any for-profit or nonprofit business entity that receives a business subsidy. Only nonprofit entities with at least 100 full-time equivalent positions and with a ratio of highest to lowest paid employee, that exceeds ten to one, determined on the basis of full-time equivalent positions, are included in this definition.

Subd. 7. [STATE GOVERNMENT AGENCY.] "State government agency" means any state agency that has the authority to award business subsidies.

Sec. 2. [116J.994] [REGULATING LOCAL AND STATE BUSINESS SUBSIDIES.]

Subdivision 1. [PUBLIC PURPOSE.] A business subsidy must meet a public purpose other than increasing the tax base. Job retention may only be used as a public purpose in cases where job loss is imminent and demonstrable.

Subd. 2. [DEVELOPING A SET OF CRITERIA.] A business subsidy may not be granted until the grantor has adopted criteria after a public hearing for awarding business subsidies that comply with this section. The criteria must include a policy regarding the wages to be paid for the jobs created. The commissioner of trade and economic development may assist local government agencies in developing criteria.

Subd. 3. [SUBSIDY AGREEMENT.] (a) A recipient must enter into a subsidy agreement with the grantor of the subsidy that includes:

- (1) a description of the subsidy, including the amount and type of subsidy, and type of district if the subsidy is tax increment financing;
- (2) a statement of the public purposes for the subsidy;
- (3) goals for the subsidy;
- (4) a description of the financial obligation of the recipient if the goals are not met;

(5) a statement of why the subsidy is needed;

(6) a commitment to continue operations at the site where the subsidy is used for at least five years after the benefit date;

(7) the name and address of the parent corporation of the recipient, if any; and

(8) a list of all financial assistance by all grantors for the project.

(b) Business subsidies in the form of grants must be structured as forgivable loans. If a business subsidy is not structured as a forgivable loan, the agreement must state the fair market value of the subsidy to the recipient, including the value of conveying property at less than a fair market price, or other in-kind benefits to the recipient.

(c) If a business subsidy benefits more than one recipient, the grantor must assign a proportion of the business subsidy to each recipient that signs a subsidy agreement. The proportion assessed to each recipient must reflect a reasonable estimate of the recipient's share of the total benefits of the project.

(d) The state or local government agency and the recipient must both sign the subsidy agreement and, if the grantor is a local government agency, the agreement must be approved by the local elected governing body, except for the St. Paul Port Authority and a seaway port authority.

Subd. 4. [WAGE AND JOB GOALS.] The subsidy agreement, in addition to any other goals, must include: (1) goals for the number of jobs created, which may include separate goals for the number of part-time or full-time jobs, or, in cases where job loss is imminent and demonstrable, goals for the number of jobs retained; and (2) wage goals for the jobs created or retained.

In addition to other specific goal time frames, the wage and job goals must contain specific goals to be attained within two years of the benefit date.

Subd. 5. [PUBLIC NOTICE AND HEARING.] (a) Before granting a business subsidy that exceeds \$500,000 for a state government grantor and \$100,000 for a local government grantor, the grantor must provide public notice and a hearing on the subsidy. A public hearing and notice under this subdivision is not required if a hearing and notice on the subsidy is otherwise required by law.

(b) Public notice of a proposed business subsidy under this subdivision by a state government grantor must be published in the State Register. Public notice of a proposed business subsidy under this subdivision by a local government grantor must be published in a local newspaper of general circulation. The public notice must identify the location at which information about the business subsidy, including a copy of the subsidy agreement, is available. Published notice should be sufficiently conspicuous in size and placement to distinguish the notice from the surrounding text. The grantor must make the information available in printed paper copies and, if possible, on the Internet. The government agency must provide at least a ten-day notice for the public hearing.

(c) The public notice must include the date, time, and place of the hearing.

(d) The public hearing by a state government grantor must be held in St. Paul.

Subd. 6. [FAILURE TO MEET GOALS.] The subsidy agreement must specify the recipient's obligation if the recipient does not fulfill the agreement. At a minimum, the agreement must require a recipient failing to meet subsidy agreement goals to pay back the assistance plus interest to the grantor provided that repayment may be prorated to reflect partial fulfillment of goals. The interest rate must be set at the implicit price deflator defined under section 275.70, subdivision 2. The grantor, after a public hearing, may extend for up to one year the period for meeting the goals provided in a subsidy agreement.

A recipient that fails to meet the terms of a subsidy agreement may not receive a business subsidy from any grantor for a period of five years from the date of failure or until a recipient satisfies its repayment obligation under this subdivision, whichever occurs first.

Before a grantor signs a business subsidy agreement, the grantor must check with the compilation and summary report required by this section to determine if the recipient is eligible to receive a business subsidy.

Subd. 7. [REPORTS BY RECIPIENTS TO GRANTORS.] (a) A business subsidy grantor must monitor the progress by the recipient in achieving agreement goals.

(b) A recipient must provide information regarding goals and results for two years after the benefit date or until the goals are met, whichever is later. If the goals are not met, the recipient must continue to provide information on the subsidy until the subsidy is repaid. The information must be filed on forms developed by the commissioner in cooperation with representatives of local government. Copies of the completed forms must be sent to the commissioner and the local government agency that provided the business subsidy. The report must include:

- (1) the type, public purpose, and amount of subsidies and type of district, if the subsidy is tax increment financing;
- (2) the hourly wage of each job created with separate bands of wages;
- (3) the sum of the hourly wages and cost of health insurance provided by the employer with separate bands of wages;
- (4) the date the job and wage goals will be reached;
- (5) a statement of goals identified in the subsidy agreement and an update on achievement of those goals;
- (6) the location of the recipient prior to receiving the business subsidy;
- (7) why the recipient did not complete the project outlined in the subsidy agreement at their previous location, if the recipient was previously located at another site in Minnesota;
- (8) the name and address of the parent corporation of the recipient, if any;
- (9) a list of all financial assistance by all grantors for the project; and
- (10) other information the commissioner may request.

A report must be filed no later than March 1 of each year for the previous year and within 30 days after the deadline for meeting the job and wage goals.

(c) Financial assistance that is excluded from the definition of "business subsidy" by section 116J.993, subdivision 3, clauses (4), (5), (8), and (16) is subject to the reporting requirements of this subdivision, except that the report of the recipient must include:

- (1) the type, public purpose, and amount of the financial assistance, and type of district if the subsidy is tax increment financing;
- (2) progress towards meeting goals stated in the subsidy agreement and the public purpose of the assistance;
- (3) the hourly wage of each job created with separate bands of wages;
- (4) the sum of the hourly wages and cost of health insurance provided by the employer with separate bands of wages;

(5) the location of the recipient prior to receiving the assistance; and

(6) other information the grantor requests.

(d) If the recipient does not submit its report, the local government agency must mail the recipient a warning within one week of the required filing date. If, after 14 days of the postmarked date of the warning, the recipient fails to provide a report, the recipient must pay to the grantor a penalty of \$100 for each subsequent day until the report is filed. The maximum penalty shall not exceed \$1,000.

Subd. 8. [REPORTS BY GRANTORS.] (a) Local government agencies of a local government with a population of more than 2,500 and state government agencies, regardless of whether or not they have awarded any business subsidies, must file a report by April 1 of each year with the commissioner. Local government agencies of a local government with a population of 2,500 or less are exempt from filing this report if they have not awarded a business subsidy in the past five years. The local government agency must include a list of recipients that did not complete the report and of recipients that have not met their job and wage goals within two years and the steps being taken to bring them into compliance or to recoup the subsidy.

If the commissioner has not received the report by April 1 from an entity required to report, the commissioner shall issue a warning to the government agency. If the commissioner has still not received the report by June 1 of that same year from an entity required to report, then that government agency may not award any business subsidies until the report has been filed.

(b) The commissioner of trade and economic development must provide information on reporting requirements to state and local government agencies.

Subd. 9. [COMPILATION AND SUMMARY REPORT.] The department of trade and economic development must publish a compilation and summary of the results of the reports for the previous calendar year by July 1 of each year. The reports of the government agencies to the department and the compilation and summary report of the department must be made available to the public.

The commissioner must coordinate the production of reports so that useful comparisons across time periods and across grantors can be made. The commissioner may add other information to the report as the commissioner deems necessary to evaluate business subsidies. Among the information in the summary and compilation report, the commissioner must include:

(1) total amount of subsidies awarded in each development region of the state;

(2) distribution of business subsidy amounts by size of the business subsidy;

(3) distribution of business subsidy amounts by time category, such as monthly or quarterly;

(4) distribution of subsidies by type and by public purpose;

(5) percent of all business subsidies that reached their goals;

(6) percent of business subsidies that did not reach their goals by two years from the benefit date;

(7) total dollar amount of business subsidies that did not meet their goals after two years from the benefit date;

(8) percent of subsidies that did not meet their goals and that did not receive repayment;

(9) list of recipients that have failed to meet the terms of a subsidy agreement in the past five years and have not satisfied their repayment obligations;

(10) number of part-time and full-time jobs within separate bands of wages; and

(11) benefits paid within separate bands of wages.

Sec. 3. [116J.995] [ECONOMIC GRANTS.]

An appropriation rider in an appropriation to the department of trade and economic development that specifies that the appropriation be granted to a particular business or class of businesses must contain a statement of the expected benefits associated with the grant. At a minimum, the statement must include goals for the number of jobs created, wages paid, and the tax revenue increases due to the grant.

Sec. 4. [REPEALER.]

Minnesota Statutes 1998, section 116J.991, is repealed.

Sec. 5. [EFFECTIVE DATE.]

Sections 1 to 4 are effective for business subsidies entered into or state appropriations authorized on or after August 1, 1999.

## ARTICLE 13

### TAX FORFEITURE AND DELINQUENCY PROCEDURES

Section 1. Minnesota Statutes 1998, section 92.51, is amended to read:

92.51 [TAXATION; REDEMPTION; SPECIAL CERTIFICATE.]

State lands sold by the director become taxable. A description of the tract sold, with the name of the purchaser, must be transmitted to the proper county auditor. The auditor must extend the land for taxation like other land. Only the interest in the land vested by the land sale certificate in its holder may be sold for delinquent taxes. ~~Upon production to the county treasurer of the tax certificate given upon tax sale, in case the lands have not been redeemed, the tax purchaser has the right to pay the principal and interest then in default upon the land sale certificate as its assignee. To redeem from a tax sale, the person redeeming must pay the county treasurer, for the holder and owner of the tax sale certificate, in addition to all sums required to be paid in other cases, all amounts paid by the holder and owner for interest and principal upon the land sale certificate, with interest at 12 percent per year. When the director receives the tax certificate with the county auditor's certificate of the expiration of the time for redemption, and the county treasurer's receipt for all delinquent interest and penalty on the land sale certificate, the director shall issue the holder and owner of the tax certificate a special certificate with the same terms and the same effect as the original land sale certificate.~~

Sec. 2. Minnesota Statutes 1998, section 279.37, subdivision 1, is amended to read:

Subdivision 1. [COMPOSITION INTO ONE ITEM.] Delinquent taxes upon any parcel of real estate may be composed into one item or amount by confession of judgment at any time prior to the forfeiture of the parcel of land to the state for taxes, for the aggregate amount of all the taxes, costs, penalties, and interest accrued against the parcel, as ~~hereinafter~~ provided in this section. Taxes upon property which, for the previous year's assessment, was classified as mineral property, employment property, or commercial or industrial property ~~shall~~ are only be eligible to be composed into any confession of judgment under this section as provided in subdivision 1a. Delinquent taxes for property that has been reclassified from 4bb to 4b under section 273.1319 may not be composed into a confession of judgment under this subdivision. Delinquent taxes on unimproved land are eligible to be composed into a confession of judgment only if the land is classified as homestead, agricultural, or timberland in the previous year or is eligible for installment payment under subdivision 1a. The entire parcel is eligible for the ten-year installment plan as provided in subdivision 2 if 25 percent or more of the market value of the parcel is eligible for confession of judgment under this subdivision.

Sec. 3. Minnesota Statutes 1998, section 279.37, subdivision 1a, is amended to read:

Subd. 1a. [CLASS 3A PROPERTY.] (a) The delinquent taxes upon a parcel of property which was classified class 3a, for the previous year's assessment and had a total market value of ~~less than~~ \$200,000 or less for that same assessment shall be eligible to be composed into a confession of judgment. Property qualifying under this subdivision shall be subject to the same provisions as provided in this section except as ~~herein~~ provided in paragraphs (b) to (d).

~~(a)~~ (b) Current year taxes and penalty due at the time the confession of judgment is entered must be paid.

(c) The down payment ~~shall~~ must include all special assessments due in the current tax year, all delinquent special assessments, and 20 percent of the ad valorem tax, penalties, and interest accrued against the parcel. The balance remaining ~~shall be~~ is payable in four equal annual installments; and

~~(b)~~ (d) The amounts entered in judgment ~~shall~~ bear interest at the rate provided in section 279.03, subdivision 1a, commencing with the date the judgment is entered. The interest rate is subject to change each year on the unpaid balance in the manner provided in section 279.03, subdivision 1a.

Sec. 4. Minnesota Statutes 1998, 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 ~~wherein 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 ~~hereinbefore~~ provided, as determined by the county auditor, ~~and shall thereby waive. 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 ~~shall thereby waive 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, ~~and shall tender therewith. With the offer, the owner shall tender one-tenth of the amount of the delinquent taxes, costs, penalty, and interest, and shall tender all current year taxes and penalty due at the time the confession of judgment is entered. In the offer, the owner shall agree therein 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, which. The offer shall 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 ~~situate~~ located in . . . . . county, Minnesota, ~~to-wit:~~

. . . . . Upon ~~which 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) ~~do hereby. By signing this document I offer to confess judgment in the sum of \$ . . . and hereby waive all irregularities in the tax proceedings affecting such these taxes and any defense or objection which I may have thereto to them, and direct judgment to be entered for the amount hereby confessed amount stated above, less minus the sum of \$ . . . . . , hereby tendered to be paid with this document, being which is one-tenth of the amount of said the taxes, costs, penalty, and interest; stated above. I agree to pay the balance of said the judgment in nine equal, annual installments, with interest as provided in section 279.03, payable annually, on the installments remaining unpaid from time to time; said. I agree to pay the installments and interest to be paid 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 such the taxes under Minnesota Statutes 1941, sections 278.01 to 278.13.~~

Dated ~~this~~ . . . . . , . . . . ."

Sec. 5. Minnesota Statutes 1998, section 281.23, subdivision 2, is amended to read:

Subd. 2. ~~[MAY COVER PARCELS BID IN AT SAME TAX SALE FORM.]~~ All parcels of land bid in at the same tax judgment sale and having the same period of redemption shall be covered by a single posted notice, but a separate notice may be posted for any parcel which may be omitted. Such The notice of expiration of redemption must contain the tax parcel identification numbers and legal descriptions of parcels subject to notice of expiration of redemption provisions prescribed under subdivision 1. The notice must also indicate the names of taxpayers and fee owners of record in the office of the county auditor at the time the notice is prepared and names of those parties who have filed their addresses according to section 276.041 and the amount of payment necessary to redeem as of the date of the notice. At the option of the county auditor, the current filed addresses of affected persons may be included on the notice. The notice shall be ~~is~~ sufficient if substantially in the following form:

"NOTICE OF EXPIRATION OF REDEMPTION

Office of the County Auditor

County of . . . . ., State of Minnesota.

To all persons interested having an interest in the lands hereinafter described in this notice:

You are hereby notified that the parcels of land hereinafter described, ~~situated in this notice and located in the~~ county of . . . . ., state of Minnesota, ~~were bid in for the state on the . . . . . day of . . . . .~~ . . . . ., . . . . ., at the tax judgment sale of land for delinquent taxes for the year . . . . .; that the legal descriptions and tax parcel identification numbers of such parcels and names of the taxpayers and fee owners and in addition those parties who have filed their addresses pursuant to section 276.041, and the amount necessary to redeem as of the date hereof and, at the election of the county auditor, the current filed addresses of any such persons, are as follows: are subject to forfeiture to the state of Minnesota because of nonpayment of delinquent property taxes, special assessments, penalties, interest, and costs levied on those parcels. The time for redemption from forfeiture expires if a redemption is not made by the later of (1) 60 days after service of this notice on all persons having an interest in the lands of record at the office of the county recorder or registrar of titles, or (2) by the second Monday in May. The redemption must be made in my office.

Names (and Current Filed Addresses) for the Taxpayers and Fee Owners and in Addition Those Parties Who Have Filed Their Addresses Pursuant to section 276.041	Legal Description	Tax Parcel Number	Amount Necessary to Redeem as of Date <u>Hereof of Notice</u>
.....	.....	...	.....
.....	.....	...	.....

That the time for redemption of such lands from such sale will expire 60 days after service of notice and the filing of proof thereof in my office, as provided by law. ~~The redemption must be made in my office.~~

FAILURE TO REDEEM SUCH THE LANDS PRIOR TO THE EXPIRATION OF REDEMPTION WILL RESULT IN THE LOSS OF THE LAND AND FORFEITURE ~~OF SAID LAND~~ TO THE STATE OF MINNESOTA.

Inquiries as to ~~the~~ these proceedings ~~set forth above~~ can be made to the County Auditor for ~~the~~ . . . . . County of . . . . ., whose address is set forth below.

Witness my hand and official seal this . . . . . day of . . . . .

. . . . .  
County Auditor

(OFFICIAL SEAL)

. . . . .  
(Address)

. . . . .  
(Telephone)."

~~Such~~ The notice ~~shall~~ must be posted by the auditor in the auditor's office, subject to public inspection, and ~~shall~~ must remain so posted until at least one week after the date of the last publication of notice, as ~~hereinafter~~ provided in this section. Proof of ~~such~~ posting ~~shall~~ must be made by the certificate of the auditor, filed in the auditor's office.

Sec. 6. Minnesota Statutes 1998, section 281.23, subdivision 4, is amended to read:

Subd. 4. [PROOF OF PUBLICATION.] An affidavit establishing proof of publication of ~~such~~ the notice affidavit, as provided by law, ~~shall~~ must be filed in the office of the county auditor. A single published notice ~~shall~~ be sufficient for all may include parcels of land bid in at ~~the same~~ different tax judgment ~~sale sales~~, ~~having the same period but included~~ parcels must have a common year for expiration of redemption, ~~and covered by a notice or notices kept posted during the time of the publication, as hereinbefore provided.~~

Sec. 7. Minnesota Statutes 1998, section 281.23, subdivision 6, is amended to read:

Subd. 6. [SERVICE OF NOTICE.] (a) ~~Forthwith~~ Immediately after the commencement of ~~such~~ publication or mailing the county auditor shall deliver to the sheriff of the county or any other person not less than 18 years of age a sufficient number of copies of ~~such the~~ notice of expiration of redemption for service ~~upon on~~ the persons in possession of all parcels of such land ~~as are~~ actually occupied, and documentation if the certified mail notice was returned as undeliverable or the notice was not mailed to the address associated with the property. Within 30 days after receipt ~~thereof of the notice~~, the sheriff or other person serving the notice shall ~~make such investigation investigate~~ as may be necessary to ascertain whether or not the parcels covered by ~~such the~~ notice are actually occupied parcels, and shall serve a copy of ~~such the~~ notice of expiration of redemption upon the person in possession of each parcel found to be an occupied parcel, in the manner prescribed for serving summons in a civil action. If the sheriff or another person serving the notice has made at least two attempts to serve the notice of expiration of redemption, one between the weekday hours of 8:00 a.m. and 5:00 p.m. and the other on a different day and different time period, the sheriff or another person serving the notice may accomplish this service by posting a copy of the notice of expiration of redemption on a conspicuous location on the parcel. The sheriff or other person serving the notice shall make prompt return to the auditor as to all notices so served and as to all parcels found vacant and unoccupied and parcels served by posting. ~~Such The~~ return ~~shall~~ must be made upon on a copy of ~~such the~~ notice and ~~shall be~~ is prima facie evidence of the facts ~~therein~~ stated in it.

If the notice is served by the sheriff, the sheriff shall receive from the county, in addition to other compensation prescribed by law, ~~such~~ fees and mileage for service on persons in possession as ~~are~~ prescribed by law for such service in other cases, and shall also receive ~~such~~ compensation for making investigation and return as to vacant and unoccupied lands as the county board may fix, subject to appeal to the district court as in case of other claims against the county. As to either service upon persons in possession or return as to vacant lands, the sheriff shall charge mileage only for one trip if the occupants of more than two tracts are served simultaneously, and in such case mileage ~~shall~~ must be prorated and charged equitably against all such owners.

(b) The secretary of state shall receive sheriff's service for all out-of-state interests.

Sec. 8. Minnesota Statutes 1998, section 282.01, subdivision 1, is amended to read:

Subdivision 1. [CLASSIFICATION AS CONSERVATION OR NONCONSERVATION.] It is the general policy of this state to encourage the best use of tax-forfeited lands, recognizing that some lands in public ownership should be retained and managed for public benefits while other lands should be returned to private ownership. Parcels of land becoming the property of the state in trust under law declaring the forfeiture of lands to the state for taxes ~~shall~~ must be classified by the county board of the county in which the parcels lie as conservation or nonconservation. In making the classification the board shall consider the present use of adjacent lands, the productivity of the soil, the character of forest or other growth, accessibility of lands to established roads, schools, and other public services, their peculiar suitability or desirability for particular uses and the suitability of the forest resources on the land for multiple use, sustained yield management. The classification, furthermore, must encourage and foster a mode of land utilization that will facilitate the economical and adequate provision of transportation, roads, water supply, drainage, sanitation, education, and recreation; facilitate reduction of governmental expenditures; conserve and develop the natural resources; and foster and develop agriculture and other industries in the districts and places best suited to them.

In making the classification the county board may use information made available by any office or department of the federal, state, or local governments, or by any other person or agency possessing pertinent information at the time the classification is made. The lands may be reclassified from time to time as the county board ~~may consider~~ considers necessary or desirable, except for conservation lands held by the state free from any trust in favor of any taxing district.

If the lands are located within the boundaries of an organized town, with taxable valuation in excess of \$20,000, or incorporated municipality, the classification or reclassification and sale must first be approved by the town board of the town or the governing body of the municipality in which the lands are located. The town board of the town or the governing body of the municipality is considered to have approved the classification or reclassification and sale if the county board is not notified of the disapproval of the classification or reclassification and sale within ~~90~~ 60 days of the date the request for approval was transmitted to the town board of the town or governing body of the municipality. If the town board or governing body desires to acquire any parcel lying in the town or municipality by procedures authorized in this section, it must file a written application with the county board to withhold the parcel from public sale. The application must be filed within ~~90~~ 60 days of the request for classification or reclassification and sale. The county board shall then withhold the parcel from public sale for ~~one year~~ six months. A municipality or governmental subdivision shall pay maintenance costs incurred by the county during the six-month period while the property is withheld from public sale, provided the property is not offered for public sale after the six-month period. A clerical error made by county officials does not serve to eliminate the request of the town board or governing body if the board or governing body has forwarded the application to the county auditor.

Sec. 9. Minnesota Statutes 1998, section 282.01, subdivision 4, is amended to read:

Subd. 4. [SALE: METHOD, REQUIREMENTS, EFFECTS.] The sale ~~shall~~ must be conducted by the county auditor at the county seat of the county in which the parcels lie, ~~provided except that, in St. Louis and Koochiching counties, the sale may be conducted in any county facility within the county; and~~. The parcels ~~shall~~ must be sold for cash only and at not less than the appraised value, unless the county board of the county ~~shall have~~ has adopted a resolution providing for their sale on terms, in which event the resolution ~~shall control~~ controls with respect ~~thereto~~ to the sale. When the sale is made on terms other than for cash only (1) a payment of at least ten percent of the purchase price must be made at the time of purchase, ~~thereupon~~ and the balance ~~shall~~ must be paid in no more than ten equal annual installments, or (2) the payments must be made in accordance with county board policy, but in no event may the board require more than 12 installments annually, and the contract term must not be for more than ten years. ~~No~~ Standing timber or timber products ~~shall~~ must not be removed from these lands until an amount equal to the appraised value of all standing timber or timber products on the lands at the time of purchase has been paid by the purchaser; ~~provided, that in case any~~. If a parcel of land bearing standing timber or timber products is sold at public auction for more than the appraised value, the amount bid in excess of the appraised value shall must be allocated between the land and the timber in proportion to ~~the~~ their respective appraised values ~~thereof, and no~~. In that case, standing timber or timber products shall must not be removed from the land until the amount of the excess

bid allocated to timber or timber products has been paid in addition to the appraised value ~~thereof of the land~~. The purchaser is entitled to immediate possession, subject to the provisions of any existing valid lease made in behalf of the state.

For sales occurring on or after July 1, 1982, the unpaid balance of the purchase price is subject to interest at the rate determined pursuant to section 549.09. The unpaid balance of the purchase price for sales occurring after December 31, 1990, is 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 sales occurring before July 1, 1982, is payable at the rate applicable to the sale at the time that the sale occurred.

Sec. 10. Minnesota Statutes 1998, section 282.01, subdivision 7, is amended to read:

Subd. 7. [COUNTY SALES; NOTICE, PURCHASE PRICE, DISPOSITION.] ~~The sale herein provided for shall~~ must commence at ~~such the time as determined by~~ the county board of the county ~~wherein such in which the parcels lie, shall direct are located.~~ The county auditor shall offer the parcels of land in order in which they appear in the notice of sale, and shall sell them to the highest bidder, but not for a ~~less sum less~~ than the appraised value, until all of the parcels of land ~~shall have been offered, and thereafter.~~ Then the county auditor shall sell any remaining parcels to anyone offering to pay the appraised value thereof, except that if the person could have repurchased a parcel of property under section 282.012 or 282.241, that person shall not be allowed to may not purchase that same parcel of property at the sale under this subdivision for a purchase price less than the sum of all delinquent taxes and assessments, penalties, interest, and costs due at the time of forfeiture computed under section 282.251, together with penalties, interest, and costs that accrued or would have accrued if the parcel had not forfeited to the state and any special assessments for improvements certified as of the date of sale. Said The sale shall must continue until all such the parcels are sold or until the county board shall order orders a reappraisal or shall withdraw withdraws any or all such of the parcels from sale. Such The list of lands may be added to and the added lands may be sold at any time by publishing the descriptions and appraised values of such. The added lands must be: (1) parcels of land as shall that have become forfeited and classified as nonconservation since the commencement of any prior sale or such; (2) parcels as shall that have been reappraised, or such; (3) parcels as shall that have been reclassified as nonconservation; or such (4) other parcels as that are subject to sale but were omitted from the existing list for any reason. The descriptions and appraised values must be published in the same manner as hereinafter provided for the publication of the original list, provided that any. Parcels added to such the list shall must first be offered for sale to the highest bidder before they are sold at appraised value. All parcels of land not offered for immediate sale, as well as parcels of such lands as that are offered and not immediately sold shall, continue to be held in trust by the state for the taxing districts interested in each of said the parcels, under the supervision of the county board, and such. Those parcels may be used for public purposes until sold, as directed by the county board may direct.

Sec. 11. Minnesota Statutes 1998, section 282.04, subdivision 2, is amended to read:

Subd. 2. [RIGHTS BEFORE SALE; IMPROVEMENTS, INSURANCE, DEMOLITION.] ~~Until after~~ Before the sale of a parcel of forfeited land the county auditor may, with the approval of the county board of commissioners, provide for the repair and improvement of any building or structure located upon ~~such the parcel, and may provide for maintenance of tax-forfeited lands,~~ if it is determined by the county board that such repairs ~~or, improvements, or maintenance~~ are necessary for the operation, use, preservation and safety ~~thereof, and, of the building or structure.~~ If so authorized by the county board, the county auditor may insure ~~any such the building or structure~~ against loss or damage resulting from fire or windstorm, may purchase workers' compensation insurance to insure the county against claims for injury to the persons ~~therein employed in the building or structure~~ by the county, and may insure the county, its officers and employees against claims for injuries to persons or property because of the management, use or operation of ~~such the building or structure.~~ Such The county auditor may, with the approval of the county board, provide for the demolition of any such the building or structure, which has been determined by the county board to be within the purview of section 299F.10, and for the sale of salvaged materials therefrom from the building or structure. Such The county auditor, with the approval of the county board, may provide for the sale of abandoned personal property under either chapter 345 or 566, as appropriate. The net proceeds from any sale of such the personal property, salvaged materials, of timber or other products, or leases made under this law shall must be deposited in the forfeited tax sale fund and shall must be distributed in the same manner as if the parcel had been sold.

~~Such~~ The county auditor, with the approval of the county board, may provide for the demolition of any structure ~~or structures~~ on tax-forfeited lands, if in the opinion of the county board, the county auditor, and the land commissioner, if there ~~be is~~ one, the sale of ~~such the~~ land with ~~such the~~ structure ~~or structures thereon on it~~, or the continued existence of ~~such the~~ structure ~~or structures~~ by reason of age, dilapidated condition or excessive size as compared with nearby structures, will result in a material lessening of net tax capacities of real estate in the vicinity of ~~such the~~ tax-forfeited lands, or if the demolition of ~~such the~~ structure or structures will aid in disposing of ~~such the~~ tax-forfeited property.

Before the sale of a parcel of forfeited land located in an urban area, the county auditor may with the approval of the county board provide for the grading ~~thereof of the land~~ by filling or the removal of any surplus material ~~therefrom, and where from it~~. If the physical condition of forfeited lands is such that a reasonable grading ~~thereof of the lands~~ is necessary for the protection and preservation of the property of any adjoining owner, ~~such the~~ adjoining property owner or owners may ~~make application apply~~ to the county board to have ~~such the~~ grading done. If, after considering ~~said the~~ application, the county board believes that ~~such the~~ grading will enhance the value of ~~such the~~ forfeited lands commensurate with the cost involved, it may approve ~~the same it~~, and ~~any such the~~ work ~~shall must~~ be performed under the supervision of the county or city engineer, as the case may be, and the expense ~~thereof~~ paid from the forfeited tax sale fund.

Sec. 12. Minnesota Statutes 1998, section 282.05, is amended to read:

282.05 [PROCEEDS APPORTIONED.]

The net proceeds received from the sale or rental of forfeited lands shall be apportioned to the general funds of the state or municipal subdivision thereof, in the manner ~~hereinafter provided, and shall be first used by the~~ municipal subdivision to retire any indebtedness ~~then existing in section 282.08~~.

Sec. 13. Minnesota Statutes 1998, section 282.08, is amended to read:

282.08 [APPORTIONMENT OF PROCEEDS TO TAXING DISTRICTS.]

The net proceeds from the sale or rental of any parcel of forfeited land, or from the sale of ~~any products therefrom from the forfeited land, shall must~~ be apportioned by the county auditor to the taxing districts interested ~~therein in the land~~, as follows:

(1) ~~Such the~~ portion ~~as may be~~ required to pay any amounts included in the appraised value under section 282.01, subdivision 3, as representing increased value due to any public improvement made after forfeiture of ~~such the~~ parcel to the state, but not exceeding the amount certified by the clerk of the municipality, ~~shall must~~ be apportioned to the municipal subdivision entitled ~~thereto to it~~;

(2) ~~Such the~~ portion ~~as may be~~ required to pay any amount included in the appraised value under section 282.019, subdivision 5, representing increased value due to response actions taken after forfeiture of ~~such the~~ parcel to the state, but not exceeding the amount of expenses certified by the pollution control agency or the commissioner of agriculture, ~~shall must~~ be apportioned to the agency or the commissioner of agriculture and deposited in the fund from which the expenses were paid;

(3) ~~Such the~~ portion of the remainder ~~as may be~~ required to discharge any special assessment chargeable against ~~such the~~ parcel for drainage or other purpose whether due or deferred at the time of forfeiture, ~~shall must~~ be apportioned to the municipal subdivision entitled ~~thereto to it~~; and

(4) any balance ~~shall must~~ be apportioned as follows:

~~(a) Any~~ (i) The county board may annually by resolution set aside no more than 30 percent of the receipts remaining to be used for timber development on tax-forfeited land and dedicated memorial forests, to be expended under the supervision of the county board. It ~~shall must~~ be expended only on projects approved by the commissioner of natural resources.

(b) ~~Any~~ (ii) The county board may annually by resolution set aside no more than 20 percent of the receipts remaining to be used for the acquisition and maintenance of county parks or recreational areas as defined in sections 398.31 to 398.36, to be expended under the supervision of the county board.

~~(c) If the board does not avail itself of the authority under paragraph (a) or (b)~~ (iii) Any balance remaining ~~shall~~ must be apportioned as follows: county, 40 percent; town or city, 20 percent; and school district, 40 percent, ~~and if the board avails itself of the authority under paragraph (a) or (b) the balance remaining shall be apportioned among the county, town or city, and school district in the proportions in this paragraph above stated; provided, however, that in unorganized territory that portion which should~~ would have accrued to the township ~~shall~~ must be administered by the county board of commissioners.

Sec. 14. Minnesota Statutes 1998, section 282.09, is amended to read:

282.09 [FORFEITED TAX SALE FUND.]

Subdivision 1. [MONEY PLACED IN FUND; FEES AND DISBURSEMENTS.] The county auditor and county treasurer shall place all money received through the operation of sections 282.01 to 282.13 in a fund to be known as the forfeited tax sale fund, and all disbursements and costs ~~shall~~ must be charged against that fund, when allowed by the county board. Members of the county board may be paid a per diem pursuant to section 375.055, subdivision 1, and reimbursed for their necessary expenses, and may receive mileage as fixed by law. The amount of compensation of a land commissioner and assistants, if a land commissioner is appointed, shall ~~must~~ be in the amount determined by the county board. The county auditor ~~shall~~ must receive 50 cents for each certificate of sale, each contract for deed and each lease executed by the auditor, and, in counties where no land commissioner is appointed, additional annual compensation, not exceeding \$300, as fixed by the county board. The amount of compensation of any other clerical help that may be needed by the county auditor or land commissioner shall ~~must~~ be in the amount determined by the county board. All compensation provided for ~~herein shall be in this subdivision~~ is in addition to other compensation allowed by law. Fees so charged in addition to the fee imposed in section 282.014 shall ~~must~~ be included in the annual settlement by the county auditor as hereinafter provided. On or before February 1 each year, the commissioner of revenue shall certify to the commissioner of finance, by counties, the total number of state deeds issued and reissued during the preceding calendar year for which such fees are charged and the total amount thereof of fees. On or before March 1 each year, each county shall remit to the commissioner of revenue, from the forfeited tax sale fund, the aggregate amount of the fees imposed by section 282.014 in the preceding calendar year. The commissioner of revenue shall deposit the amounts received in the state treasury to the credit of the general fund. When disbursements are made from the fund for repairs, refunds, expenses of actions to quiet title, or any other purpose which particularly affects specific parcels of forfeited lands, the amount of such ~~the disbursements shall~~ must ~~be charged to the account of the taxing districts interested in such parcels~~ forfeited tax sale fund. The county auditor shall make an annual settlement of the net proceeds received from sales and rentals by the operation of sections 282.01 to 282.13, on the settlement day determined in section 276.09, for the preceding calendar year.

Subd. 2. [EXPENDITURES.] In all counties, ~~from said "Forfeited Tax Sale Fund," the authorities~~ duly charged with the execution of ~~responsible for carrying out~~ the duties imposed by sections 282.01 to 282.13, at their discretion, may expend moneys ~~in repairing from the forfeited tax sale fund to repair~~ any sewer or water main either inside or outside of any curb line situated along any property forfeited to the state for nonpayment of taxes, to acquire and maintain equipment used exclusively for the maintenance and improvement of tax-forfeited lands, ~~and to cut down, otherwise destroy or eradicate noxious weeds on all tax-forfeited lands. In any year, the money to be expended for the cutting down, destruction or eradication of noxious weeds shall not exceed in amount more than ten percent of the net proceeds of said "Forfeited Tax Sale Fund" during the preceding calendar year, or \$10,000, whichever is the lesser sum, and to maintain tax-forfeited lands.~~

Sec. 15. Minnesota Statutes 1998, section 282.241, is amended to read:

282.241 [REPURCHASE AFTER FORFEITURE.]

The owner at the time of forfeiture, or the owner's heirs, devisees, or representatives, or any person to whom the right to pay taxes was given by statute, mortgage, or other agreement, may repurchase any parcel of land claimed by the state to be forfeited to the state for taxes unless before the time repurchase is made the parcel is sold under

installment payments, or otherwise, by the state as provided by law, or is under mineral prospecting permit or lease, or proceedings have been commenced by the state or any of its political subdivisions or by the United States to condemn ~~such the~~ parcel of land. The parcel of land may be repurchased for the sum of all delinquent taxes and assessments computed under section 282.251, together with penalties, interest, and costs, that accrued or would have accrued if the parcel of land had not forfeited to the state. Except for property which was homesteaded on the date of forfeiture, ~~such~~ repurchase ~~shall be~~ is permitted during one year only from the date of forfeiture, and in any case only after the adoption of a resolution by the board of county commissioners determining that ~~thereby by~~ repurchase undue hardship or injustice resulting from the forfeiture will be corrected, or that permitting ~~such the~~ repurchase will promote the use of ~~such the~~ lands that will best serve the public interest. If the county board has good cause to believe that a repurchase installment payment plan for a particular parcel is unnecessary and not in the public interest, the county board may require as a condition of repurchase that the entire repurchase price be paid at the time of repurchase. A repurchase ~~shall be~~ is subject to any easement, lease, or other encumbrance granted by the state ~~prior thereto~~ before the repurchase, and if ~~said the~~ land is located within a restricted area established by any county under Laws 1939, chapter 340, ~~such the~~ repurchase ~~shall must~~ not be permitted unless ~~said the~~ resolution ~~with respect thereto~~ approving the repurchase is adopted by the unanimous vote of the board of county commissioners.

The person seeking to repurchase under this section shall pay all maintenance costs incurred by the county auditor during the time the property was tax-forfeited.

Sec. 16. Minnesota Statutes 1998, 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 ~~contract approved~~ application received after July 1, 1985. The fee ~~shall must~~ be paid at the time of ~~repurchase~~ application and ~~shall must~~ be credited to the county general revenue fund.

Sec. 17. Minnesota Statutes 1998, section 282.261, is amended by adding a subdivision 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.

Sec. 18. Minnesota Statutes 1998, section 283.10, is amended to read:

283.10 [APPLICATION MUST BE MADE WITHIN TWO YEARS.]

No ~~such refundment~~ refund shall be granted unless an application ~~therefor shall be duly~~ for refund is approved and presented to the commissioner of revenue within two years from the date of ~~such tax certificate or the~~ state assignment certificate.

Sec. 19. Minnesota Statutes 1998, section 375.192, subdivision 2, is amended to read:

Subd. 2. [PROCEDURE, CONDITIONS.] Upon written application by the owner of any property, the county board may grant the reduction or abatement of estimated market valuation or taxes and of any costs, penalties, or interest on them as the board deems just and equitable and order the refund in whole or part of any taxes, costs, penalties, or interest which have been erroneously or unjustly paid. Except as provided in sections 469.1812 to 469.1815, no reduction or abatement may be granted on the basis of providing an incentive for economic development or redevelopment. Except as provided in section 375.194, the county board ~~is authorized to~~ may consider and grant reductions or abatements on applications only as they relate to taxes payable in the current year and the two prior years; provided that reductions or abatements for the two prior years shall be considered or granted only for (i) clerical errors, or (ii) when the taxpayer fails to file for a reduction or an adjustment due to hardship, as determined by the county board. The application must include the social security number of the applicant. The social security number is private data on individuals as defined by section 13.02, subdivision 12. All applications must be approved by the county assessor, or, if the property is located in a city of the first or second class having a

city assessor, by the city assessor, and by the county auditor before consideration by the county board, except that the part of the application which is for the abatement of penalty or interest must be approved by the county treasurer and county auditor. Approval by the county or city assessor is not required for abatements of penalty or interest. No reduction, abatement, or refund of any special assessments made or levied by any municipality for local improvements shall be made unless it is also approved by the board of review or similar taxing authority of the municipality. ~~Before taking action~~ On any reduction or abatement ~~where~~ when the reduction of taxes, costs, penalties, and interest exceed \$10,000, the county board shall give ~~20 days'~~ notice within 20 days to the school board and the municipality in which the property is located. The notice must describe the property involved, the actual amount of the reduction being sought, and the reason for the reduction. ~~If the school board or the municipality object to the granting of the reduction or abatement, the county board must refer the abatement or reduction to the commissioner of revenue with its recommendation. The commissioner shall consider the abatement or reduction under section 270.07, subdivision 1.~~

An appeal may not be taken to the tax court from any order of the county board made in the exercise of the discretionary authority granted in this section.

The county auditor shall notify the commissioner of revenue of all abatements resulting from the erroneous classification of real property, for tax purposes, as nonhomestead property. For the abatements relating to the current year's tax processed through June 30, the auditor shall notify the commissioner on or before July 31 of that same year of all abatement applications granted. For the abatements relating to the current year's tax processed after June 30 through the balance of the year, the auditor shall notify the commissioner on or before the following January 31 of all applications granted. The county auditor shall submit a form containing the social security number of the applicant and such other information the commissioner prescribes.

Sec. 20. Minnesota Statutes 1998, section 383C.482, subdivision 1, is amended to read:

Subdivision 1. [AUDITOR TO SEARCH RECORDS; CERTIFICATES.] The St. Louis county auditor, upon written application of any person, shall ~~make~~ search of the records of the auditor's office and the county treasurer's office, and ascertain the amount of current tax against any lot or parcel of land described in the application and the existence of all tax liens and tax sales as to ~~such~~ the lot or parcel of land, and certify the result of ~~such~~ the search under the seal of office, giving the description of the lot or parcel of land, the amount of the current tax, if any, and all tax liens and tax sales shown by such records, and the amount ~~thereof of liens and tax sales~~, the year of tax covered by ~~such~~ the lien, and the date of tax sale, ~~and the name of the purchaser at such tax sale~~. For the purpose of ascertaining the current tax against ~~such~~ a lot or parcel of land, the county auditor has the right of access to the records of current taxes in the office of the county treasurer.

Sec. 21. [REPEALER.]

Minnesota Statutes 1998, sections 92.22; 280.27; 281.13; 281.38; 284.01; 284.02; 284.03; 284.04; 284.05; and 284.06, are repealed.

Sec. 22. [EFFECTIVE DATES.]

This article is effective September 1, 1999, except that sections 11 and 13 to 15 are effective beginning January 1, 2000, and except that section 12 is effective for net proceeds received after the date of final enactment of this act.

## ARTICLE 14

### WATER AND SANITARY SEWER DISTRICTS

Section 1. [CEDAR LAKE AREA WATER AND SANITARY SEWER DISTRICT; DEFINITIONS.]

Subdivision 1. [APPLICATION.] In sections 1 to 19, the definitions in this section apply.

Subd. 2. [DISTRICT.] "Cedar lake area water and sanitary sewer district" and "district" mean the area over which the Cedar lake area water and sanitary sewer board has jurisdiction, which includes the area within the city of New Prague and Helena and Cedar Lake townships in Scott county. The district shall precisely describe the area over

which it has jurisdiction by a metes and bounds description in the comprehensive plan adopted pursuant to section 5. The territory may not be larger than the area encompassed by the Cedar Lake improvement district, but it may be smaller and the area may include a route along public rights-of-way from Cedar Lake to the city of New Prague along which the sewer main is laid.

Subd. 3. [BOARD.] "Water and sanitary sewer board" or "board" means the Cedar lake area water and sanitary sewer board established for the district as provided in subdivision 2.

Subd. 4. [PERSON.] "Person" means an individual, partnership, corporation, limited liability company, cooperative, or other organization or entity, public or private.

Subd. 5. [LOCAL GOVERNMENTAL UNITS.] "Local governmental units" or "governmental units" means Scott county, the city of New Prague, and Helena and Cedar Lake Townships in Scott county.

Subd. 6. [ACQUISITION; BETTERMENT.] "Acquisition" and "betterment" have the meanings given in Minnesota Statutes, section 475.51.

Subd. 7. [AGENCY.] "Agency" means the Minnesota pollution control agency created in Minnesota Statutes, section 116.02.

Subd. 8. [SEWAGE.] "Sewage" means all liquid or water-carried waste products from whatever sources derived, together with any groundwater infiltration and surface water as may be present.

Subd. 9. [POLLUTION OF WATER; SEWER SYSTEM.] "Pollution of water" and "sewer system" have the meanings given in Minnesota Statutes, section 115.01.

Subd. 10. [TREATMENT WORKS; DISPOSAL SYSTEM.] "Treatment works" and "disposal system" have the meanings given in Minnesota Statutes, section 115.01.

Subd. 11. [INTERCEPTOR.] "Interceptor" means a sewer and its necessary appurtenances, including but not limited to mains, pumping stations, and sewage flow-regulating and -measuring stations, that is:

- (1) designed for or used to conduct sewage originating in more than one local governmental unit;
- (2) designed or used to conduct all or substantially all the sewage originating in a single local governmental unit from a point of collection in that unit to an interceptor or treatment works outside that unit; or
- (3) determined by the board to be a major collector of sewage used or designed to serve a substantial area in the district.

Subd. 12. [DISTRICT DISPOSAL SYSTEM.] "District disposal system" means any and all interceptors or treatment works owned, constructed, or operated by the board unless designated by the board as local water and sanitary sewer facilities.

Subd. 13. [MUNICIPALITY.] "Municipality" means any town or home rule charter or statutory city.

Subd. 14. [TOTAL COSTS.] "Total costs of acquisition and betterment" and "costs of acquisition and betterment" mean all acquisition and betterment expenses permitted to be financed out of stopped bond proceeds issued in accordance with section 13, whether or not the expenses are in fact financed out of the bond proceeds.

Subd. 15. [CURRENT COSTS.] "Current costs of acquisition, betterment, and debt service" means interest and principal estimated to be due during the budget year on bonds issued to finance said acquisition and betterment and all other costs of acquisition and betterment estimated to be paid during the year from funds other than bond proceeds and federal or state grants.

Subd. 16. [RESIDENT.] "Resident" means the owner of a dwelling located in the district and receiving water or sewer service.

Sec. 2. [WATER AND SANITARY SEWER BOARD.]

Subdivision 1. [ESTABLISHMENT.] A water and sanitary sewer district is established in Helena and Cedar Lake townships and the city of New Prague in Scott county, to be known as the Cedar lake area water and sanitary sewer district. The water and sewer district is under the control and management of the Cedar lake area water and sanitary sewer board. The board is established as a public corporation and political subdivision of the state with perpetual succession and all the rights, powers, privileges, immunities, and duties granted to or imposed upon a municipal corporation, as provided in sections 1 to 19.

Subd. 2. [MEMBERS AND SELECTION.] The board is composed of seven members selected as provided in this subdivision. Each of the town boards of the townships shall meet to appoint two residents to the water and sanitary sewer board. The township appointees must live on Cedar lake and must be served by the system. One member must be selected by the city of New Prague. Two members must be selected by the Scott county board of commissioners. Each member has one vote. The first terms are as follows: two for one year, two for two years, and three for three years, fixed by lot at the district's first meeting. Thereafter, all terms are for three years.

Subd. 3. [TIME LIMITS FOR SELECTION.] The board members must be selected as provided in subdivision 2 within 60 days after sections 1 to 19 are effective. The successor to each board member must be selected at any time within 60 days before the expiration of the member's term in the same manner as the predecessor was selected. A vacancy on the board must be filled within 60 days after it occurs.

Subd. 4. [VACANCIES.] If the office of a board member becomes vacant, the vacancy must be filled for the unexpired term in the manner provided for selection of the member who vacated the office. The office is deemed vacant under the conditions specified in Minnesota Statutes, section 351.02.

Subd. 5. [REMOVAL.] A board member may be removed by the unanimous vote of the governing body appointing the member, with or without cause, or for malfeasance or nonfeasance in the performance of official duties as provided by Minnesota Statutes, sections 351.14 to 351.23.

Subd. 6. [CERTIFICATES OF SELECTION; OATH OF OFFICE.] A certificate of selection of every board member selected under subdivision 2 stating the term for which selected, must be made by the respective town clerks. The certificates, with the approval appended by other authority, if required, must be filed with the secretary of state. Counterparts thereof must be furnished to the board member and the secretary of the board. Each member shall qualify by taking and subscribing the oath of office prescribed by the Minnesota Constitution, article 5, section 8. The oath, duly certified by the official administering the same, must be filed with the secretary of state and the secretary of the board.

Subd. 7. [BOARD MEMBERS' COMPENSATION.] Each board member, except the chair, may be paid a per diem compensation in accordance with the board's bylaws for meetings and for other services as are specifically authorized by the board, not to exceed the per diem amount under Minnesota Statutes, section 15.0575, subdivision 3, and not to exceed \$1,000 in any one year. The chair may be paid a per diem compensation in accordance with the board's bylaws for meetings and for other services specifically authorized by the board, not to exceed the per diem amount under Minnesota Statutes, section 15.0575, subdivision 3, and not to exceed \$1,500 in any one year. All members of the board must be reimbursed for all reasonable and necessary expenses actually incurred in the performance of duties.

Sec. 3. [GENERAL PROVISIONS FOR ORGANIZATION AND OPERATION OF BOARD.]

Subdivision 1. [ORGANIZATION; OFFICERS; MEETINGS; SEAL.] After the selection and qualification of all board members, the board must meet to organize the board at the call of any two board members, upon seven days' notice by registered mail to the remaining board members, at a time and place within the district specified in the

notice. A majority of the members is a quorum at that meeting and all other meetings of the board, but a lesser number may meet and adjourn from time to time and compel the attendance of absent members. At the first meeting the board shall select its officers and conduct other organizational business as may be necessary. Thereafter the board shall meet regularly at the time and place that the board designates by resolution. Special meetings may be held at any time upon call of the chair or any two members, upon written notice sent by mail to each member at least three days before the meeting, or upon other notice as the board by resolution may provide, or without notice if each member is present or files with the secretary a written consent to the meeting either before or after the meeting. Except as otherwise provided in sections 1 to 19, any action within the authority of the board may be taken by the affirmative vote of a majority of the board and may be taken by regular or adjourned regular meeting or at a duly held special meeting, but in any case only if a quorum is present. Meetings of the board must be open to the public. The board may adopt a seal, which must be officially and judicially noticed, to authenticate instruments executed by its authority, but omission of the seal does not affect the validity of any instrument.

Subd. 2. [CHAIR.] The board shall elect a chair from its membership. The term of the first chair of the board expires on January 1, 2001, and the terms of successor chairs expire on January 1 of each succeeding year. The chair shall preside at all meetings of the board, if present, and shall perform all other duties and functions usually incumbent upon such an officer, and all administrative functions assigned to the chair by the board. The board shall elect a vice-chair from its membership to act for the chair during temporary absence or disability.

Subd. 3. [SECRETARY AND TREASURER.] The board shall select persons who may, but need not be, members of the board, to act as its secretary and treasurer. The two offices may be combined. The secretary and treasurer shall hold office at the pleasure of the board, subject to the terms of any contract of employment that the board may enter into with the secretary or treasurer. The secretary shall record the minutes of all meetings of the board, and be the custodian of all books and records of the board except those that the board entrusts to the custody of a designated employee. The treasurer is the custodian of all money received by the board except as the board otherwise entrusts to the custody of a designated employee. The board may appoint a deputy to perform any and all functions of either the secretary or the treasurer. A secretary or treasurer who is not a member of the board or a deputy of either does not have the right to vote.

Subd. 4. [PUBLIC EMPLOYEES.] The executive director and other persons employed by the district are public employees and have all the rights and duties conferred on public employees under Minnesota Statutes, sections 179A.01 to 179A.25. The board may elect to have employees become members of either the public employees retirement association or the Minnesota state retirement system. The compensation and conditions of employment of the employees must be governed by rules applicable to state employees in the classified service and to the provisions of Minnesota Statutes, chapter 15A.

Subd. 5. [PROCEDURES.] The board shall adopt resolutions or bylaws establishing procedures for board action, personnel administration, keeping records, approving claims, authorizing or making disbursements, safekeeping funds, and auditing all financial operations of the board.

Subd. 6. [SURETY BONDS AND INSURANCE.] The board may procure surety bonds for its officers and employees, in amounts deemed necessary to ensure proper performance of their duties and proper accounting for funds in their custody. It may procure insurance against risks to property and liability of the board and its officers, agents, and employees for personal injuries or death and property damage and destruction, in amounts deemed necessary or desirable, with the force and effect stated in Minnesota Statutes, chapter 466.

#### Sec. 4. [GENERAL POWERS OF BOARD.]

Subdivision 1. [SCOPE.] The board has all powers necessary or convenient to discharge the duties imposed upon it by law. The powers include those specified in this section, but the express grant or enumeration of powers does not limit the generality or scope of the grant of powers contained in this subdivision.

Subd. 2. [SUIT.] The board may sue or be sued.

Subd. 3. [CONTRACT.] The board may enter into any contract necessary or proper for the exercise of its powers or the accomplishment of its purposes.

Subd. 4. [GIFTS, GRANTS, LOANS.] The board may accept gifts, apply for and accept grants or loans of money or other property from the United States, the state, or any person for any of its purposes, enter into any agreement required in connection with them, and hold, use, and dispose of the money or property in accordance with the terms of the gift, grant, loan, or agreement relating to it. With respect to loans or grants of funds or real or personal property or other assistance from any state or federal government or its agency or instrumentality, the board may contract to do and perform all acts and things required as a condition or consideration for the gift, grant, or loan pursuant to state or federal law or regulations, whether or not included among the powers expressly granted to the board in sections 1 to 19.

Subd. 5. [COOPERATIVE ACTION.] The board may act under Minnesota Statutes, section 471.59, or any other appropriate law providing for joint or cooperative action between governmental units.

Subd. 6. [STUDIES AND INVESTIGATIONS.] The board may conduct research studies and programs, collect and analyze data, prepare reports, maps, charts, and tables, and conduct all necessary hearings and investigations in connection with the design, construction, and operation of the district disposal system.

Subd. 7. [EMPLOYEES, TERMS.] The board may employ on terms it deems advisable, persons or firms performing engineering, legal, or other services of a professional nature; require any employee to obtain and file with it an individual bond or fidelity insurance policy; and procure insurance in amounts it deems necessary against liability of the board or its officers or both, for personal injury or death and property damage or destruction, with the force and effect stated in Minnesota Statutes, chapter 466, and against risks of damage to or destruction of any of its facilities, equipment, or other property as it deems necessary.

Subd. 8. [PROPERTY RIGHTS, POWERS.] The board may acquire by purchase, lease, condemnation, gift, or grant, any real or personal property including positive and negative easements and water and air rights, and it may construct, enlarge, improve, replace, repair, maintain, and operate any interceptor, treatment works, or water facility determined to be necessary or convenient for the collection and disposal of sewage in the district. Any local governmental unit and the commissioners of transportation and natural resources are authorized to convey to or permit the use of any of the above-mentioned facilities owned or controlled by it, by the board, subject to the rights of the holders of any bonds issued with respect to those facilities, with or without compensation, without an election or approval by any other governmental unit or agency. All powers conferred by this subdivision may be exercised both within or without the district as may be necessary for the exercise by the board of its powers or the accomplishment of its purposes. The board may hold, lease, convey, or otherwise dispose of the above-mentioned property for its purposes upon the terms and in the manner it deems advisable. Unless otherwise provided, the right to acquire lands and property rights by condemnation may be exercised only in accordance with Minnesota Statutes, sections 117.011 to 117.232, and applies to any property or interest in the property owned by any local governmental unit. Property devoted to an actual public use at the time, or held to be devoted to such a use within a reasonable time, must not be so acquired unless a court of competent jurisdiction determines that the use proposed by the board is paramount to the existing use. Except in the case of property in actual public use, the board may take possession of any property on which condemnation proceedings have been commenced at any time after the issuance of a court order appointing commissioners for its condemnation.

Subd. 9. [RELATIONSHIP TO OTHER PROPERTIES.] The board may construct or maintain its systems or facilities in, along, on, under, over, or through public waters, streets, bridges, viaducts, and other public rights-of-way without first obtaining a franchise from a county or municipality having jurisdiction over them. However, the facilities must be constructed and maintained in accordance with the ordinances and resolutions of the county or municipality relating to constructing, installing, and maintaining similar facilities on public properties and must not unnecessarily obstruct the public use of those rights-of-way.

Subd. 10. [DISPOSAL OF PROPERTY.] The board may sell, lease, or otherwise dispose of any real or personal property acquired by it which is no longer required for accomplishment of its purposes. The property may be sold in the manner provided by Minnesota Statutes, section 469.065, insofar as practical. The board may give notice of

sale as it deems appropriate. When the board determines that any property or any part of the district disposal system acquired from a local governmental unit without compensation is no longer required but is required as a local facility by the governmental unit from which it was acquired, the board may by resolution transfer it to that governmental unit.

Subd. 11. [AGREEMENTS WITH OTHER GOVERNMENTAL UNITS.] The board may contract with the United States or any agency thereof, any state or agency thereof, or any regional public planning body in the state with jurisdiction over any part of the district, or any other municipal or public corporation, or governmental subdivision or agency or political subdivision in any state, for the joint use of any facility owned by the board or such entity, for the operation by that entity of any system or facility of the board, or for the performance on the board's behalf of any service, including but not limited to planning, on terms as may be agreed upon by the contracting parties. Unless designated by the board as a local water and sanitary sewer facility, any treatment works or interceptor jointly used, or operated on behalf of the board, as provided in this subdivision, is deemed to be operated by the board for purposes of including those facilities in the district disposal system.

#### Sec. 5. [COMPREHENSIVE PLAN.]

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 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.

Subd. 2. [COMPREHENSIVE PLANS; HEARING.] Before adopting any subsequent comprehensive plan, the board shall hold a public hearing on the proposed plan at a time and place in the district that it selects. The hearing may be continued from time to time. Not less than 45 days before the hearing, the board shall publish notice of the hearing in a newspaper having general circulation in the district, stating the date, time, and place of the hearing, and the place where the proposed plan may be examined by any interested person. At the hearing, all interested persons must be permitted to present their views on the plan.

#### Sec. 6. [POWERS TO ISSUE OBLIGATIONS AND IMPOSE SPECIAL ASSESSMENTS.]

The Cedar lake area water and sanitary sewer board, in order to implement the powers granted under sections 1 to 19 to establish, maintain, and administer the Cedar lake area water and sanitary sewer district, may issue obligations and impose special assessments against benefited property within the limits of the district benefited by facilities constructed under sections 1 to 19 in the manner provided for local governments by Minnesota Statutes, chapter 429.

## Sec. 7. [SYSTEM EXPANSION; APPLICATION TO CITIES.]

The authority of the water and sanitary sewer board to establish water or sewer or combined water and sewer systems under this section extends to areas within the Cedar lake area water and sanitary sewer district organized into cities when requested by resolution of the governing body of the affected city or when ordered by the Minnesota pollution control agency after notice and hearing. For the purpose of any petition filed or special assessment levied with respect to any system, the entire area to be served within a city must be treated as if it were owned by a single person, and the governing body shall exercise all the rights and be subject to all the duties of an owner of the area, and shall have power to provide for the payment of all special assessments and other charges imposed upon the area with respect to the system by the appropriation of money, the collection of service charges, or the levy of taxes, which shall be subject to no limitation of rate or amount.

## Sec. 8. [SEWAGE COLLECTION AND DISPOSAL; POWERS.]

Subdivision 1. [POWERS.] In addition to all other powers conferred upon the board in sections 1 to 19, it has the powers specified in this section.

Subd. 2. [DISCHARGE OF TREATED SEWAGE.] The board may discharge the effluent from any treatment works operated by it into any waters of the state, subject to approval of the agency if required and in accordance with any effluent or water quality standards lawfully adopted by the agency, any interstate agency, or any federal agency having jurisdiction.

Subd. 3. [UTILIZATION OF DISTRICT SYSTEM.] The board may require any person or local governmental unit to provide for the discharge of any sewage, directly or indirectly, into the district disposal system, or to connect any disposal system or a part of it with the district disposal system wherever reasonable opportunity for connection is provided; may regulate the manner in which the connections are made; may require any person or local governmental unit discharging sewage into the disposal system to provide preliminary treatment for it; may prohibit the discharge into the district disposal system of any substance that it determines will or may be harmful to the system or any persons operating it; and may require any local governmental unit to discontinue the acquisition, betterment, or operation of any facility for the unit's disposal system wherever and so far as adequate service is or will be provided by the district disposal system.

Subd. 4. [SYSTEM OF COST RECOVERY TO COMPLY WITH APPLICABLE REGULATIONS.] Any charges, connection fees, or other cost-recovery techniques imposed on persons discharging sewage directly or indirectly into the district disposal system must comply with applicable state and federal law, including state and federal regulations governing grant applications.

## Sec. 9. [BUDGET.]

(a) The board shall prepare and adopt, on or before October 1 in 2000 and each year thereafter, a budget showing for the following calendar year or other fiscal year determined by the board, sometimes referred to in sections 1 to 19 as the budget year, estimated receipts of money from all sources, including but not limited to payments by each local governmental unit, federal or state grants, taxes on property, and funds on hand at the beginning of the year, and estimated expenditures for:

(1) costs of operation, administration, and maintenance of the district disposal system;

(2) cost of acquisition and betterment of the district disposal system; and

(3) debt service, including principal and interest, on general obligation bonds and certificates issued pursuant to section 13, and any money judgments entered by a court of competent jurisdiction.

(b) Expenditures within these general categories, and any other categories as the board may from time to time determine, must be itemized in detail as the board prescribes. The board and its officers, agents, and employees must not spend money for any purpose other than debt service without having set forth the expense in the budget nor in excess of the amount set forth in the budget for it. No obligation to make an expenditure of the above-mentioned type is enforceable except as the obligation of the person or persons incurring it. The board may amend the budget at any time by transferring from one purpose to another any sums except money for debt service and bond proceeds or by increasing expenditures in any amount by which actual cash receipts during the budget year exceed the total amounts designated in the original budget. The creation of any obligation under section 13, or the receipt of any federal or state grant is a sufficient budget designation of the proceeds for the purpose for which it is authorized, and of the tax or other revenue pledged to pay the obligation and interest on it, whether or not specifically included in any annual budget.

Sec. 10. [ALLOCATION OF COSTS.]

Subdivision 1. [DEFINITION OF CURRENT COSTS.] The estimated cost of administration, operation, maintenance, and debt service of the district disposal system to be paid by the board in each fiscal year and the estimated costs of acquisition and betterment of the system that are to be paid during the year from funds other than state or federal grants and bond proceeds and all other previously unallocated payments made by the board pursuant to sections 1 to 19 to be allocated in the fiscal year are referred to as current costs and must be allocated by the board as provided in subdivision 2 in the budget for that year.

Subd. 2. [METHOD OF ALLOCATION OF CURRENT COSTS.] Current costs must be allocated in the district on an equitable basis as the board may determine by resolution to be in the best interests of the district. The adoption or revision of any method of allocation used by the board must be by the affirmative vote of at least two-thirds of the members of the board.

Sec. 11. [TAX LEVIES.]

To accomplish any duty imposed on it the board may, in addition to the powers granted in sections 1 to 19 and in any other law or charter, exercise the powers granted any municipality by Minnesota Statutes, chapters 117, 412, 429, 475, sections 115.46, 444.075, and 471.59, with respect to the area in the district. The board may levy taxes upon all taxable property in the district for all or a part of the amount payable to the board, pursuant to section 10, to be assessed and extended as a tax upon that taxable property by the county auditor for the next calendar year, free from any limit of rate or amount imposed by law or charter. The tax must be collected and remitted in the same manner as other general taxes.

Sec. 12. [PUBLIC HEARING AND SPECIAL ASSESSMENTS.]

Subdivision 1. [PUBLIC HEARING REQUIREMENT ON SPECIFIC PROJECT.] Before the board orders any project involving the acquisition or betterment of any interceptor or treatment works, all or a part of the cost of which will be allocated pursuant to section 10 as current costs, the board must hold a public hearing on the proposed project. The hearing must be held following two publications in a newspaper having general circulation in the district, stating the time and place of the hearing, the general nature and location of the project, the estimated total cost of acquisition and betterment, that portion of costs estimated to be paid out of federal and state grants, and that portion of costs estimated to be allocated. The estimates must be best available at the time of the meeting and if costs exceed the estimate, the project cannot proceed until an additional public hearing is held, with notice as required at the initial meeting. The two publications must be a week apart and the hearing at least three days after the last publication. Not less than 45 days before the hearing, notice of the hearing must also be mailed to each clerk of all local governmental units in the district, but failure to give mailed notice or any defects in the notice does not invalidate the proceedings. The project may include all or part of one or more interceptors or treatment works. A hearing must not be held on a project unless the project is within the area covered by the comprehensive plan adopted by the board under section 5, except that the hearing may be held simultaneously with a hearing on a comprehensive plan. A hearing is not required with respect to a project, no part of the costs of which are to be allocated as the current costs of acquisition, betterment, and debt service.

Subd. 2. [NOTICE TO BENEFITED PROPERTY OWNERS.] If the board proposes to assess against benefited property within the district all or any part of the allocable costs of the project as provided in subdivision 5, the board shall, not less than two weeks before the hearing provided for in subdivision 1, cause mailed notice of the hearing to be given to the owner of each parcel within the area proposed to be specially assessed and shall also give two weeks' published notice of the hearing. The notice of hearing must contain the same information provided in the notice published by the board pursuant to subdivision 1, and a description of the area proposed to be assessed. For the purpose of giving mailed notice, owners are those shown to be 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; but other appropriate records may be used for this purpose. For properties that are tax exempt or subject to taxation on a gross earnings basis and not listed on the records of the county auditor or the county treasurer, the owners must be ascertained by any practicable means and mailed notice given them as herein provided. Failure to give mailed notice or any defects in the notice does not invalidate the proceedings of the board.

Subd. 3. [BOARD PROCEEDINGS PERTAINING TO HEARING.] Before adoption of the resolution calling for a hearing under this section, the board shall secure from the district engineer or some other competent person of the board's selection a report advising it in a preliminary way as to whether the proposed project is feasible and whether it should be made as proposed or in connection with some other project and the estimated costs of the project as recommended. No error or omission in the report invalidates the proceeding. The board may also take other steps before the hearing, as will in its judgment provide helpful information in determining the desirability and feasibility of the project, including but not limited to preparation of plans and specifications and advertisement for bids on them. The hearing may be adjourned from time to time and a resolution ordering the project may be adopted at any time within six months after the date of hearing. In ordering the project the board may reduce but not increase the extent of the project as stated in the notice of hearing and shall find that the project as ordered is in accordance with the comprehensive plan and program adopted by the board pursuant to section 5.

Subd. 4. [EMERGENCY ACTION.] If the board by resolution adopted by the affirmative vote of not less than two-thirds of its members determines that an emergency exists requiring the immediate purchase of materials or supplies or the making of emergency repairs, it may order the purchase of those supplies and materials and the making of the repairs before any hearing required under this section. The board must set as early a date as practicable for the hearing at the time it declares the emergency. All other provisions of this section must be followed in giving notice of and conducting the hearing. Nothing in this subdivision prevents the board or its agents from purchasing maintenance supplies or incurring maintenance costs without regard to the requirements of this section.

Subd. 5. [POWER OF THE BOARD TO SPECIALLY ASSESS.] The board may specially assess all or any part of the costs of acquisition and betterment as provided in this subdivision, of any project ordered under this section. The special assessments must be levied in accordance with Minnesota Statutes, sections 429.051 to 429.081, except as otherwise provided in this subdivision. No other provisions of Minnesota Statutes, chapter 429, apply. For purposes of levying the special assessments, the hearing on the project required in subdivision 1 serves as the hearing on the making of the original improvement provided for by Minnesota Statutes, section 429.051. The area assessed may be less than but may not exceed the area proposed to be assessed as stated in the notice of hearing on the project provided for in subdivision 2.

### Sec. 13. [BONDS, CERTIFICATES, AND OTHER OBLIGATIONS.]

Subdivision 1. [BUDGET ANTICIPATION CERTIFICATES OF INDEBTEDNESS.] At any time after adoption of its annual budget and in anticipation of the collection of tax and other revenues estimated and set forth by the board in the budget, except in the case of deficiency taxes levied under this subdivision and taxes levied for the payment of certificates issued under subdivision 2, the board may, by resolution, authorize the issuance, negotiation, and sale, in accordance with subdivision 4 in the form and manner and upon terms it determines, of its negotiable general obligation certificates of indebtedness in aggregate principal amounts not exceeding 50 percent of the total amount of tax collections and other revenues, and maturing not later than three months after the close of the budget year in which issued. The proceeds of the sale of the certificates must be used solely for the purposes for which the tax collections and other revenues are to be expended under the budget.

All the tax collections and other revenues included in the budget for the budget year, after the expenditure of the tax collections and other revenues in accordance with the budget, must be irrevocably pledged and appropriated to a special fund to pay the principal and interest on the certificates when due. If for any reason the tax collections and other revenues are insufficient to pay the certificates and interest when due, the board shall levy a tax in the amount of the deficiency on all taxable property in the district and shall appropriate this amount when received to the special fund.

Subd. 2. [EMERGENCY CERTIFICATES OF INDEBTEDNESS.] If in any budget year the receipts of tax and other revenues should for some unforeseen cause become insufficient to pay the board's current expenses, or if any public emergency should subject it to the necessity of making extraordinary expenditures, the board may by resolution authorize the issuance, negotiation, and sale, in accordance with subdivision 4 in the form and manner and upon the terms and conditions it determines, of its negotiable general obligation certificates of indebtedness in an amount sufficient to meet the deficiency. The board shall levy on all taxable property in the district a tax sufficient to pay the certificates and interest on the certificates and shall appropriate all collections of the tax to a special fund created for the payment of the certificates and the interest on them. Certificates issued under this subdivision mature not later than April 1 in the year following the year in which the tax is collectible.

Subd. 3. [GENERAL OBLIGATION BONDS.] The board may by resolution authorize the issuance of general obligation bonds for the acquisition or betterment of any part of the district disposal system, including but without limitation the payment of interest during construction and for a reasonable period thereafter, or for the refunding of outstanding bonds, certificates of indebtedness, or judgments. The board shall pledge its full faith and credit and taxing power for the payment of the bonds and shall provide for the issuance and sale and for the security of the bonds in the manner provided in Minnesota Statutes, chapter 475. The board has the same powers and duties as a municipality issuing bonds under that law, except that no election is required and the debt limitations of Minnesota Statutes, chapter 475, do not apply to the bonds. The board may also pledge for the payment of the bonds and deduct from the amount of any tax levy required under Minnesota Statutes, section 475.61, subdivision 1, and any revenues receivable under any state and federal grants anticipated by the board and may covenant to refund the bonds if and when and to the extent that for any reason the revenues, together with other funds available and appropriated for that purpose, are not sufficient to pay all principal and interest due or about to become due, provided that the revenues have not been anticipated by the issuance of certificates under subdivision 1.

Subd. 4. [MANNER OF SALE AND ISSUANCE OF CERTIFICATES.] Certificates issued under subdivisions 1 and 2 may be issued and sold by negotiation, without public sale, and may be sold at a price equal to the percentage of the par value of the certificates, plus accrued interest, and bearing interest at the rate determined by the board. An election is not required to authorize the issuance of the certificates. The certificates must bear the same rate of interest after maturity as before and the full faith and credit and taxing power of the board must be pledged to the payment of the certificates.

#### Sec. 14. [DEPOSITORIES.]

The board shall designate one or more national or state banks, or trust companies authorized to do a banking business, as official depositories for money of the board, and shall require the treasurer to deposit all or a part of the money in those institutions. The designation must be in writing and set forth all the terms and conditions upon which the deposits are made, and must be signed by the chair and treasurer and made a part of the minutes of the board.

#### Sec. 15. [MONEY, ACCOUNTS, AND INVESTMENTS.]

Subdivision 1. [RECEIPT AND APPLICATION.] Money received by the board must be deposited or invested by the treasurer and disposed of as the board may direct in accordance with its budget; provided that any money that has been pledged or dedicated by the board to the payment of obligations or interest on the obligations or expenses incident thereto, or for any other specific purpose authorized by law, must be paid by the treasurer into the fund to which it has been pledged.

Subd. 2. [FUNDS AND ACCOUNTS.] (a) The board's treasurer shall establish funds and accounts as may be necessary or convenient to handle the receipts and disbursements of the board in an orderly fashion.

(b) The funds and accounts must be audited annually by a certified public accountant at the expense of the district.

Subd. 3. [DEPOSIT AND INVESTMENT.] The money on hand in those funds and accounts may be deposited in the official depositories of the board or invested as provided in this subdivision. Any amount not currently needed or required by law to be kept in cash on deposit may be invested in obligations authorized for the investment of municipal sinking funds by Minnesota Statutes, section 475.66. The money may also be held under certificates of deposit issued by any official depository of the board.

Subd. 4. [BOND PROCEEDS.] The use of proceeds of all bonds issued by the board for the acquisition and betterment of the district disposal system, and the use, other than investment, of all money on hand in any sinking fund or funds of the board, is governed by the provisions of Minnesota Statutes, chapter 475, the provisions of sections 1 to 19, and the provisions of resolutions authorizing the issuance of the bonds. When received, the bond proceeds must be transferred to the treasurer of the board for safekeeping, investment, and payment of the costs for which they were issued.

Subd. 5. [AUDIT.] The board shall provide for and pay the cost of an independent annual audit of its official books and records by the state auditor or a public accountant authorized to perform that function under Minnesota Statutes, chapter 6.

Sec. 16. [SERVICE CONTRACTS WITH GOVERNMENTAL ENTITIES OUTSIDE THE JURISDICTION OF THE BOARD.]

(a) The board may contract with the United States or any agency of the federal government, any state or its agency, or any municipal or public corporation, governmental subdivision or agency or political subdivision in any state, outside the jurisdiction of the board, for furnishing services to those entities, including but not limited to planning for and the acquisition, betterment, operation, administration, and maintenance of any or all interceptors, treatment works, and local water and sanitary sewer facilities. The board may include as one of the terms of the contract that the entity must pay to the board an amount agreed upon as a reasonable estimate of the proportionate share properly allocable to the entity of costs of acquisition, betterment, and debt service previously allocated in the district. When payments are made by entities to the board, they must be applied in reduction of the total amount of costs thereafter allocated in the district, on an equitable basis as the board deems to be in the best interests of the district, applying so far as practicable and appropriate the criteria set forth in section 10, subdivision 2. A municipality in the state of Minnesota may enter into a contract and perform all acts and things required as a condition or consideration therefor consistent with the purposes of sections 1 to 19, whether or not included among the powers otherwise granted to the municipality by law or charter.

(b) The board shall contract with a qualified entity to make necessary inspections of the district facilities, and to otherwise process or assist in processing any of the work of the district.

Sec. 17. [CONTRACTS FOR CONSTRUCTION, MATERIALS, SUPPLIES, AND EQUIPMENT.]

When the board orders a project involving the acquisition or betterment of a part of the district disposal system, it shall cause plans and specifications of the project to be made, or if previously made, to be modified, if necessary, and to be approved by the agency if required, and after any required approval by the agency, one or more contracts for work and materials called for by the plans and specification may be awarded as provided in Minnesota Statutes, section 471.345.

Sec. 18. [PROPERTY EXEMPT FROM TAXATION.]

Any properties, real or personal, owned, leased, controlled, used, or occupied by the water and sanitary sewer board for any purpose under sections 1 to 19 are declared to be acquired, owned, leased, controlled, used, and occupied for public, governmental, and municipal purposes, and are exempt from taxation by the state or any

political subdivision of the state. The properties are subject to special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the properties from the improvement.

Sec. 19. [RELATION TO EXISTING LAWS.]

Sections 1 to 19 must be given full effect notwithstanding the provisions of any law or charter inconsistent with sections 1 to 19. The powers conferred on the board under sections 1 to 19 do not in any way diminish or supersede the powers conferred on the agency by Minnesota Statutes, chapters 115 to 116.

Sec. 20. [BANNING JUNCTION AREA WATER AND SANITARY SEWER DISTRICT; DEFINITIONS.]

Subdivision 1. [APPLICATION.] For the purposes of sections 20 to 38, the terms defined in this section have the meanings given them.

Subd. 2. [DISTRICT.] "Banning Junction area water and sanitary sewer district" and "district" mean the area over which the Banning Junction area water and sanitary sewer board has jurisdiction, including the town of Finlayson and the city of Finlayson in Pine county and Banning state park, but only that part of the township described in the comprehensive plan adopted by the board pursuant to section 24.

Subd. 3. [BOARD.] "Water and sanitary sewer board" or "board" means the Banning Junction area water and sanitary sewer board established for the district as provided in subdivision 2.

Subd. 4. [PERSON.] "Person" means an individual, partnership, corporation, limited liability company, cooperative, or other organization or entity, public or private.

Subd. 5. [LOCAL GOVERNMENTAL UNITS.] "Local governmental units" or "governmental units" means the town of Finlayson, the department of natural resources, and the city of Finlayson.

Subd. 6. [ACQUISITION; BETTERMENT.] "Acquisition" and "betterment" have the meanings given in Minnesota Statutes, chapter 475.

Subd. 7. [AGENCY.] "Agency" means the Minnesota pollution control agency created in Minnesota Statutes, chapter 116.

Subd. 8. [SEWAGE.] "Sewage" means all liquid or water-carried waste products from whatever sources derived, together with any groundwater infiltration and surface water as may be present.

Subd. 9. [POLLUTION OF WATER; SEWER SYSTEM.] "Pollution of water" and "sewer system" have the meanings given in Minnesota Statutes, section 115.01.

Subd. 10. [TREATMENT WORKS; DISPOSAL SYSTEM.] "Treatment works" and "disposal system" have the meanings given in Minnesota Statutes, section 115.01.

Subd. 11. [INTERCEPTOR.] "Interceptor" means a sewer and its necessary appurtenances, including but not limited to mains, pumping stations, and sewage flow-regulating and -measuring stations, that is:

- (1) designed for or used to conduct sewage originating in more than one local governmental unit;
- (2) designed or used to conduct all or substantially all the sewage originating in a single local governmental unit from a point of collection in that unit to an interceptor or treatment works outside that unit; or
- (3) determined by the board to be a major collector of sewage used or designed to serve a substantial area in the district.

Subd. 12. [DISTRICT DISPOSAL SYSTEM.] "District disposal system" means any and all interceptors or treatment works owned, constructed, or operated by the board unless designated by the board as local water and sanitary sewer facilities.

Subd. 13. [MUNICIPALITY.] "Municipality" means any home rule charter or statutory city or town.

Subd. 14. [TOTAL COSTS.] "Total costs of acquisition and betterment" and "costs of acquisition and betterment" mean all acquisition and betterment expenses permitted to be financed out of stopped bond proceeds issued in accordance with section 32, whether or not the expenses are in fact financed out of the bond proceeds.

Subd. 15. [CURRENT COSTS.] "Current costs of acquisition, betterment, and debt service" means interest and principal estimated to be due during the budget year on bonds issued to finance said acquisition and betterment and all other costs of acquisition and betterment estimated to be paid during the year from funds other than bond proceeds and federal or state grants.

Subd. 16. [RESIDENT.] "Resident" means the owner of a dwelling located in the district and receiving water or sewer service.

Sec. 21. [WATER AND SANITARY SEWER BOARD.]

Subdivision 1. [ESTABLISHMENT.] A water and sanitary sewer district is established for the town of Finlayson, for the Banning state park, under the jurisdiction of the Minnesota department of natural resources, and for the city of Finlayson in Pine county, to be known as the Banning Junction area water and sanitary sewer district. The water and sewer district is under the control and management of the Banning Junction area water and sanitary sewer board. The board is established as a public corporation and political subdivision of the state with perpetual succession and all the rights, powers, privileges, immunities, and duties that may be validly granted to or imposed upon a municipal corporation, as provided in sections 20 to 38.

Subd. 2. [MEMBERS AND SELECTION.] The board is composed of five members selected as follows: the town board shall meet to appoint three members, one of whom shall be an elected township officer, and two of whom shall be persons served by the system, the city shall appoint one member, and the department of natural resources shall appoint one member to the water and sanitary sewer board and each board member shall have one vote. The first terms must be as follows: one for one year, two for two years, and two for three years, fixed by lot at the district's first meeting. Thereafter, all terms are for three years.

Subd. 3. [TIME LIMITS FOR SELECTION.] The board members must be selected as provided in subdivision 2 within 60 days after sections 20 to 38 become effective. The successor to each board member must be selected at any time within 60 days before the expiration of the member's term in the same manner as the predecessor was selected. A vacancy on the board must be filled within 60 days after it occurs.

Subd. 4. [VACANCIES.] If the office of a board member becomes vacant, the vacancy must be filled for the unexpired term in the manner provided for selection of the member who vacated the office. The office is deemed vacant under the conditions specified in Minnesota Statutes, section 351.02.

Subd. 5. [REMOVAL.] A board member may be removed by the unanimous vote of the governing body appointing the member, with or without cause, or for malfeasance or nonfeasance in the performance of official duties as provided by Minnesota Statutes, sections 351.14 to 351.23.

Subd. 6. [CERTIFICATES OF SELECTION; OATH OF OFFICE.] A certificate of selection of every board member selected under subdivision 2 stating the term for which selected, must be made by the respective town clerks, city administrator, and by the commissioner of natural resources. The certificates, with the approval appended by other authority, if required, must be filed with the secretary of state. Counterparts thereof must be furnished to the board member and the secretary of the board. Each member shall qualify by taking and subscribing the oath of office prescribed by the Minnesota Constitution, article V, section 6. The oath, duly certified by the official administering the same, must be filed with the secretary of state and the secretary of the board.

Subd. 7. [BOARD MEMBERS' COMPENSATION.] Each board member, except the chair, may be paid a per diem compensation in accordance with the board's bylaws for meetings and for other services as are specifically authorized by the board, not to exceed the per diem amount under Minnesota Statutes, section 15.0575, subdivision 3, and not to exceed \$1,000 in any one year. The chair may be paid a per diem compensation in accordance with the board's bylaws for meetings and for other services specifically authorized by the board, not to exceed the per diem amount under Minnesota Statutes, section 15.0575, subdivision 3, and not to exceed \$1,500 in any one year. All members of the board must be reimbursed for all reasonable and necessary expenses actually incurred in the performance of duties.

Sec. 22. [GENERAL PROVISIONS FOR ORGANIZATION AND OPERATION OF BOARD.]

Subdivision 1. [ORGANIZATION; OFFICERS; MEETINGS; SEAL.] After the selection and qualification of all board members, they shall meet to organize the board at the call of any two board members, upon seven days' notice by registered mail to the remaining board members, at a time and place within the district specified in the notice. A majority of the members shall constitute a quorum at that meeting and all other meetings of the board, but a lesser number may meet and adjourn from time to time and compel the attendance of absent members. At the first meeting the board shall select its officers and conduct other organizational business as may be necessary. Thereafter the board shall meet regularly at the time and place that the board designates by resolution. Special meetings may be held at any time upon call of the chair or any two members, upon written notice sent by mail to each member at least three days before the meeting, or upon other notice as the board by resolution may provide, or without notice if each member is present or files with the secretary a written consent to the meeting either before or after the meeting. Except as otherwise provided in sections 20 to 38, any action within the authority of the board may be taken by the affirmative vote of a majority of the board and may be taken by regular or adjourned regular meeting or at a duly held special meeting, but in any case only if a quorum is present. Meetings of the board must be open to the public. The board may adopt a seal, which must be officially and judicially noticed, to authenticate instruments executed by its authority, but omission of the seal does not affect the validity of any instrument.

Subd. 2. [CHAIR.] The board shall elect a chair from its membership. The term of the first chair of the board shall expire on January 1, 2001, and the terms of successor chairs expire on January 1 of each succeeding year. The chair shall preside at all meetings of the board, if present, and shall perform all other duties and functions usually incumbent upon such an officer, and all administrative functions assigned to the chair by the board. The board shall elect a vice-chair from its membership to act for the chair during temporary absence or disability.

Subd. 3. [SECRETARY AND TREASURER.] The board shall select a person or persons who may, but need not be, a member or members of the board, to act as its secretary and treasurer. The secretary and treasurer shall hold office at the pleasure of the board, subject to the terms of any contract of employment that the board may enter into with the secretary or treasurer. The secretary shall record the minutes of all meetings of the board, and be the custodian of all books and records of the board except those that the board entrusts to the custody of a designated employee. The treasurer is the custodian of all money received by the board except as the board otherwise entrusts to the custody of a designated employee. The board may appoint a deputy to perform any and all functions of either the secretary or the treasurer. A secretary or treasurer who is not a member of the board or a deputy of either does not have the right to vote.

Subd. 4. [EXECUTIVE DIRECTOR.] The board may appoint an executive director, selected solely upon the basis of training, experience, and other qualifications and who shall serve at the pleasure of the board and at a compensation to be determined by the board. The executive director need not be a resident of the district. The executive director may also be selected by the board to serve as either secretary or treasurer, or both, of the board. The executive director shall attend all meetings of the board, but shall not vote, and shall have the following powers and duties:

- (1) to see that all resolutions, rules, regulations, or orders of the board are enforced;
- (2) to appoint and remove, upon the basis of merit and fitness, all subordinate officers and regular employees of the board except the secretary and the treasurer and their deputies;

(3) to present to the board plans, studies, and other reports prepared for board purposes and recommend to the board for adoption the measures the executive director deems necessary to enforce or carry out the powers and the duties of the board, or the efficient administration of the affairs of the board;

(4) to keep the board fully advised as to its financial condition, and to prepare and submit to the board and to the governing bodies of the local governmental units, the board's annual budget and other financial information the board may request;

(5) to recommend to the board for adoption rules and regulations the executive director deems necessary for the efficient operation of the district disposal system; and

(6) to perform other duties prescribed by the board.

Subd. 5. [PUBLIC EMPLOYEES.] The executive director and other persons employed by the district are public employees and have all the rights and duties conferred on public employees under Minnesota Statutes, sections 179A.01 to 179A.25. The board may elect to have employees become members of either the public employees retirement association or the Minnesota state retirement system. The compensation and conditions of employment of the employees must be governed by rules applicable to state employees in the classified service and to the provisions of Minnesota Statutes, chapter 15A.

Subd. 6. [PROCEDURES.] The board shall adopt resolutions or bylaws establishing procedures for board action, personnel administration, keeping records, approving claims, authorizing or making disbursements, safekeeping funds, and auditing all financial operations of the board.

Subd. 7. [SURETY BONDS AND INSURANCE.] The board may procure surety bonds for its officers and employees, in amounts deemed necessary to ensure proper performance of their duties and proper accounting for funds in their custody. It may procure insurance against risks to property and liability of the board and its officers, agents, and employees for personal injuries or death and property damage and destruction, in amounts deemed necessary or desirable, with the force and effect stated in Minnesota Statutes, chapter 466.

#### Sec. 23. [GENERAL POWERS OF BOARD.]

Subdivision 1. [SCOPE.] The board has all powers necessary or convenient to discharge the duties imposed upon it by law. The powers include those specified in this section, but the express grant or enumeration of powers does not limit the generality or scope of the grant of powers contained in this subdivision.

Subd. 2. [SUIT.] The board may sue or be sued.

Subd. 3. [CONTRACT.] The board may enter into any contract necessary or proper for the exercise of its powers or the accomplishment of its purposes.

Subd. 4. [GIFTS, GRANTS, LOANS.] The board may accept gifts, apply for and accept grants or loans of money or other property from the United States, the state, or any person for any of its purposes, enter into any agreement required in connection with them, and hold, use, and dispose of the money or property in accordance with the terms of the gift, grant, loan, or agreement relating to it. With respect to loans or grants of funds or real or personal property or other assistance from any state or federal government or its agency or instrumentality, the board may contract to do and perform all acts and things required as a condition or consideration for the gift, grant, or loan pursuant to state or federal law or regulations, whether or not included among the powers expressly granted to the board in sections 20 to 38.

Subd. 5. [COOPERATIVE ACTION.] The board may act under Minnesota Statutes, section 471.59, or any other appropriate law providing for joint or cooperative action between governmental units.

Subd. 6. [STUDIES AND INVESTIGATIONS.] The board may conduct research studies and programs, collect and analyze data, prepare reports, maps, charts, and tables, and conduct all necessary hearings and investigations in connection with the design, construction, and operation of the district disposal system.

Subd. 7. [EMPLOYEES, TERMS.] The board may employ on terms it deems advisable, persons or firms performing engineering, legal, or other services of a professional nature; require any employee to obtain and file with it an individual bond or fidelity insurance policy; and procure insurance in amounts it deems necessary against liability of the board or its officers or both, for personal injury or death and property damage or destruction, with the force and effect stated in Minnesota Statutes, chapter 466, and against risks of damage to or destruction of any of its facilities, equipment, or other property as it deems necessary.

Subd. 8. [PROPERTY RIGHTS, POWERS.] The board may acquire by purchase, lease, condemnation, gift, or grant, any real or personal property including positive and negative easements and water and air rights, and it may construct, enlarge, improve, replace, repair, maintain, and operate any interceptor, treatment works, or water facility determined to be necessary or convenient for the collection and disposal of sewage in the district. Any local governmental unit and the commissioners of transportation and natural resources are authorized to convey to or permit the use of any of the above-mentioned facilities owned or controlled by it, by the board, subject to the rights of the holders of any bonds issued with respect to those facilities, with or without compensation, without an election or approval by any other governmental unit or agency. All powers conferred by this subdivision may be exercised both within or without the district as may be necessary for the exercise by the board of its powers or the accomplishment of its purposes. The board may hold, lease, convey, or otherwise dispose of the above-mentioned property for its purposes upon the terms and in the manner it deems advisable. Unless otherwise provided, the right to acquire lands and property rights by condemnation may be exercised only in accordance with Minnesota Statutes, sections 117.011 to 117.232, and shall apply to any property or interest in the property owned by any local governmental unit. No property devoted to an actual public use at the time, or held to be devoted to such a use within a reasonable time, shall be so acquired unless a court of competent jurisdiction determines that the use proposed by the board is paramount to the existing use. Except in the case of property in actual public use, the board may take possession of any property on which condemnation proceedings have been commenced at any time after the issuance of a court order appointing commissioners for its condemnation.

Subd. 9. [RELATIONSHIP TO OTHER PROPERTIES.] The board may construct or maintain its systems or facilities in, along, on, under, over, or through public waters, streets, bridges, viaducts, and other public rights-of-way without first obtaining a franchise from a county or municipality having jurisdiction over them. However, the facilities must be constructed and maintained in accordance with the ordinances and resolutions of the county or municipality relating to constructing, installing, and maintaining similar facilities on public properties and must not unnecessarily obstruct the public use of those rights-of-way.

Subd. 10. [DISPOSAL OF PROPERTY.] The board may sell, lease, or otherwise dispose of any real or personal property acquired by it which is no longer required for accomplishment of its purposes. The property may be sold in the manner provided by Minnesota Statutes, section 469.065, insofar as practical. The board may give notice of sale as it deems appropriate. When the board determines that any property or any part of the district disposal system acquired from a local governmental unit without compensation is no longer required but is required as a local facility by the governmental unit from which it was acquired, the board may by resolution transfer it to that governmental unit.

Subd. 11. [AGREEMENTS WITH OTHER GOVERNMENTAL UNITS.] The board may contract with the United States or any agency thereof, any state or agency thereof, or any regional public planning body in the state with jurisdiction over any part of the district, or any other municipal or public corporation, or governmental subdivision or agency or political subdivision in any state, for the joint use of any facility owned by the board or such entity, for the operation by that entity of any system or facility of the board, or for the performance on the board's behalf of any service, including but not limited to planning, on terms as may be agreed upon by the contracting parties. Unless designated by the board as a local water and sanitary sewer facility, any treatment works or interceptor jointly used, or operated on behalf of the board, as provided in this subdivision, is deemed to be operated by the board for purposes of including those facilities in the district disposal system.

## Sec. 24. [COMPREHENSIVE PLAN.]

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. 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. 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.

Subd. 2. [COMPREHENSIVE PLANS; HEARING.] Before adopting any subsequent comprehensive plan, the board shall hold a public hearing on the proposed plan at a time and place in the district that it selects. The hearing may be continued from time to time. Not less than 45 days before the hearing, the board shall publish notice of the hearing in a newspaper having general circulation in the district, stating the date, time, and place of the hearing, and the place where the proposed plan may be examined by any interested person. At the hearing, all interested persons must be permitted to present their views on the plan.

Subd. 3. [GOVERNMENTAL UNIT PLANS AND PROGRAMS; COORDINATION WITH BOARD'S RESPONSIBILITIES.] Once the board's plan is adopted, no construction project involving the construction of new sewers or other disposal facilities may be undertaken by the local governmental unit unless its governing body shall first find the project to be in accordance with the governmental unit's comprehensive plan and program as approved by the board. Before approval by the board of the comprehensive plan and program of any local governmental unit in the district, no water and sanitary sewer construction project may be undertaken by the governmental unit unless approval of the project is first secured from the board as to those features of the project affecting the board's responsibilities as determined by the board.

## Sec. 25. [POWERS TO ISSUE OBLIGATIONS AND IMPOSE SPECIAL ASSESSMENTS.]

The Banning Junction area water and sanitary sewer board, in order to implement the powers granted under sections 20 to 38 to establish, maintain, and administer the Banning Junction area water and sanitary sewer district, may issue obligations and impose special assessments against benefited property within the limits of the district benefited by facilities constructed under sections 20 to 38 in the manner provided for local governments by Minnesota Statutes, chapter 429.

## Sec. 26. [SYSTEM EXPANSION; APPLICATION TO CITIES.]

The authority of the water and sanitary sewer board to establish water or sewer or combined water and sewer systems under this section extends to areas within the Banning Junction area water and sanitary sewer district organized into cities when requested by resolution of the governing body of the affected city or when ordered by the Minnesota pollution control agency after notice and hearing. For the purpose of any petition filed or special assessment levied with respect to any system, the entire area to be served within a city must be treated as if it were owned by a single person, and the governing body shall exercise all the rights and be subject to all the duties of an owner of the area, and shall have power to provide for the payment of all special assessments and other charges imposed upon the area with respect to the system by the appropriation of money, the collection of service charges, or the levy of taxes, which shall be subject to no limitation of rate or amount.

## Sec. 27. [SEWAGE COLLECTION AND DISPOSAL; POWERS.]

Subdivision 1. [POWERS.] In addition to all other powers conferred upon the board in sections 20 to 38, it has the powers specified in this section.

Subd. 2. [DISCHARGE OF TREATED SEWAGE.] The board may discharge the effluent from any treatment works operated by it into any waters of the state, subject to approval of the agency if required and in accordance with any effluent or water quality standards lawfully adopted by the agency, any interstate agency, or any federal agency having jurisdiction.

Subd. 3. [UTILIZATION OF DISTRICT SYSTEM.] The board may require any person or local governmental unit to provide for the discharge of any sewage, directly or indirectly, into the district disposal system, or to connect any disposal system or a part of it with the district disposal system wherever reasonable opportunity for connection is provided; may regulate the manner in which the connections are made; may require any person or local governmental unit discharging sewage into the disposal system to provide preliminary treatment for it; may prohibit the discharge into the district disposal system of any substance that it determines will or may be harmful to the system or any persons operating it; and may require any local governmental unit to discontinue the acquisition, betterment, or operation of any facility for the unit's disposal system wherever and so far as adequate service is or will be provided by the district disposal system.

Subd. 4. [SYSTEM OF COST RECOVERY TO COMPLY WITH APPLICABLE REGULATIONS.] Any charges, connection fees, or other cost-recovery techniques imposed on persons discharging sewage directly or indirectly into the district disposal system must comply with applicable state and federal law, including state and federal regulations governing grant applications.

## Sec. 28. [BUDGET.]

The board shall prepare and adopt, on or before October 1 in 1999 and each year thereafter, a budget showing for the following calendar year or other fiscal year determined by the board, sometimes referred to in sections 20 to 38 as the budget year, estimated receipts of money from all sources, including but not limited to payments by each local governmental unit, federal or state grants, taxes on property, and funds on hand at the beginning of the year, and estimated expenditures for:

(1) costs of operation, administration, and maintenance of the district disposal system;

(2) cost of acquisition and betterment of the district disposal system; and

(3) debt service, including principal and interest, on general obligation bonds and certificates issued pursuant to section 32, and any money judgments entered by a court of competent jurisdiction. Expenditures within these general categories, and any other categories as the board may from time to time determine, must be itemized in detail as the board prescribes. The board and its officers, agents, and employees shall not spend money for any purpose other than debt service without having set forth the expense in the budget nor in excess of the amount set forth in the budget for it. No obligation to make an expenditure of the above-mentioned type is enforceable except as the obligation of the person or persons incurring it. The board may amend the budget at any time by transferring from one purpose to another any sums except money for debt service and bond proceeds or by increasing expenditures in any amount by which actual cash receipts during the budget year exceed the total amounts designated in the original budget. The creation of any obligation under section 32 or the receipt of any federal or state grant is a sufficient budget designation of the proceeds for the purpose for which it is authorized, and of the tax or other revenue pledged to pay the obligation and interest on it, whether or not specifically included in any annual budget.

## Sec. 29. [ALLOCATION OF COSTS.]

Subdivision 1. [DEFINITION OF CURRENT COSTS.] The estimated cost of administration, operation, maintenance, and debt service of the district disposal system to be paid by the board in each fiscal year and the estimated costs of acquisition and betterment of the system that are to be paid during the year from funds other than

state or federal grants and bond proceeds and all other previously unallocated payments made by the board pursuant to sections 20 to 38 to be allocated in the fiscal year are referred to as current costs and must be allocated by the board as provided in subdivision 2 in the budget for that year.

Subd. 2. [METHOD OF ALLOCATION OF CURRENT COSTS.] Current costs must be allocated in the district on an equitable basis as the board may determine by resolution to be in the best interests of the district. The adoption or revision of any method of allocation used by the board must be by the affirmative vote of at least two-thirds of the members of the board.

Sec. 30. [TAX LEVIES.]

To accomplish any duty imposed on it the board may, in addition to the powers granted in sections 20 to 38 and in any other law or charter, exercise the powers granted any municipality by Minnesota Statutes, chapters 117, 412, 429, 475, sections 115.46, 444.075, and 471.59, with respect to the area in the district. The board may levy taxes upon all taxable property in the district for all or a part of the amount payable to the board, pursuant to section 29, to be assessed and extended as a tax upon that taxable property by the county auditor for the next calendar year, free from any limitation of rate or amount imposed by law or charter. The tax must be collected and remitted in the same manner as other general taxes.

Sec. 31. [PUBLIC HEARING AND SPECIAL ASSESSMENTS.]

Subdivision 1. [PUBLIC HEARING REQUIREMENT ON SPECIFIC PROJECT.] Before the board orders any project involving the acquisition or betterment of any interceptor or treatment works, all or a part of the cost of which will be allocated pursuant to section 29 as current costs, the board shall hold a public hearing on the proposed project. The hearing must be held following two publications in a newspaper having general circulation in the district, stating the time and place of the hearing, the general nature and location of the project, the estimated total cost of acquisition and betterment, that portion of costs estimated to be paid out of federal and state grants, and that portion of costs estimated to be allocated. The estimates must be best available at the time of the meeting and if costs exceed the estimate, the project cannot proceed until an additional public hearing is held, with notice as required at the initial meeting. The two publications must be a week apart and the hearing at least three days after the last publication. Not less than 45 days before the hearing, notice of the hearing must also be mailed to each clerk of all local governmental units in the district, but failure to give mailed notice or any defects in the notice does not invalidate the proceedings. The project may include all or part of one or more interceptors or treatment works. No hearing may be held on any project unless the project is within the area covered by the comprehensive plan adopted by the board pursuant to section 24 except that the hearing may be held simultaneously with a hearing on a comprehensive plan. A hearing is not required with respect to a project, no part of the costs of which are to be allocated as the current costs of acquisition, betterment, and debt service.

Subd. 2. [NOTICE TO BENEFITED PROPERTY OWNERS.] If the board proposes to assess against benefited property within the district all or any part of the allocable costs of the project as provided in subdivision 5, the board shall, not less than two weeks before the hearing provided for in subdivision 1, cause mailed notice of the hearing to be given to the owner of each parcel within the area proposed to be specially assessed and shall also give two weeks' published notice of the hearing. The notice of hearing must contain the same information provided in the notice published by the board pursuant to subdivision 1, and a description of the area proposed to be assessed. For the purpose of giving mailed notice, owners are those shown to be 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; but other appropriate records may be used for this purpose. For properties that are tax exempt or subject to taxation on a gross earnings basis and not listed on the records of the county auditor or the county treasurer, the owners must be ascertained by any practicable means and mailed notice given them as herein provided. Failure to give mailed notice or any defects in the notice does not invalidate the proceedings of the board.

Subd. 3. [BOARD PROCEEDINGS PERTAINING TO HEARING.] Before adoption of the resolution calling for a hearing under this section, the board shall secure from the district engineer or some other competent person of the board's selection a report advising it in a preliminary way as to whether the proposed project is feasible and

whether it should be made as proposed or in connection with some other project and the estimated costs of the project as recommended. No error or omission in the report invalidates the proceeding. The board may also take other steps before the hearing, as will in its judgment provide helpful information in determining the desirability and feasibility of the project, including but not limited to preparation of plans and specifications and advertisement for bids on them. The hearing may be adjourned from time to time and a resolution ordering the project may be adopted at any time within six months after the date of hearing. In ordering the project the board may reduce but not increase the extent of the project as stated in the notice of hearing and shall find that the project as ordered is in accordance with the comprehensive plan and program adopted by the board pursuant to section 24.

Subd. 4. [EMERGENCY ACTION.] If the board by resolution adopted by the affirmative vote of not less than two-thirds of its members determines that an emergency exists requiring the immediate purchase of materials or supplies or the making of emergency repairs, it may order the purchase of those supplies and materials and the making of the repairs before any hearing required under this section, provided that the board shall set as early a date as practicable for the hearing at the time it declares the emergency. All other provisions of this section must be followed in giving notice of and conducting the hearing. Nothing herein may be construed as preventing the board or its agents from purchasing maintenance supplies or incurring maintenance costs without regard to the requirements of this section.

Subd. 5. [POWER OF THE BOARD TO SPECIALLY ASSESS.] The board may specially assess all or any part of the costs of acquisition and betterment as herein provided, of any project ordered pursuant to this section. The special assessments must be levied in accordance with the provisions of Minnesota Statutes, sections 429.051 to 429.081, except as otherwise provided in this subdivision. No other provisions of Minnesota Statutes, chapter 429, apply. For purposes of levying the special assessments, the hearing on the project required in subdivision 1 serves as the hearing on the making of the original improvement provided for by Minnesota Statutes, section 429.051. The area assessed may be less than but may not exceed the area proposed to be assessed as stated in the notice of hearing on the project provided for in subdivision 2.

#### Sec. 32. [BONDS, CERTIFICATES, AND OTHER OBLIGATIONS.]

Subdivision 1. [BUDGET ANTICIPATION CERTIFICATES OF INDEBTEDNESS.] At any time after adoption of its annual budget and in anticipation of the collection of tax and other revenues estimated and set forth by the board in the budget, except in the case of deficiency taxes levied under this subdivision and taxes levied for the payment of certificates issued under subdivision 2, the board may, by resolution, authorize the issuance, negotiation, and sale, in accordance with subdivision 4 in the form and manner and upon terms it determines, of its negotiable general obligation certificates of indebtedness in aggregate principal amounts not exceeding 50 percent of the total amount of tax collections and other revenues, and maturing not later than three months after the close of the budget year in which issued. The proceeds of the sale of the certificates must be used solely for the purposes for which the tax collections and other revenues are to be expended pursuant to the budget.

All the tax collections and other revenues included in the budget for the budget year, after the expenditure of the tax collections and other revenues in accordance with the budget, must be irrevocably pledged and appropriated to a special fund to pay the principal and interest on the certificates when due. If for any reason the tax collections and other revenues are insufficient to pay the certificates and interest when due, the board shall levy a tax in the amount of the deficiency on all taxable property in the district and shall appropriate this amount when received to the special fund.

Subd. 2. [EMERGENCY CERTIFICATES OF INDEBTEDNESS.] If in any budget year the receipts of tax and other revenues should for some unforeseen cause become insufficient to pay the board's current expenses, or if any public emergency should subject it to the necessity of making extraordinary expenditures, the board may by resolution authorize the issuance, negotiation, and sale, in accordance with subdivision 4 in the form and manner and upon the terms and conditions it determines, of its negotiable general obligation certificates of indebtedness in an amount sufficient to meet the deficiency. The board shall levy on all taxable property in the district a tax sufficient to pay the certificates and interest on the certificates and shall appropriate all collections of the tax to a special fund created for the payment of the certificates and the interest on them. Certificates issued under this subdivision mature not later than April 1 in the year following the year in which the tax is collectible.

Subd. 3. [GENERAL OBLIGATION BONDS.] The board may by resolution authorize the issuance of general obligation bonds for the acquisition or betterment of any part of the district disposal system, including but without limitation the payment of interest during construction and for a reasonable period thereafter, or for the refunding of outstanding bonds, certificates of indebtedness, or judgments. The board shall pledge its full faith and credit and taxing power for the payment of the bonds and shall provide for the issuance and sale and for the security of the bonds in the manner provided in Minnesota Statutes, chapter 475. The board has the same powers and duties as a municipality issuing bonds under that law, except that no election is required and the debt limitations of Minnesota Statutes, chapter 475, do not apply to the bonds. The board may also pledge for the payment of the bonds and deduct from the amount of any tax levy required under Minnesota Statutes, section 475.61, subdivision 1, and any revenues receivable under any state and federal grants anticipated by the board and may covenant to refund the bonds if and when and to the extent that for any reason the revenues, together with other funds available and appropriated for that purpose, are not sufficient to pay all principal and interest due or about to become due, provided that the revenues have not been anticipated by the issuance of certificates under subdivision 1.

Subd. 4. [MANNER OF SALE AND ISSUANCE OF CERTIFICATES.] Certificates issued under subdivisions 1 and 2 may be issued and sold by negotiation, without public sale, and may be sold at a price equal to the percentage of the par value of the certificates, plus accrued interest, and bearing interest at the rate determined by the board. No election is required to authorize the issuance of the certificates. The certificates must bear the same rate of interest after maturity as before and the full faith and credit and taxing power of the board must be pledged to the payment of the certificates.

Sec. 33. [DEPOSITORIES.]

The board shall designate one or more national or state banks, or trust companies authorized to do a banking business, as official depositories for money of the board, and shall require the treasurer to deposit all or a part of the money in those institutions. The designation must be in writing and must set forth all the terms and conditions upon which the deposits are made, and must be signed by the chair and treasurer and made a part of the minutes of the board.

Sec. 34. [MONEY, ACCOUNTS, AND INVESTMENTS.]

Subdivision 1. [RECEIPT AND APPLICATION.] Money received by the board must be deposited or invested by the treasurer and disposed of as the board may direct in accordance with its budget; provided that any money that has been pledged or dedicated by the board to the payment of obligations or interest on the obligations or expenses incident thereto, or for any other specific purpose authorized by law, must be paid by the treasurer into the fund to which it has been pledged.

Subd. 2. [FUNDS AND ACCOUNTS.] (a) The board's treasurer shall establish funds and accounts as may be necessary or convenient to handle the receipts and disbursements of the board in an orderly fashion.

(b) The funds and accounts must be audited annually by a certified public accountant at the expense of the district.

Subd. 3. [DEPOSIT AND INVESTMENT.] The money on hand in those funds and accounts may be deposited in the official depositories of the board or invested as provided in this subdivision. Any amount not currently needed or required by law to be kept in cash on deposit may be invested in obligations authorized for the investment of municipal sinking funds by Minnesota Statutes, section 475.66. The money may also be held under certificates of deposit issued by any official depository of the board.

Subd. 4. [BOND PROCEEDS.] The use of proceeds of all bonds issued by the board for the acquisition and betterment of the district disposal system, and the use, other than investment, of all money on hand in any sinking fund or funds of the board, is governed by the provisions of Minnesota Statutes, chapter 475, the provisions of sections 20 to 38, and the provisions of resolutions authorizing the issuance of the bonds. When received, the bond proceeds must be transferred to the treasurer of the board for safekeeping, investment, and payment of the costs for which they were issued.

Subd. 5. [AUDIT.] The board shall provide for and pay the cost of an independent annual audit of its official books and records by the state auditor or a public accountant authorized to perform that function under Minnesota Statutes, chapter 6.

Sec. 35. [SERVICE CONTRACTS WITH GOVERNMENTAL ENTITIES OUTSIDE THE JURISDICTION OF THE BOARD.]

(a) The board may contract with the United States or any agency of the federal government, any state or its agency, or any municipal or public corporation, governmental subdivision or agency or political subdivision in any state, outside the jurisdiction of the board, for furnishing services to those entities, including but not limited to planning for and the acquisition, betterment, operation, administration, and maintenance of any or all interceptors, treatment works, and local water and sanitary sewer facilities. The board may include as one of the terms of the contract that the entity must pay to the board an amount agreed upon as a reasonable estimate of the proportionate share properly allocable to the entity of costs of acquisition, betterment, and debt service previously allocated in the district. When payments are made by entities to the board, they must be applied in reduction of the total amount of costs thereafter allocated in the district, on an equitable basis as the board deems to be in the best interests of the district, applying so far as practicable and appropriate the criteria set forth in section 29, subdivision 2. A municipality in the state of Minnesota may enter into a contract and perform all acts and things required as a condition or consideration therefor consistent with the purposes of sections 20 to 38, whether or not included among the powers otherwise granted to the municipality by law or charter.

(b) The board shall contract with a qualified entity to make necessary inspections on the district facilities, and to otherwise process or assist in processing any of the work of the district.

Sec. 36. [CONTRACTS FOR CONSTRUCTION, MATERIALS, SUPPLIES, AND EQUIPMENT.]

When the board orders a project involving the acquisition or betterment of a part of the district disposal system, it shall cause plans and specifications of the project to be made, or if previously made, to be modified, if necessary, and to be approved by the agency if required, and after any required approval by the agency, one or more contracts for work and materials called for by the plans and specification may be awarded as provided in Minnesota Statutes, section 471.345.

Sec. 37. [PROPERTY EXEMPT FROM TAXATION.]

Any properties, real or personal, owned, leased, controlled, used, or occupied by the water and sanitary sewer board for any purpose under sections 20 to 38 are declared to be acquired, owned, leased, controlled, used, and occupied for public, governmental, and municipal purposes, and are exempt from taxation by the state or any political subdivision of the state, provided that the properties are subject to special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the properties from the improvement. No possible use of any properties in any manner different from their use as part of a disposal system at the time may be considered in determining the special benefit received by the properties. All assessments are subject to final approval by the board, whose determination of the benefits is conclusive upon the political subdivision levying the assessment.

Sec. 38. [RELATION TO EXISTING LAWS.]

The provisions of sections 20 to 38 must be given full effect notwithstanding the provisions of any law or charter inconsistent with sections 20 to 38. The powers conferred on the board under sections 20 to 38 do not in any way diminish or supersede the powers conferred on the agency by Minnesota Statutes, chapters 115 to 116.

Sec. 39. [EFFECTIVE DATE.]

Sections 1 to 19 are effective the day after a certificate of approval under Minnesota Statutes, section 645.021, subdivision 3, is filed by the last of the four local governmental units subject to sections 1 to 19.

Sections 20 to 38 are effective as to the city and the town of Finlayson separately the day after the certificate of approval of the governing body of each is filed as provided in Minnesota Statutes, section 645.021, subdivision 3.

## ARTICLE 15

## AUTOMATIC REBATE IN ENACTED BUDGET

## Section 1. [16A.1522] [REBATE REQUIREMENTS.]

Subdivision 1. [FORECAST.] If, on the basis of a forecast of general fund revenues and expenditures in November of an even-numbered year or February of an odd-numbered year, the commissioner projects a positive unrestricted budgetary general fund balance at the close of the biennium that exceeds one-half of one percent of total general fund biennial revenues, the commissioner shall designate the entire balance as available for rebate to the taxpayers of this state. In forecasting, projecting, or designating the unrestricted budgetary general fund balance or general fund biennial revenue under this section, the commissioner shall not include any balance or revenue attributable to settlement payments received after July 1, 1998, and before July 1, 2001, as defined in Section IIB of the settlement document, filed May 18, 1998, in State v. Philip Morris, Inc., No. C1-94-8565 (Minnesota District Court, Second Judicial District).

Subd. 2. [PLAN.] If the commissioner designates an amount for rebate in either forecast, the governor shall present a plan to the legislature for rebating that amount. The plan must provide for payments to begin no later than August 15 of the odd-numbered year. By April 15 of each odd-numbered year, the legislature shall enact, modify, or reject the plan presented by the governor.

Subd. 3. [CERTIFICATION.] By July 15 of each odd-numbered year, based on a preliminary analysis of the general fund balance at the end of the fiscal year June 30, the commissioner of finance shall certify to the commissioner of revenue the amount available for rebate.

Subd. 4. [TRANSFER TO TAX RELIEF ACCOUNT.] Any positive unrestricted budgetary general fund balance on June 30 of an odd-numbered year is appropriated to the commissioner for transfer to the tax relief account.

Subd. 5. [APPROPRIATION.] A sum sufficient to pay any rebate due under the plan enacted under subdivision 2 is appropriated from the general fund to the commissioner of revenue.

## Sec. 2. [ABOLISHING TAX REFORM AND REDUCTION ACCOUNT.]

The tax reform and reduction account created in Laws 1998, chapter 389, article 9, section 2, subdivision 2, clause (2), is abolished. The balance in the account shall revert to the unrestricted general fund balance.

## Sec. 3. [EFFECTIVE DATE.]

Section 1 is effective September 1, 1999. Section 2 is effective the day following final enactment.

## ARTICLE 16

## MISCELLANEOUS

Section 1. Minnesota Statutes 1998, section 3.986, subdivision 2, is amended to read:

Subd. 2. [LOCAL FISCAL IMPACT.] (a) "Local fiscal impact" means increased or decreased costs or revenues that a political subdivision would incur as a result of a law enacted after June 30, 1997, or rule proposed after December 31, ~~1998~~ 1999:

(1) that mandates a new program, eliminates an existing mandated program, requires an increased level of service of an existing program, or permits a decreased level of service in an existing mandated program;

(2) that implements or interprets federal law and, by its implementation or interpretation, increases or decreases program or service levels beyond the level required by the federal law;

(3) that implements or interprets a statute or amendment adopted or enacted pursuant to the approval of a statewide ballot measure by the voters and, by its implementation or interpretation, increases or decreases program or service levels beyond the levels required by the ballot measure;

(4) that removes an option previously available to political subdivisions, or adds an option previously unavailable to political subdivisions, thus requiring higher program or service levels or permitting lower program or service levels, or prohibits a specific activity and so forces political subdivisions to use a more costly alternative to provide a mandated program or service;

(5) that requires that an existing program or service be provided in a shorter time period and thus increases the cost of the program or service, or permits an existing mandated program or service to be provided in a longer time period, thus permitting a decrease in the cost of the program or service;

(6) that adds new requirements to an existing optional program or service and thus increases the cost of the program or service because the political subdivisions have no reasonable alternative other than to continue the optional program;

(7) that affects local revenue collections by changes in property or sales and use tax exemptions;

(8) that requires costs previously incurred at local option that have subsequently been mandated by the state; or

(9) that requires payment of a new fee or increases the amount of an existing fee, or permits the elimination or decrease of an existing fee mandated by the state.

(b) When state law is intended to achieve compliance with federal law or court orders, state mandates shall be determined as follows:

(1) if the federal law or court order is discretionary, the state law is a state mandate;

(2) if the state law exceeds what is required by the federal law or court order, only the provisions of the state law that exceed the federal requirements are a state mandate; and

(3) if the state law does not exceed what is required by the federal statute or regulation or court order, the state law is not a state mandate.

Sec. 2. Minnesota Statutes 1998, section 3.987, subdivision 1, is amended to read:

Subdivision 1. [LOCAL IMPACT NOTES.] The commissioner of finance shall coordinate the development of a local impact note for any proposed legislation introduced after June 30, 1997, or any rule proposed after December 31, ~~1998~~ 1999, upon request of the chair or the ranking minority member of either legislative tax committee. Upon receipt of a request to prepare a local impact note, the commissioner must notify the authors of the proposed legislation or, for an administrative rule, the head of the relevant executive agency or department, that the request has been made. The local impact note must be made available to the public upon request. If the action is among the exceptions listed in section 3.988, a local impact note need not be requested nor prepared. The commissioner shall make a reasonable and timely estimate of the local fiscal impact on each type of political subdivision that would result from the proposed legislation. The commissioner of finance may require any political subdivision or the commissioner of an administrative agency of the state to supply in a timely manner any information determined to be necessary to determine local fiscal impact. The political subdivision, its representative association, or commissioner shall convey the requested information to the commissioner of finance with a signed statement to the effect that the information is accurate and complete to the best of its ability. The political subdivision, its representative association, or commissioner, when requested, shall update its determination of local fiscal impact based on actual cost or revenue figures, improved estimates, or both. Upon completion of the note, the commissioner must provide a copy to the authors of the proposed legislation or, for an administrative rule, to the head of the relevant executive agency or department.

## Sec. 3. [16A.77] [TOBACCO SETTLEMENT FUND.]

(a) A tobacco settlement fund is established in the state treasury. Amounts in the fund are available only for purposes authorized by appropriation by the legislature. The governor shall make recommendations to the legislature regarding use of the money in the fund.

(b) The commissioner of finance shall credit all settlement payments received after July 1, 1998, and before July 1, 2001, as defined in Section IIB of the settlement document, filed May 18, 1998, in the State of Minnesota et al. vs. Philip Morris et al., to the tobacco settlement fund. All other payments to the state resulting from the specified litigation shall be credited to the general fund.

## Sec. 4. Minnesota Statutes 1998, section 270.07, subdivision 1, is amended to read:

Subdivision 1. [POWERS OF COMMISSIONER; APPLICATION FOR ABATEMENT; ORDERS.] (a) The commissioner of revenue shall prescribe the form of all blanks and books required under this chapter and shall hear and determine all matters of grievance relating to taxation. Except for matters delegated to the various boards of county commissioners under section 375.192, and except as otherwise provided by law, the commissioner shall have power to grant such reduction or abatement of net tax capacities or taxes and of any costs, penalties or interest thereon as the commissioner may deem just and equitable, and to order the refundment, in whole or in part, of any taxes, costs, penalties or interest thereon which have been erroneously or unjustly paid. Application therefor shall be submitted with a statement of facts in the case and the favorable recommendation of the county board or of the board of abatement of any city where any such board exists, and the county auditor of the county wherein such tax was levied or paid. In the case of taxes other than gross earnings taxes, the order may be made only on application and approval as provided in this paragraph. No reduction, abatement, or refundment of any special assessments made or levied by any municipality for local improvements shall be made unless it is also approved by the board of review or similar taxing authority of such municipality.

(b) The commissioner has the power to grant reductions or abatements of gross earnings tax. An application for reduction of gross earnings taxes may be made directly to the commissioner without the favorable action of the county board and county auditor. The commissioner shall direct that any gross earnings taxes that may have been erroneously or unjustly paid be applied against unpaid taxes due from the applicant.

(c) The commissioner shall forward to the county auditor a copy of the order made by the commissioner in all cases in which the approval of the county board is required.

(d) The commissioner may refer any question that may arise in reference to the true construction of this chapter to the attorney general, and the decision thereon shall be in force and effect until annulled by the judgment of a court of competent jurisdiction.

(e) The commissioner may by written order abate, reduce, or refund any penalty or interest imposed by any law relating to taxation, if in the commissioner's opinion the failure to timely pay the tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster area. The order shall be made on application of the taxpayer to the commissioner.

~~(f) If an order issued under this subdivision is for an abatement, reduction, or refund of over \$5,000, it shall be valid only if approved in writing by the attorney general.~~

~~(g)~~ (f) An appeal may not be taken to the tax court from any order of the commissioner of revenue made in the exercise of the discretionary authority granted in paragraph (a) with respect to the reduction or abatement of real or personal property taxes in response to a taxpayer's application for an abatement, reduction, or refund of taxes, net tax capacities, costs, penalties, or interest.

Sec. 5. Minnesota Statutes 1998, section 270.65, is amended to read:

270.65 [DATE OF ASSESSMENT; DEFINITION.]

For purposes of taxes administered by the commissioner, the term "date of assessment" means the date a return was filed or the date a return should have been filed, whichever is later; or, in the case of taxes determined by the commissioner, "date of assessment" means the date of the order assessing taxes; or, in the case of an amended return filed by the taxpayer, the assessment date is the date the return was filed with the commissioner; or, in the case of a check from a taxpayer that is dishonored and results in an erroneous refund being given to the taxpayer, remittance of the check is deemed to be an assessment and the "date of assessment" is the date the check was received by the commissioner.

Sec. 6. Minnesota Statutes 1998, section 270.67, is amended by adding a subdivision to read:

Subd. 4. [OFFER-IN-COMPROMISE AND INSTALLMENT PAYMENT PROGRAM.] (a) In implementing the authority provided in subdivision 1 or in section 8.30 to accept offers of installment payments or offers-in-compromise of tax liabilities, the commissioner of revenue shall prescribe guidelines for employees of the department of revenue to determine whether an offer-in-compromise or an offer to make installment payments is adequate and should be accepted to resolve a dispute. In prescribing the guidelines, the commissioner shall develop and publish schedules of national and local allowances designed to provide that taxpayers entering into a compromise or payment agreement have an adequate means to provide for basic living expenses. The guidelines must provide that the taxpayer's ownership interest in a motor vehicle, to the extent of the value allowed in section 550.37, will not be considered as an asset; in the case of an offer related to a joint tax liability of spouses, that value of two motor vehicles must be excluded. The guidelines must provide that employees of the department shall determine, on the basis of the facts and circumstances of each taxpayer, whether the use of the schedules is appropriate and that employees must not use the schedules to the extent the use would result in the taxpayer not having adequate means to provide for basic living expenses. The guidelines must provide that:

(1) an employee of the department shall not reject an offer-in-compromise or an offer to make installment payments from a low-income taxpayer solely on the basis of the amount of the offer; and

(2) in the case of an offer-in-compromise which relates only to issues of liability of the taxpayer:

(i) the offer must not be rejected solely because the commissioner is unable to locate the taxpayer's return or return information for verification of the liability; and

(ii) the taxpayer shall not be required to provide an audited, reviewed, or compiled financial statement.

(b) The commissioner shall establish procedures:

(1) that require presentation of a counteroffer or a written rejection of the offer by the commissioner if the amount offered by the taxpayer in an offer-in-compromise or an offer to make installment payments is not accepted by the commissioner;

(2) for an administrative review of any written rejection of a proposed offer-in-compromise or installment agreement made by a taxpayer under this section before the rejection is communicated to the taxpayer;

(3) that allow a taxpayer to request reconsideration of any written rejection of the offer or agreement to the commissioner of revenue to determine whether the rejection is reasonable and appropriate under the circumstances; and

(4) that provide for notification to the taxpayer when an offer-in-compromise has been accepted, and issuance of certificates of release of any liens imposed under section 270.69 related to the liability which is the subject of the compromise.

Sec. 7. Minnesota Statutes 1998, section 270.78, is amended to read:

270.78 [PENALTY FOR FAILURE TO MAKE PAYMENT BY ELECTRONIC FUNDS TRANSFER.]

~~(a)~~ In addition to other applicable penalties imposed by law, after notification from the commissioner of revenue to the taxpayer that payments for a tax administered by the commissioner are required to be made by means of electronic funds transfer, and the payments are remitted by some other means, there is a penalty in the amount of five percent of each payment that should have been remitted electronically. The penalty can be abated under the abatement procedures prescribed in section 270.07, subdivision 6, if the failure to remit the payment electronically is due to reasonable cause. The penalty bears interest at the rate specified in section 270.75 from the due date of the payment of the tax to the date of payment of the penalty.

~~(b) The penalty under paragraph (a) does not apply if the taxpayer pays by other means the amount due at least three business days before the date the payment is due. This paragraph does not apply after December 31, 1997.~~

Sec. 8. Minnesota Statutes 1998, 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 presenting a claim for a municipal hospital or a public library, a hospital district, a private nonprofit hospital that leases its building from the county in which it is located, 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.

Sec. 9. Minnesota Statutes 1998, section 270A.07, subdivision 2, is amended to read:

Subd. 2. [SETOFF PROCEDURES.] (a) The commissioner, upon receipt of notification, shall initiate procedures to detect any refunds otherwise payable to the debtor. When the commissioner determines that a refund is due to a debtor whose debt was submitted by a claimant agency, the commissioner shall first deduct the fee in subdivision 1 and then remit the refund or the amount claimed, whichever is less, to the agency. In transferring or remitting moneys to the claimant agency, the commissioner shall provide information indicating the amount applied against each debtor's obligation and the debtor's address listed on the tax return.

(b) The commissioner shall remit to the debtor the amount of any refund due in excess of the debt submitted for setoff by the claimant agency. Notice of the amount setoff and address of the claimant agency shall accompany any disbursement to the debtor of the balance of a refund. The notice shall also advise the debtor of the right to contest the validity of the claim, other than a claim based upon child support under section 518.171, 518.54, 518.551, or chapter 518C at a hearing, subject to the restrictions in this paragraph. The debtor must assert this right by written request to the claimant agency, which request the claimant agency must receive within 45 days of the date of the notice. This right does not apply to (1) issues relating to the validity of the claim that have been previously raised at a hearing under this section or section 270A.09; (2) issues relating to the validity of the claim that were not timely raised by the debtor under section 270A.08, subdivision 2; ~~or~~ (3) issues relating to the validity of the claim that have been previously raised at a hearing conducted under rules promulgated by the United States Department of Housing and Urban Development or any public agency that is responsible for the administration of a low-income housing program, or that were not timely raised by the debtor under those rules; or (4) issues relating to the validity of the claim for which a hearing is discretionary under section 270A.09.

Sec. 10. Minnesota Statutes 1998, section 270A.08, subdivision 2, is amended to read:

Subd. 2. [REQUIREMENTS OF NOTICE.] (a) This written notice shall clearly and with specificity set forth the basis for the claim to the refund including the name of the benefit program involved if the debt arises from a public assistance grant and the dates on which the debt was incurred and, further, shall advise the debtor of the claimant agency's intention to request setoff of the refund against the debt.

(b) Except as provided in paragraph (c), the notice will also advise the debtor that the debt can be setoff against a refund unless the time period allowed by law for collecting the debt has expired, and will advise the debtor of the right to contest the validity of the claim at a hearing. The debtor must assert this right by written request to the claimant agency, which request the agency must receive within 45 days of the mailing date of the original notice or of the corrected notice, as required by subdivision 1. If the debtor has not received the notice, the 45 days shall not commence until the debtor has received actual notice. The debtor shall have the burden of showing no notice and shall be entitled to a hearing on the issue of notice as well as on the merits.

(c) If the claimant agency is a public agency that is responsible for the administration of a low-income housing program, the notice will also advise the debtor that the debt can be set off against a refund unless the time period allowed by law for collecting the debt has expired. If the public agency has provided the debtor with the opportunity to contest the issues relating to the validity of the claim at a hearing under rules promulgated by the United States Department of Housing and Urban Development or the public agency, the notice will advise the debtor of that fact and advise the debtor that no further hearing may be requested by the debtor to contest the validity of the claim.

Sec. 11. Minnesota Statutes 1998, section 287.01, subdivision 3, as amended by Laws 1999, chapter 31, section 1, is amended to read:

Subd. 3. [DEBT.] "Debt" means the principal amount of an obligation to pay money ~~or to perform or refrain from performing an act~~ that is secured in whole or in part by a mortgage of an interest in real property.

Sec. 12. Minnesota Statutes 1998, section 287.05, subdivision 1, as amended by Laws 1999, chapter 31, section 5, is amended to read:

Subdivision 1. [REAL PROPERTY OUTSIDE MINNESOTA.] (a) When a multistate mortgage is intended to secure only a portion of a debt amount recited or referred to in the mortgage, the mortgage may contain the following statement, or its equivalent, on the first page: "Notwithstanding anything to the contrary herein, enforcement of this mortgage in Minnesota is limited to a debt amount of \$. . . under chapter 287 of Minnesota Statutes." In such case, the tax shall be imposed based only on the amount of debt so stated to be secured by real property located in this state; and, the effect of the mortgage, or any amendment or extension, as evidence in any court in this state, or as notice for any purpose in this state, shall be limited to the amount contained in the statement and for which the tax has been paid and additional amounts for accrued interest and advances not subject to tax under section 287.035 or 287.05, subdivision 4.

(b) All multistate mortgages not taxed under paragraph (a) shall be taxed under sections 287.01 to 287.13 as if the real property identified in the mortgage secures payment of that portion of the maximum debt amount referred to, or incorporated by reference, in the mortgage that is equal to a fraction the numerator of which is the value of the real property described in the mortgage that is located in this state and the denominator of which is the value of all the real property described in the mortgage.

Sec. 13. Minnesota Statutes 1998, section 287.05, subdivision 1a, as amended by Laws 1999, chapter 31, section 5, is amended to read:

Subd. 1a. [REAL PROPERTY IN THIS STATE SECURES PORTION OF DEBT.] (a) When the real property identified in a mortgage is located entirely in this state and is intended to secure only a portion of a debt amount recited or referred to in the mortgage, the mortgage may contain the following statement, or its equivalent, on the first page: "Notwithstanding anything to the contrary herein, enforcement of this mortgage is limited to a debt amount of \$. . . under chapter 287 of Minnesota Statutes." In such case, the tax shall be imposed based only on the amount of debt so stated to be secured by real property; and, the effect of the mortgage, or any amendment or extension, as evidence in any court in this state, or as notice for any purpose in this state, shall be limited to the amount contained in the statement and for which the tax has been paid and additional amounts for accrued interest and advances not subject to tax under section 287.035 or 287.05, subdivision 4.

(b) All mortgages that are not multistate mortgages and that are not taxed under paragraph (a) shall be taxed under sections 287.01 to 287.13 as if the real property identified in the mortgage secures payment of the maximum debt amount referred to, or incorporated by reference, in the mortgage.

Sec. 14. Minnesota Statutes 1998, section 289A.31, subdivision 2, is amended to read:

Subd. 2. [JOINT INCOME TAX RETURNS.] (a) If a joint income tax return is made by a husband and wife, the liability for the tax is joint and several. A spouse who ~~is relieved of~~ qualifies for relief from a liability attributable to a ~~substantial~~ an underpayment under section ~~6013(e)~~ 6015(b) of the Internal Revenue Code is ~~also~~ relieved of the state income tax liability on the ~~substantial~~ underpayment.

(b) In the case of individuals who were a husband and wife prior to the dissolution of their marriage or their legal separation, or prior to the death of one of the individuals, for tax liabilities reported on a joint or combined return, the liability of each person is limited to the proportion of the tax due on the return that equals that person's proportion of the total tax due if the husband and wife filed separate returns for the taxable year. This provision is effective only when the commissioner receives written notice of the marriage dissolution, legal separation, or death of a spouse from the husband or wife. No refund may be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more than 60 days before receipt by the commissioner of the written notice.

Sec. 15. Minnesota Statutes 1998, section 289A.40, subdivision 1, is amended to read:

Subdivision 1. [TIME LIMIT; GENERALLY.] Unless otherwise provided in this chapter, a claim for a refund of an overpayment of state tax must be filed within 3-1/2 years from the date prescribed for filing the return, plus any extension of time granted for filing the return, but only if filed within the extended time, or one year from the date of an order assessing tax under section 289A.37, subdivision 1, or an order determining an appeal under section 289A.65, subdivision 8, or one year from the date of a return made by the commissioner under section 289A.35, upon payment in full of the tax, penalties, and interest shown on the order or return made by the commissioner, whichever period expires later. Claims for refund, except for taxes under chapter 297A, filed after the 3-1/2 year period but within the one-year period are limited to the amount of the tax, penalties, and interest on the order or return made by the commissioner and to issues determined by the order or return made by the commissioner.

In the case of assessments under section 289A.38, subdivision 5 or 6, claims for refund under chapter 297A filed after the 3-1/2 year period but within the one-year period are limited to the amount of the tax, penalties, and interest on the order or return made by the commissioner that are due for the period before the 3-1/2 year period.

Sec. 16. Minnesota Statutes 1998, section 289A.40, subdivision 1a, is amended to read:

Subd. 1a. [~~INDIVIDUAL INCOME TAXES; REASONABLE CAUSE SUSPENSION DURING PERIOD OF DISABILITY.~~] If the taxpayer ~~establishes reasonable cause for failing to timely file the return required by section 289A.08, subdivision 1, files the required return within ten years of the date specified in section 289A.18, subdivision 1, and independently verifies that an overpayment has been made, the commissioner shall grant a refund claimed by the original return, notwithstanding the limitations of subdivision 1~~ meets the requirements for suspending the running of the time period to file a claim for refund under section 6511(h) of the Internal Revenue Code, the time period in subdivision 1 for the taxpayer to file a claim for an individual income tax refund is suspended.

Sec. 17. Minnesota Statutes 1998, section 289A.50, is amended by adding a subdivision to read:

Subd. 1a. [REFUND FORM.] On or before January 1, 2000, the commissioner of revenue shall prepare and make available to taxpayers a form for filing claims for refund of taxes paid in excess of the amount due. If the commissioner fails to prepare a form under this subdivision by January 1, 2000, any claims for refund made after January 1, 2000, and up to ten days after the form is made available to taxpayers are deemed to be made in compliance with the requirement of the form.

Sec. 18. Minnesota Statutes 1998, section 289A.50, subdivision 7, is amended to read:

Subd. 7. [REMEDIES.] (a) If the taxpayer is notified by the commissioner that the refund claim is denied in whole or in part, the taxpayer may:

(1) file an administrative appeal as provided in section 289A.65, or an appeal with the tax court, within 60 days after issuance of the commissioner's notice of denial; or

(2) file an action in the district court to recover the refund.

(b) An action in the district court on a denied claim for refund must be brought within 18 months of the date of the denial of the claim by the commissioner.

(c) No action in the district court or the tax court shall be brought within six months of the filing of the refund claim unless the commissioner denies the claim within that period.

(d) If a taxpayer files a claim for refund and the commissioner has not issued a denial of the claim, the taxpayer may bring an action in the district court or the tax court at any time after the expiration of six months of the time the claim was filed, ~~but within four years of the date that the claim was filed.~~

(e) The commissioner and the taxpayer may agree to extend the period for bringing an action in the district court.

(f) An action for refund of tax by the taxpayer must be brought in the district court of the district in which lies the county of the taxpayer's residence or principal place of business. In the case of an estate or trust, the action must be brought at the principal place of its administration. Any action may be brought in the district court for Ramsey county.

Sec. 19. Minnesota Statutes 1998, section 289A.55, subdivision 9, is amended to read:

Subd. 9. [INTEREST ON PENALTIES.] (a) A penalty imposed under section 289A.60, subdivision 1, 2, 3, 4, 5, ~~or 6, or 21~~ bears interest from the date the return or payment was required to be filed or paid, including any extensions, to the date of payment of the penalty.

(b) A penalty not included in paragraph (a) bears interest only if it is not paid within ten days from the date of notice. In that case interest is imposed from the date of notice to the date of payment.

Sec. 20. Minnesota Statutes 1998, section 289A.60, subdivision 3, is amended to read:

Subd. 3. [COMBINED PENALTIES.] When penalties are imposed under subdivisions 1 and 2, ~~except for the minimum penalty under subdivision 2,~~ the penalties imposed under both subdivisions combined must not exceed 38 percent.

Sec. 21. Minnesota Statutes 1998, section 289A.60, subdivision 21, is amended to read:

Subd. 21. [PENALTY FOR FAILURE TO MAKE PAYMENT BY ELECTRONIC FUNDS TRANSFER.] ~~(a)~~ In addition to other applicable penalties imposed by this section, after notification from the commissioner to the taxpayer that payments are required to be made by means of electronic funds transfer under section 289A.20, subdivision 2, paragraph (e), or 4, paragraph (d), or 289A.26, subdivision 2a, and the payments are remitted by some other means, there is a penalty in the amount of five percent of each payment that should have been remitted electronically. The penalty can be abated under the abatement procedures prescribed in section 270.07, subdivision 6, if the failure to remit the payment electronically is due to reasonable cause.

~~(b) The penalty under paragraph (a) does not apply if the taxpayer pays by other means the amount due at least three business days before the date the payment is due. This paragraph does not apply after December 31, 1997.~~

Sec. 22. Minnesota Statutes 1998, section 297A.15, subdivision 5, is amended to read:

Subd. 5. [REFUND; APPROPRIATION.] Notwithstanding the provisions of sections 297A.02, subdivision 5, and 297A.25, subdivision 42, the tax on sales of capital equipment, and replacement capital equipment, shall be imposed and collected as if the rate under section 297A.02, subdivision 1, applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the reduction in the tax due as a result of the application of the exemption under section 297A.25, subdivision 42, and the rate under section 297A.02, subdivision 5, shall be paid to the purchaser. The application must include sufficient information to permit the commissioner to verify the sales tax paid for the project. The application shall include information necessary for the commissioner initially to verify that the purchases qualified as capital equipment under section 297A.25, subdivision 42, or replacement capital equipment under section 297A.01, subdivision 20. No more than two applications for refunds may be filed under this subdivision in a calendar year. Unless otherwise specifically provided by this subdivision, the provisions of ~~section~~ sections 289A.40 and 289A.50 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds.

The amount to be refunded shall bear interest at the rate in section 270.76 from the date the refund claim is filed with the commissioner.

Sec. 23. Minnesota Statutes 1998, section 360.55, is amended by adding a subdivision to read:

Subd. 8. [AGRICULTURAL AIRCRAFT.] Aircraft registered with the Federal Aviation Administration as restricted category aircraft used for agricultural purposes must be listed for taxation and registration upon filing by the owner a sworn affidavit with the commissioner. The affidavit must state:

- (1) the name and address of the owner;
- (2) the name and address of the person from whom purchased;
- (3) the aircraft's make, year, model number, federal registration number, and manufacturer's identification number; and
- (4) that the aircraft is owned and operated solely for agricultural operations and purposes.

The owner shall file the affidavit and pay an annual fee established under sections 360.511 to 360.67, which must not exceed \$500. Should the aircraft be operated other than for agricultural purposes, the owner shall list the aircraft for taxation and registration under sections 360.511 to 360.67. If the aircraft is sold, the new owner shall list the aircraft for taxation and registration under this subdivision or under sections 360.511 to 360.67, as applicable.

Sec. 24. Minnesota Statutes 1998, section 414.11, is amended to read:

414.11 [MUNICIPAL BOARD SUNSET.]

The municipal board shall terminate on ~~December 31~~ June 1, 1999, and all of its authority and duties under this chapter shall be transferred to the office of strategic and long-range planning according to section 15.039, and any money remaining available on that date of the amount appropriated to the municipal board for fiscal year 2000 is transferred and appropriated to the director of the office of strategic and long-range planning to be used for the purposes of this chapter.

Sec. 25. [414.12] [DIRECTOR'S POWERS.]

Notwithstanding anything to the contrary in sections 414.01 to 414.11, the director of the office of strategic and long-range planning, upon consultation with affected parties and considering the procedures and principles established in sections 414.01 to 414.11, and Laws 1997, chapter 202, article 4, sections 1 to 13, may require alternative dispute resolution processes, including those provided in chapter 14, in the execution of the office's duties under this chapter.

Sec. 26. Minnesota Statutes 1998, section 469.169, subdivision 12, is amended to read:

Subd. 12. [ADDITIONAL ZONE ALLOCATIONS.] (a) In addition to tax reductions authorized in subdivisions 7, 8, 9, 10, and 11, the commissioner shall allocate tax reductions to border city enterprise zones located on the western border of the state. The cumulative total amount of tax reductions for all years of the program under sections 469.1731 to 469.1735, is limited to:

- (1) for the city of Breckenridge, \$394,000;
- (2) for the city of Dilworth, \$118,200;
- (3) for the city of East Grand Forks, \$788,000;
- (4) for the city of Moorhead, \$591,000; and
- (5) for the city of Ortonville, \$78,800.

Allocations made under this subdivision may be used for tax reductions provided in section 469.1732 or 469.1734 or for reimbursements under section 469.1735, subdivision 3, but only if the municipality determines that the granting of the tax reduction or offset is necessary to enable a business to expand within a city or to attract a business to a city. Limitations on allocations under subdivision 7 do not apply to this allocation.

(b) The limit in the allocation in paragraph (a) for a municipality may be waived by the commissioner if the commissioner of revenue finds that the municipality must provide an incentive under section 469.1732 or 469.1734 that, by itself or when aggregated with all other tax reductions granted by the municipality under those provisions, exceeds the municipality's maximum allocation under paragraph (a), in order to obtain or retain a business in the city that would not occur in the municipality without the incentive. The limit may be waived only if the commissioner finds that the business for which the tax incentives are to be provided:

- (1) requires a private capital investment of at least \$1,000,000 within the city;
- (2) employs at least 25 new or additional full-time equivalent employees within the city; and
- (3) pays its employees at the location in the city wages that, on the average, will exceed the average wage paid in the county in which the municipality is located.

Sec. 27. Minnesota Statutes 1998, section 469.169, is amended by adding a subdivision to read:

Subd. 14. [ADDITIONAL BORDER CITY ALLOCATIONS.] In addition to tax reductions authorized in subdivisions 7 to 12, the commissioner may allocate \$1,500,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall make allocations to zones in cities on the western border on a per capita basis. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Limitations on allocations under subdivision 7, do not apply to this allocation.

Sec. 28. Minnesota Statutes 1998, section 469.1735, is amended by adding a subdivision to read:

Subd. 4. [APPROPRIATION; WAIVERS.] An amount sufficient to fund any tax reductions under a waiver made by the commissioner under section 469.169, subdivision 12, paragraph (b), is appropriated to the commissioner of revenue from the general fund. This appropriation may not be deducted from the dollar limits under this section or section 469.169 or 469.1734.

Sec. 29. Laws 1997, Second Special Session chapter 2, section 6, is amended to read:

Sec. 6. TRADE AND ECONOMIC DEVELOPMENT

8,200,000

Notwithstanding the requirement in Minnesota Statutes, section 469.169, subdivision 11, as added by Laws 1997, chapter 231, article 16, section 20, to base allocations to zones in cities on the state's western border on a per capita basis, \$1,200,000 is a one-time appropriation from the general fund to the commissioner of trade and economic development for border city enterprise competitiveness grants under Minnesota Statutes, sections 469.166 to 469.173. Funds shall be allocated to communities with significant business losses that are at risk of losing business tax base due to noncompetitiveness with North Dakota and South Dakota and shall be available to communities for locally administered measures to retain their job base. Allocations made under this paragraph may be used for tax reductions as provided in Minnesota Statutes, section 469.171, or other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Limitations on allocations under Minnesota Statutes, section 469.169, subdivision 7, do not apply to this appropriation. Enterprise zones that receive allocations under this paragraph may continue in effect for purposes of those allocations through ~~December 31, 1998~~ June 30, 1999.

\$6,000,000 is a one-time appropriation from the general fund to the Minnesota investment fund for grants to local units of government for locally administered operating loan programs for businesses directly and adversely affected by the floods. Loan criteria and requirements shall be locally established with approval by the department. For the purposes of this appropriation, Minnesota Statutes, sections 116J.8731, subdivisions 3, 4, 5, and 7, and 116J.991, are waived. Businesses that receive grants or loans from this appropriation shall set goals for jobs retained and wages paid within the area designated under Presidential Declaration of Major Disaster, DR-1175.

\$1,000,000 is a one-time appropriation from the petroleum tank release cleanup fund to the commissioner of trade and economic development. Notwithstanding Minnesota Statutes, section 115C.08, subdivision 4, as amended by Laws 1997, chapter 200, article 2, section 4, these funds are to be used for grants to buy out property substantially damaged by a petroleum tank release.

Sec. 30. Laws 1999, chapter 112, section 1, subdivision 1, is amended to read:

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

(b) "Acre" means an acre of effective agricultural use land within the state of Minnesota as reported to the farm service agency on form 156EZ for the purposes of this subdivision and subdivisions 2 and 9.

(c) "Commissioner" means the commissioner of revenue.

(d) "Effective agricultural use land" means the land suitable for growing an agricultural crop and excludes land enrolled in the conservation reserve program established by Minnesota Statutes, section 103F.515, or the water bank program established by Minnesota Statutes, section 103F.601.

(e) "Farm" or "farm operation" means an agricultural production operation with a unique farm number as reported on form 156EZ to the farm service agency, which includes at least 40 acres of effective agricultural use land. "Farm" also includes an agricultural production operation, which contains less than 40 acres of effective agriculture use if the farm operator operates another farm qualifying under this paragraph.

(f) "Farm operator" means a person who is identified as the operator of a farm on form 156EZ filed with the farm service agency.

(g) "Farm service agency" means the United States Farm Service Agency.

(h) "Farmer" or "farmer at risk" means a person who produces an agricultural crop or livestock and is reported to the farm service agency as bearing a percentage of the risk for the farm operation.

(i) "Livestock" means cattle, hogs, poultry, and sheep.

(j) "Livestock production facility" means a farm that has produced at least \$10,000 in sales of unprocessed livestock or unprocessed dairy products as reported on schedule F or form 1065 or form 1120 or 1120S of the farmer's federal income tax return for either taxable years beginning in calendar year 1997 or 1998.

(k) "Person" includes individuals, fiduciaries, estates, trusts, partnerships, joint ventures, and corporations.

Sec. 31. Laws 1999, chapter 112, section 1, subdivision 3, is amended to read:

Subd. 3. [LIVESTOCK PRODUCERS.] A farmer person who owns or resides on property homesteaded under section 273.124, subdivision 1, paragraph (c), and operates a livestock production facility on 160 acres or less may elect the agricultural property tax refund under subdivisions 4 to 8 in lieu of the per acre payment under subdivision 2. To qualify, the farmer person must apply for the refund as provided in subdivisions 4 to 8. The 40 acre minimum farm size under subdivision 1 does not apply to eligibility under subdivisions 4 to 8.

Sec. 32. Laws 1999, chapter 112, section 1, subdivision 4, is amended to read:

Subd. 4. [REFUND.] The refund equals the full amount of the property tax payment due and payable on May 15, 1999, on a livestock production facility that is class 1b agricultural homestead property or class 2a agricultural homestead property as defined in Minnesota Statutes, section 273.13, excluding that portion of the tax attributable to the house, garage, and surrounding acre of land. If a portion of the property was leased for the agricultural production year, the refund amount shall be ~~prorated so that only the portion of the property which was not leased for the agricultural production year qualifies for the refund~~ reduced by \$4 for each acre that was leased for the agricultural production year.

Sec. 33. Laws 1999, chapter 112, section 1, subdivision 9, is amended to read:

Subd. 9. [ALTERNATE QUALIFICATION.] (a) If an agricultural production operation does not meet the definition of a farm under subdivision 1 solely because (1) the farm operator had not filed a form 156EZ with the farm service agency, (2) there was an error in the farm service agency's records, or (3) an operator operates more than one farm and the acres of effective agricultural use land of ~~each a~~ farm is less than 40 acres, but the combined acres of effective agricultural use land of all land operated by that operator is at least 40 acres, the commissioner may allow the farm operator to apply for payment under subdivision 2 after providing such information as the commissioner may require to determine the number of acres that would be comparable to the effective agricultural use land listed on form 156EZ.

(b) If the number of acres of effective agricultural use land for crop year 1998 for a farm is greater than indicated in the farm service agency's records, the commissioner may allow a farm operator to apply for payment on the greater acreage after providing such information as the commissioner may require.

(c) If a person who produced an agricultural crop or livestock in 1998 and bore a portion of the risk for the farm operation does not meet the definition of a farmer under subdivision 1 solely because that information was not reported to the farm service agency, or because there was an error in the farm service agency's records, the commissioner may allow the farmer to be included on an application for payment under subdivision 2 after the farmer provides such information as the commissioner may require to determine the farmer was at risk for that farm.

Sec. 34. [COST ESTIMATES.]

Any waiver granted under Minnesota Statutes, section 469.169, subdivision 12, paragraph (b), must be reported within 60 days to the commissioner of finance and the chairs of the house and senate tax committees.

Sec. 35. [CITY OF RICHFIELD; AIRPORT IMPACT ZONE; FINANCING.]

Subdivision 1. [DESIGNATION OF AIRPORT IMPACT ZONE.] There is established within the city of Richfield an airport impact zone consisting of the real property described as follows: commencing at the intersection of the north city limits with the w'ly ROW line of trunk highway 77, thence south along the w'ly ROW line of trunk highway 77 to the n'ly ROW line of interstate highway 494, thence west along the n'ly ROW line of interstate highway 494 to the center line of Bloomington Avenue, thence north on the center line of Bloomington Avenue to the n'ly ROW line of East 77th Street to a point 133.2 feet east of the e'ly ROW line of Bloomington Avenue, thence north on a line parallel with and 133.2 feet east of the e'ly ROW line of Bloomington Avenue to the north city limits, thence east along the north city limits to the point of beginning.

Subd. 2. [AIRPORT IMPACTS DEFINED.] The legislature finds that:

(1) the area included within the airport impact zone defined under this section will experience significant and unique adverse environmental and socioeconomic impacts directly associated with the operation of the Minneapolis-St. Paul International Airport;

(2) whether funded directly by the metropolitan airports commission or by other means, expenditures for mitigation of those airport-created impacts involve an aspect of the airport's capital and operating expenses and will be made for airport purposes;

(3) appropriate measures to mitigate those adverse impacts include but are not limited to housing replacement activities; and

(4) the state legislature has authorized the expansion of the Minneapolis-St. Paul International Airport in order to accommodate the future economic growth of the state. The environmental quality board has adopted findings that identify the need to make land uses in the area identified in subdivision 1 compatible with airport uses.

Subd. 3. [METROPOLITAN AIRPORTS COMMISSION BONDS; SECURITY.] The metropolitan airports commission shall issue and sell its obligations in an aggregate principal amount not to exceed \$30,000,000, after deducting costs of issuance, discount, and capitalized interest. The metropolitan airports commission shall, not later than January 30, 2000, transfer \$30,000,000 to the city of Richfield to be used to finance the costs of land and structure acquisition, demolition, relocation and site clearance, and public improvements within the airport impact tax zone established under subdivision 1, including, without limitation, the following housing replacement activities anywhere within the city: rehabilitation, acquisition, demolition, relocation assistance, and relocation of existing single-family or multifamily housing, and financing of new or existing single-family or multifamily housing that replaces housing units eliminated by redevelopment within the airport impact zone.

Subd. 4. [TERMS.] The obligations must be secured by the revenues and pledges from the metropolitan airports commission in accordance with subdivision 5, and must be issued in accordance with chapter 475, provided that no election is required, net debt limits do not apply, and the obligations must mature no later than 35 years from the date of issue of the original obligations. The metropolitan airports commission may issue obligations to refund any obligations issued under this section, the principal amount of which shall not be included in computing the limits on amount of obligations issuable by the commission under this section.

Subd. 5. [SECURITY; METROPOLITAN AIRPORTS COMMISSION PAYMENTS.] (a) Notwithstanding anything to the contrary in Minnesota Statutes, sections 473.601 to 473.679, on or before the due date of each principal and interest payment on obligations issued under this section, the treasurer of the metropolitan airports commission shall remit from any available funds to the trustee or paying agent for the obligations an amount sufficient for the payment, without further order from the commission. The metropolitan airports commission shall be obligated to the holders of obligations issued under this section, to establish, revise from time to time, and collect landing fees according to schedules such as to produce revenues, together with other revenues not restricted by law or regulation available to the metropolitan airport commission, at all times sufficient to pay 105 percent of principal and interest on all obligations issued under this section.

(b) Notwithstanding anything to the contrary in Minnesota Statutes, sections 473.601 to 473.679, any obligations issued under this section shall be further secured by the pledge of the full faith and credit of the metropolitan airports commission, which shall be obligated to levy upon all taxable property within the metropolitan area a tax at the times and in the amounts, if any, as may be required to provide funds sufficient to pay all the obligations and interest thereon in the event revenues pledged under paragraph (a), are insufficient for that purpose. This tax, if ever required to be levied, shall not be subject to any limitation of rate or amount.

(c) The pledges described in this section shall be made by resolution of the metropolitan airports commission. The security afforded by this section extends equally and ratably to all bonds issued under this section and all bonds issued by the metropolitan airports commission secured by similar pledges.

Subd. 6. [OBLIGATION DEFINED.] In subdivisions 1 to 5, "obligation" has the meaning given in Minnesota Statutes, section 475.51, subdivision 3. The term includes obligations issued to refund prior obligations issued under this section.

Subd. 7. [COMPLIANCE WITH FEDERAL LAW; NO ADDITIONAL COMMITMENTS.] (a) Nothing in this section shall require the metropolitan airports commission to violate federal law or regulation, including the Federal Aviation Administration revenue diversion policy.

(b) If this section violates federal law or regulations, including the Federal Aviation Administration revenue diversion policy, the requirements imposed upon the metropolitan airports commission under this section are terminated and shall not become commitments of the state.

Subd. 8. [RELATIONSHIP TO REQUIREMENTS UNDER AGREEMENT.] The requirements imposed upon the metropolitan airports commission under this section are in addition to any requirements imposed upon the commission under the Richfield-metropolitan airports commission noise mitigation agreement dated December 18, 1998.

#### Sec. 36. [EXTENSIONS FOR OPERATION ALLIED FORCE SERVICE MEMBERS.]

The limitations of time provided by Minnesota Statutes, chapter 289A relating to administration of taxes, chapter 290 relating to income taxes, chapter 271 relating to the tax court for filing returns, paying taxes, claiming refunds, commencing action thereon, appealing to the tax court from orders relating to income taxes, and the filing of petitions under chapter 278, and appealing to the Supreme Court from decisions of the tax court relating to income taxes are extended, as provided in the special rule for section 7508 of the Internal Revenue Code in section 1, paragraph (c), of Public Law Number 106-21.

## Sec. 37. [TRANSFER.]

The commissioner of finance shall transfer \$2,000,000 from the conservation fund under Minnesota Statutes, section 40A.151, to the general fund on July 1, 1999.

## Sec. 38. [APPROPRIATION.]

\$143,000 is appropriated to the commissioner of revenue from the general fund for the cost of administering this act. This appropriation is for fiscal year 2000 and any unspent amount may be carried over to fiscal year 2001. This is a one-time appropriation and not part of the budget base for the department.

## Sec. 39. [REPEALER.]

Minnesota Statutes 1998, sections 297E.12, subdivision 3; 297F.19, subdivision 4; and 297G.18, subdivision 4, are repealed.

## Sec. 40. [EFFECTIVE DATES.]

Sections 4, 21, 22, 25, and 29 to 34 are effective the day following final enactment.

Section 5 is effective for checks received on or after the day following final enactment.

Section 6 is effective the day following final enactment, and applies to offers-in-compromise submitted after June 30, 1999.

Sections 7 and 19 are effective for payments due on or after the day following final enactment.

Sections 8, 9, and 10 are effective for claims for setoff submitted to the commissioner of revenue by claimant agencies after June 30, 1999.

Sections 11 to 13 are effective for documents executed, recorded, or registered after June 30, 1999.

Section 14, paragraph (a), is effective at the same time that section 6015(b) of the Internal Revenue Code is effective for federal tax purposes. Section 14, paragraph (b), is effective for claims for innocent spouse relief, requests for allocation of joint income tax liability, and taxes filed or paid on or after the day following final enactment.

Section 15 is effective for orders issued on or after the day following final enactment.

Section 16 is effective for disabilities existing on or after the date of enactment for which claims for refund have not expired under the time limit in Minnesota Statutes, section 289A.40, subdivision 1. Claims based upon reasonable cause must be filed prior to the expiration of the repealed ten-year period or within one year after the date of enactment, whichever is earlier.

Section 18 is effective for refund claims filed on or after the day following final enactment.

Section 20 is effective for tax years ending on or after the day following final enactment.

Section 23 is effective for aircraft registered after June 30, 1999.

Section 24 is effective June 1, 1999.

Section 36 is effective at the same time section 1, paragraph (c), of Public Law Number 106-21 becomes effective."

Delete the title and insert:

"A bill for an act relating to financing state and local government; providing a sales tax rebate; reducing individual income tax rates; making changes to income, sales and use, property, excise, mortgage registry and deed, health care provider, motor fuels, cigarette and tobacco, liquor, insurance premiums, aircraft registration, lawful gambling, taconite production, solid waste, estate, and special taxes; conforming with changes in federal income tax provisions; authorizing certain cities to impose sales taxes and issue bonds; establishing an agricultural homestead credit; changing and allowing tax credits, subtractions, and exemptions; changing property tax valuation, assessment, levy, classification, homestead, credit, aid, exemption, review, appeal, abatement, and distribution provisions; extending levy limits and changing levy authority; authorizing property tax abatements; reducing the rate of health care provider taxes; reducing tax rates on lawful gambling; changing tax increment financing law and providing special authority for certain cities; authorizing water and sanitary sewer districts; providing for the funding of courts in certain judicial districts; changing tax forfeiture and delinquency provisions; changing and clarifying tax administration, collection, enforcement, and penalty provisions; freezing the taconite production tax and providing for its distribution; regulating state and local business subsidies; authorizing issuance of certain local obligations; requiring the metropolitan airports commission to provide funding for airport noise mitigation projects; modifying payment of certain aids to local units of government; providing for funding for border cities; changing fiscal note requirements; providing for deposit of tobacco settlement funds; requiring tax rebates when there is a budget surplus; requiring a study; authorizing requirements to use alternative dispute resolution processes in annexation and similar proceedings; transferring funds; appropriating money; amending Minnesota Statutes 1998, sections 3.986, subdivision 2; 3.987, subdivision 1; 16D.09; 60A.19, subdivision 6; 92.51; 97A.065, subdivision 2; 204B.135, by adding a subdivision; 270.07, subdivision 1; 270.65; 270.67, by adding a subdivision; 270.78; 270A.03, subdivision 2; 270A.07, subdivision 2; 270A.08, subdivision 2; 271.01, subdivision 5; 271.21, subdivision 2; 272.02, subdivision 1; 272.027; 272.03, subdivision 6; 273.11, subdivisions 1a and 16; 273.111, by adding a subdivision; 273.124, subdivisions 1, 7, 8, 13, 14, and by adding a subdivision; 273.13, subdivisions 22, 23, 24, 25, 31, and by adding a subdivision; 273.1382; 273.1398, subdivisions 1a, 2, 8, and by adding a subdivision; 273.1399, subdivision 6; 273.20; 274.01, subdivision 1; 275.70, subdivision 5; 275.71, subdivisions 2, 3, and 4; 276.131; 279.37, subdivisions 1, 1a, and 2; 281.23, subdivisions 2, 4, and 6; 282.01, subdivisions 1, 4, and 7; 282.04, subdivision 2; 282.05; 282.08; 282.09; 282.241; 282.261, subdivision 4, and by adding a subdivision; 283.10; 287.01, subdivision 3, as amended; 287.05, subdivisions 1, as amended, and 1a, as amended; 289A.02, subdivision 7; 289A.18, subdivision 4; 289A.20, subdivision 4; 289A.31, subdivision 2; 289A.40, subdivisions 1 and 1a; 289A.50, subdivision 7, and by adding a subdivision; 289A.55, subdivision 9; 289A.56, subdivision 4; 289A.60, subdivisions 3 and 21; 290.01, subdivisions 7, 19, 19a, 19b, 19f, 19g, 31, and by adding a subdivision; 290.06, subdivisions 2c, 2d, and by adding subdivisions; 290.0671, subdivision 1; 290.0674, subdivisions 1 and 2; 290.091, subdivisions 1, 2, and 6; 290.0921, subdivision 5; 290.095, subdivision 3; 290.17, subdivisions 3, 4, and 6; 290.191, subdivisions 2 and 3; 290.9725; 290.9726, by adding a subdivision; 290A.03, subdivisions 3, 6, and 15; 290B.03, subdivision 1; 290B.04, subdivisions 2, 3, and 4; 290B.05, subdivision 1; 291.005, subdivision 1; 295.50, subdivision 4; 295.52, subdivision 7; 295.53, subdivision 1; 295.55, subdivisions 2 and 3; 295.57, by adding a subdivision; 296A.16, by adding subdivisions; 297A.15, subdivision 5; 297A.25, subdivisions 9, 63, 73, and by adding subdivisions; 297A.48, by adding subdivisions; 297E.01, by adding a subdivision; 297E.02, subdivisions 1, 3, 4, and 6; 297F.01, subdivision 23; 297F.17, subdivision 6; 297H.05; 297H.06, subdivision 2; 298.22, subdivision 7; 298.24, subdivision 1; 298.28, subdivisions 9a and 9b; 298.296, subdivision 4; 299D.03, subdivision 5; 357.021, subdivision 1a; 360.55, by adding a subdivision; 373.40, subdivision 1; 375.18, subdivision 12; 375.192, subdivision 2; 383C.482, subdivision 1; 414.11; 462A.071, subdivision 2; 465.82, by adding a subdivision; 469.002, subdivision 10; 469.012, subdivision 1; 469.169, subdivision 12, and by adding a subdivision; 469.1735, by adding a subdivision; 469.176, subdivision 4g; 469.1763, by adding a subdivision; 469.1771, subdivision 1, and by adding a subdivision; 469.1791, subdivision 3; 469.1813, subdivisions 1, 2, 3, 6, and by adding subdivisions; 469.1815, subdivision 2; 473.252, subdivision 2; 475.52, subdivisions 1, 3, and 4; 477A.011, subdivision 36; 477A.03, subdivision 2; 477A.06, subdivision 1; 485.018, subdivision 5; 487.02, subdivision 2; 487.32, subdivision 3; 487.33, subdivision 5; and 574.34, subdivision 1; Laws 1997, chapter 231, article 1, section 19, subdivisions 1 and 3; article 2, section 68, subdivision 3, as amended; article 3, section 9; Laws 1997, First Special Session chapter 3, section 27; Laws 1997, Second Special Session chapter 2, section 6; Laws 1998, chapter 389, article 8, section 44, subdivisions 5, 6, and 7, as amended; Laws 1998, chapter 645, section 3; and Laws 1999, chapter 112, section 1, subdivisions 1, 3, 4, and 9; proposing coding for new law in Minnesota Statutes, chapters 16A; 116J; 275; 290;

383D; 414; and 469; repealing Minnesota Statutes 1998, sections 92.22; 116J.991; 273.11, subdivision 10; 280.27; 281.13; 281.38; 284.01; 284.02; 284.03; 284.04; 284.05; 284.06; 297E.12, subdivision 3; 297F.19, subdivision 4; 297G.18, subdivision 4; 473.252, subdivisions 4 and 5; and 477A.05; Laws 1997, chapter 231, article 1, section 19, subdivision 2; and Laws 1998, chapter 389, article 3, section 45."

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

House Conferees: RON ABRAMS, DAN MCELROY, WILLIAM KUISLE, HENRY TODD VAN DELLEN AND ANN H. REST.

Senate Conferees: DOUGLAS J. JOHNSON, JIM VICKERMAN, STEVE L. MURPHY, JOHN C. HOTTINGER AND WILLIAM V. BELANGER, JR.

Abrams moved that the report of the Conference Committee on H. F. No. 2420 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 2420, as amended by Conference, was read for the third time.

#### LAY ON THE TABLE

Abrams moved that H. F. No. 2420, as amended by Conference, be laid on the table.

A roll call was requested and properly seconded.

The question was taken on the Abrams motion and the roll was called.

Pawlenty moved that those not voting be excused from voting. The motion prevailed.

There were 71 yeas and 61 nays as follows:

Those who voted in the affirmative were:

Abeler	Dempsey	Harder	McElroy	Rhodes	Tingelstad
Abrams	Dorman	Holberg	Molnau	Rifenberg	Tuma
Anderson, B.	Erhardt	Holsten	Mulder	Rostberg	Van Dellen
Bishop	Erickson	Howes	Ness	Seagren	Vandever
Boudreau	Finseth	Kielkucki	Nornes	Seifert, J.	Westerberg
Bradley	Fuller	Knoblach	Olson	Seifert, M.	Westfall
Broecker	Gerlach	Krinkie	Osskopp	Smith	Westrom
Cassell	Goodno	Kuisle	Ozment	Stanek	Wilkin
Clark, J.	Gunther	Larsen, P.	Paulsen	Stang	Wolf
Daggett	Haake	Leppik	Pawlenty	Storm	Workman
Davids	Haas	Lindner	Pelowski	Swenson	Spk. Sviggum
Dehler	Hackbarth	Mares	Reuter	Sykora	

Those who voted in the negative were:

Anderson, I.	Carlson	Dawkins	Folliard	Greenfield	Hausman
Bakk	Carruthers	Dorn	Gleason	Greiling	Hilty
Biernat	Chaudhary	Entenza	Gray	Hasskamp	Huntley

Jaros	Kubly	Marko	Orfield	Schumacher	Wejcman
Jennings	Larson, D.	McCollum	Osthoff	Skoe	Wenzel
Johnson	Leighton	McGuire	Otremba	Skoglund	Winter
Juhnke	Lenczewski	Milbert	Paymar	Solberg	
Kahn	Lieder	Mullery	Peterson	Tomassoni	
Kalis	Luther	Munger	Pugh	Trimble	
Kelliher	Mahoney	Murphy	Rest	Tunheim	
Koskinen	Mariani	Opatz	Rukavina	Wagenius	

The motion prevailed and H. F. No. 2420, as amended by Conference, was laid on the table.

### MESSAGES FROM THE SENATE, Continued

The following messages were received from the Senate:

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

H. F. No. 2205, A bill for an act relating to public administration; authorizing spending for public purposes; authorizing spending to acquire and to better public land and buildings and other public improvements of a capital nature; authorizing certain improvements and transfers between accounts; providing a procedure for political subdivisions' request for capital assistance; making technical corrections; amending earlier authorizations; reauthorizing a project; authorizing bonds; providing for certain public pension associations' facilities; providing for storage and retention of certain documents; authorizing certain easements; providing for certain port authority leases or management contracts; requesting an investigation and report; authorizing a certain college project; appropriating money with certain conditions and directions; amending Minnesota Statutes 1998, sections 16A.69, subdivision 2; 16B.30; 136F.36, by adding a subdivision; 136F.60, by adding a subdivision; 353.03, subdivision 4; 354.06, subdivision 7; and 457A.04, by adding a subdivision; Laws 1998, chapter 404, sections 3, subdivision 17; 5, subdivision 4; 7, subdivisions 23 and 26; 13, subdivision 12; and 27, subdivisions 1 and 2; proposing coding for new law in Minnesota Statutes, chapters 16A; and 356.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

H. F. No. 2387, A bill for an act relating to transportation; appropriating money for the department of transportation and other agencies; providing for a maximum percentage of the motorcycle safety fund that may be spent for certain activities; authorizing suspension of a vehicle's registration in certain circumstances; requiring a detachable postcard to be provided in a vehicle's certificate of title and completed on transfer of the vehicle; modifying provisions relating to disability parking privileges; abolishing certain credit for vehicle registration fee;

specifically authorizing cities to enact ordinances regulating long-term parking; requiring the department of public safety to provide photo identification equipment to certain driver's license agents; reducing cost of Minnesota identification card for persons with serious and persistent mental illness; authorizing siting of public safety radio communications towers; directing commissioner of transportation to establish a southern railway corridor improvement plan; clarifying snowmobile gas tax provision; regulating advertising in department of public safety publications; modifying provisions relating to special number plates for collector aircraft; amending Minnesota Statutes 1998, sections 121A.36, subdivision 3; 168.021, subdivision 2; 168.17; 168.301, subdivisions 3 and 4; 168A.05, subdivision 5; 168A.10, subdivisions 1, 2, and 5; 168A.30, subdivision 2; 169.345, subdivisions 1, 2, 3, and 4; 169.346, subdivision 3, and by adding a subdivision; 171.061, subdivision 4; 171.07, subdivision 3; 174.70; 296A.18, subdivision 3; 299A.01, by adding a subdivision; and 360.55, subdivision 4; Laws 1997, chapter 159, article 1, sections 2, subdivision 7; and 4, subdivision 3; proposing coding for new law in Minnesota Statutes, chapters 174; and 219.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

S. F. No. 1219.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said Senate File is herewith transmitted to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

#### CONFERENCE COMMITTEE REPORT ON S. F. NO. 1219

A bill for an act relating to health; establishing a uniform complaint resolution process for health plan companies; establishing an external review process; amending Minnesota Statutes 1998, sections 62D.11, subdivision 1; 62M.01; 62M.02, subdivisions 3, 4, 5, 6, 7, 9, 10, 11, 12, 17, 20, 21, and by adding a subdivision; 62M.03, subdivisions 1 and 3; 62M.04, subdivisions 1, 2, 3, and 4; 62M.05; 62M.06; 62M.07; 62M.09, subdivision 3; 62M.10, subdivisions 2, 5, and 7; 62M.12; 62M.15; 62Q.106; 62Q.19, subdivision 5a; 62T.04; 72A.201, subdivision 4a; and 256B.692, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 62D; and 62Q; repealing Minnesota Statutes 1998, sections 62D.11, subdivisions 1b and 2; 62Q.105; and 62Q.30; Minnesota Rules, parts 4685.0100, subparts 4 and 4a; 4685.1010, subpart 3; and 4685.1700.

May 17, 1999

The Honorable Allan H. Spear  
President of the Senate

The Honorable Steve Sviggum  
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 1219, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendment and that S. F. No. 1219 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1998, section 62D.11, subdivision 1, is amended to read:

Subdivision 1. [ENROLLEE COMPLAINT SYSTEM.] Every health maintenance organization shall establish and maintain a complaint system, as required under ~~section 62Q.105~~ sections 62Q.68 to 62Q.72 to provide reasonable procedures for the resolution of written complaints initiated by or on behalf of enrollees concerning the provision of health care services. ~~"Provision of health services" includes, but is not limited to, questions of the scope of coverage, quality of care, and administrative operations. The health maintenance organization must inform enrollees that they may choose to use arbitration to appeal a health maintenance organization's internal appeal decision. The health maintenance organization must also inform enrollees that they have the right to use arbitration to appeal a health maintenance organization's internal appeal decision not to certify an admission, procedure, service, or extension of stay under section 62M.06. If an enrollee chooses to use arbitration, the health maintenance organization must participate.~~

Sec. 2. [62D.124] [GEOGRAPHIC ACCESSIBILITY.]

Subdivision 1. [PRIMARY CARE; MENTAL HEALTH SERVICES; GENERAL HOSPITAL SERVICES.] Within the health maintenance organization's service area, the maximum travel distance or time shall be the lesser of 30 miles or 30 minutes to the nearest provider of each of the following services: primary care services, mental health services, and general hospital services. The health maintenance organization must designate which method is used.

Subd. 2. [OTHER HEALTH SERVICES.] Within a health maintenance organization's service area, the maximum travel distance or time shall be the lesser of 60 miles or 60 minutes to the nearest provider of specialty physician services, ancillary services, specialized hospital services, and all other health services not listed in subdivision 1. The health maintenance organization must designate which method is used.

Subd. 3. [EXCEPTION.] The commissioner shall grant an exception to the requirements of this section according to Minnesota Rules, part 4685.1010, subpart 4, if the health maintenance organization can demonstrate with specific data that the requirement of subdivision 1 or 2 is not feasible in a particular service area or part of a service area.

Subd. 4. [APPLICATION.] (a) Subdivisions 1 and 2 do not apply if an enrollee is referred to a referral center for health care services.

(b) Subdivision 1 does not apply:

(1) if an enrollee has chosen a health plan with full knowledge that the health plan has no participating providers within 30 miles or 30 minutes of the enrollee's place of residence; or

(2) to service areas approved before May 24, 1993.

Sec. 3. Minnesota Statutes 1998, section 62M.01, is amended to read:

62M.01 [CITATION, JURISDICTION, AND SCOPE.]

Subdivision 1. [POPULAR NAME.] Sections 62M.01 to 62M.16 may be cited as the "Minnesota Utilization Review Act of 1992."

Subd. 2. [JURISDICTION.] Sections 62M.01 to 62M.16 apply to any insurance company licensed under chapter 60A to offer, sell, or issue a policy of accident and sickness insurance as defined in section 62A.01; a health service plan licensed under chapter 62C; a health maintenance organization licensed under chapter 62D; a community integrated service network licensed under chapter 62N; an accountable provider network operating under chapter 62T; a fraternal benefit society operating under chapter 64B; a joint self-insurance employee health plan

operating under chapter 62H; a multiple employer welfare arrangement, as defined in section 3 of the Employee Retirement Income Security Act of 1974 (ERISA), United States Code, title 29, section 1103, as amended; a third party administrator licensed under section 60A.23, subdivision 8, that provides utilization review services for the administration of benefits under a health benefit plan as defined in section 62M.02; or any entity performing utilization review on behalf of a business entity in this state pursuant to a health benefit plan covering a Minnesota resident.

Subd. 3. [SCOPE.] ~~Sections 62M.02, 62M.07, and 62M.09, subdivision 4, apply to prior authorization of services.~~ Nothing in sections 62M.01 to 62M.16 applies to review of claims after submission to determine eligibility for benefits under a health benefit plan. The appeal procedure described in section 62M.06 applies to any complaint as defined under section 62Q.68, subdivision 2, that requires a medical determination in its resolution.

Sec. 4. Minnesota Statutes 1998, section 62M.02, subdivision 3, is amended to read:

Subd. 3. [ATTENDING DENTIST.] "Attending dentist" means the dentist with primary responsibility for the dental care provided to ~~a patient~~ an enrollee.

Sec. 5. Minnesota Statutes 1998, section 62M.02, subdivision 4, is amended to read:

Subd. 4. [ATTENDING ~~PHYSICIAN HEALTH CARE PROFESSIONAL~~.] "Attending ~~physician health care professional~~" means the ~~physician health care professional providing care within the scope of their practice and with primary responsibility for the care provided to a patient in a hospital or other health care facility~~ an enrollee. Attending health care professional shall include only physicians; chiropractors; dentists; mental health professionals as defined in section 245.462, subdivision 18, or section 245.4871, subdivision 27; podiatrists; and advanced practice nurses.

Sec. 6. Minnesota Statutes 1998, section 62M.02, subdivision 5, is amended to read:

Subd. 5. [CERTIFICATION.] "Certification" means a determination by a utilization review organization that an admission, extension of stay, or other health care service has been reviewed and that it, based on the information provided, meets the utilization review requirements of the applicable health plan and the health ~~carrier~~ plan company will then pay for the covered benefit, provided the preexisting limitation provisions, the general exclusion provisions, and any deductible, copayment, coinsurance, or other policy requirements have been met.

Sec. 7. Minnesota Statutes 1998, section 62M.02, subdivision 6, is amended to read:

Subd. 6. [CLAIMS ADMINISTRATOR.] "Claims administrator" means an entity that reviews and determines whether to pay claims to enrollees, ~~physicians, hospitals, or others~~ or providers based on the contract provisions of the health plan contract. Claims administrators may include insurance companies licensed under chapter 60A to offer, sell, or issue a policy of accident and sickness insurance as defined in section 62A.01; a health service plan licensed under chapter 62C; a health maintenance organization licensed under chapter 62D; a community integrated service network licensed under chapter 62N; an accountable provider network operating under chapter 62T; a fraternal benefit society operating under chapter 64B; a multiple employer welfare arrangement, as defined in section 3 of the Employee Retirement Income Security Act of 1974 (ERISA), United States Code, title 29, section 1103, as amended.

Sec. 8. Minnesota Statutes 1998, section 62M.02, subdivision 7, is amended to read:

Subd. 7. [CLAIMANT.] "Claimant" means the enrollee ~~or covered person~~ who files a claim for benefits or a provider of services who, pursuant to a contract with a claims administrator, files a claim on behalf of an enrollee or covered person.

Sec. 9. Minnesota Statutes 1998, section 62M.02, subdivision 9, is amended to read:

Subd. 9. [CONCURRENT REVIEW.] "Concurrent review" means utilization review conducted during ~~a patient's~~ an enrollee's hospital stay or course of treatment and has the same meaning as continued stay review.

Sec. 10. Minnesota Statutes 1998, section 62M.02, subdivision 10, is amended to read:

Subd. 10. [DISCHARGE PLANNING.] "Discharge planning" means the process that assesses ~~a patient's~~ an enrollee's need for treatment after hospitalization in order to help arrange for the necessary services and resources to effect an appropriate and timely discharge.

Sec. 11. Minnesota Statutes 1998, section 62M.02, subdivision 11, is amended to read:

Subd. 11. [ENROLLEE.] "Enrollee" means an individual ~~who has elected to contract for, or participate in, a health benefit plan for enrollee coverage or for dependent coverage covered by a health benefit plan and includes an insured policyholder, subscriber, contract holder, member, covered person, or certificate holder.~~

Sec. 12. Minnesota Statutes 1998, section 62M.02, subdivision 12, is amended to read:

Subd. 12. [HEALTH BENEFIT PLAN.] "Health benefit plan" means a policy, contract, or certificate issued by a health ~~carrier to an employer or individual~~ plan company for the coverage of medical, dental, or hospital benefits. A health benefit plan does not include coverage that is:

- (1) limited to disability or income protection coverage;
- (2) automobile medical payment coverage;
- (3) supplemental to liability insurance;
- (4) designed solely to provide payments on a per diem, fixed indemnity, or nonexpense incurred basis;
- (5) credit accident and health insurance issued under chapter 62B;
- (6) blanket accident and sickness insurance as defined in section 62A.11;
- (7) accident only coverage issued by a licensed and tested insurance agent; or
- (8) workers' compensation.

Sec. 13. Minnesota Statutes 1998, section 62M.02, is amended by adding a subdivision to read:

Subd. 12a. [HEALTH PLAN COMPANY.] "Health plan company" means a health plan company as defined in section 62Q.01, subdivision 4, and includes an accountable provider network operating under chapter 62T.

Sec. 14. Minnesota Statutes 1998, section 62M.02, subdivision 17, is amended to read:

Subd. 17. [PROVIDER.] "Provider" means a licensed health care facility, physician, or other health care professional that delivers health care services to an enrollee ~~or covered person~~.

Sec. 15. Minnesota Statutes 1998, section 62M.02, subdivision 20, is amended to read:

Subd. 20. [UTILIZATION REVIEW.] "Utilization review" means the evaluation of the necessity, appropriateness, and efficacy of the use of health care services, procedures, and facilities, by a person or entity other than the attending ~~physician~~ health care professional, for the purpose of determining the medical necessity of the service or

admission. Utilization review also includes review conducted after the admission of the enrollee. It includes situations where the enrollee is unconscious or otherwise unable to provide advance notification. Utilization review does not include ~~the imposition of a requirement that services be received by or upon referral from a participating provider a referral or participation in a referral process by a participating provider unless the provider is acting as a utilization review organization.~~

Sec. 16. Minnesota Statutes 1998, section 62M.02, subdivision 21, is amended to read:

Subd. 21. [UTILIZATION REVIEW ORGANIZATION.] "Utilization review organization" means an entity including but not limited to an insurance company licensed under chapter 60A to offer, sell, or issue a policy of accident and sickness insurance as defined in section 62A.01; a health service plan licensed under chapter 62C; a health maintenance organization licensed under chapter 62D; a community integrated service network licensed under chapter 62N; an accountable provider network operating under chapter 62T; a fraternal benefit society operating under chapter 64B; a joint self-insurance employee health plan operating under chapter 62H; a multiple employer welfare arrangement, as defined in section 3 of the Employee Retirement Income Security Act of 1974 (ERISA), United States Code, title 29, section 1103, as amended; a third party administrator licensed under section 60A.23, subdivision 8, which conducts utilization review and determines certification of an admission, extension of stay, or other health care services for a Minnesota resident; or any entity performing utilization review that is affiliated with, under contract with, or conducting utilization review on behalf of, a business entity in this state.

Sec. 17. Minnesota Statutes 1998, section 62M.03, subdivision 1, is amended to read:

Subdivision 1. [LICENSED UTILIZATION REVIEW ORGANIZATION.] Beginning January 1, 1993, any organization that meets the definition of utilization review organization in section 62M.02, subdivision 21, must be licensed under chapter 60A, 62C, 62D, 62N, 62T, or 64B, or registered under this chapter and must comply with sections 62M.01 to 62M.16 and section 72A.201, subdivisions 8 and 8a. Each licensed community integrated service network or health maintenance organization that has an employed staff model of providing health care services shall comply with sections 62M.01 to 62M.16 and section 72A.201, subdivisions 8 and 8a, for any services provided by providers under contract.

Sec. 18. Minnesota Statutes 1998, section 62M.03, subdivision 3, is amended to read:

Subd. 3. [PENALTIES AND ENFORCEMENTS.] If a utilization review organization fails to comply with sections 62M.01 to 62M.16, the organization may not provide utilization review services for any Minnesota resident. The commissioner of commerce may issue a cease and desist order under section 45.027, subdivision 5, to enforce this provision. The cease and desist order is subject to appeal under chapter 14. A nonlicensed utilization review organization that fails to comply with the provisions of sections 62M.01 to 62M.16 is subject to all applicable penalty and enforcement provisions of section 72A.201. Each utilization review organization licensed under chapter 60A, 62C, 62D, 62N, 62T, or 64B shall comply with sections 62M.01 to 62M.16 as a condition of licensure.

Sec. 19. Minnesota Statutes 1998, section 62M.04, subdivision 1, is amended to read:

Subdivision 1. [RESPONSIBILITY FOR OBTAINING CERTIFICATION.] A health benefit plan that includes utilization review requirements must specify the process for notifying the utilization review organization in a timely manner and obtaining certification for health care services. Each health plan company must provide a clear and concise description of this process to an enrollee as part of the policy, subscriber contract, or certificate of coverage. In addition to the enrollee, the utilization review organization must allow any ~~licensed hospital, physician or the physician's~~ provider or provider's designee, or responsible patient representative, including a family member, to fulfill the obligations under the health plan.

A claims administrator that contracts directly with providers for the provision of health care services to enrollees may, through contract, require the provider to notify the review organization in a timely manner and obtain certification for health care services.

Sec. 20. Minnesota Statutes 1998, section 62M.04, subdivision 2, is amended to read:

Subd. 2. [INFORMATION UPON WHICH UTILIZATION REVIEW IS CONDUCTED.] If the utilization review organization is conducting routine prospective and concurrent utilization review, utilization review organizations must collect only the information necessary to certify the admission, procedure of treatment, and length of stay.

(a) Utilization review organizations may request, but may not require, ~~hospitals, physicians, or other~~ providers to supply numerically encoded diagnoses or procedures as part of the certification process.

(b) Utilization review organizations must not routinely request copies of medical records for all patients reviewed. In performing prospective and concurrent review, copies of the pertinent portion of the medical record should be required only when a difficulty develops in certifying the medical necessity or appropriateness of the admission or extension of stay.

(c) Utilization review organizations may request copies of medical records retrospectively for a number of purposes, including auditing the services provided, quality assurance review, ensuring compliance with the terms of either the health benefit plan or the provider contract, and compliance with utilization review activities. Except for reviewing medical records associated with an appeal or with an investigation or audit of data discrepancies, ~~health care~~ providers must be reimbursed for the reasonable costs of duplicating records requested by the utilization review organization for retrospective review unless otherwise provided under the terms of the provider contract.

Sec. 21. Minnesota Statutes 1998, section 62M.04, subdivision 3, is amended to read:

Subd. 3. [DATA ELEMENTS.] Except as otherwise provided in sections 62M.01 to 62M.16, for purposes of certification a utilization review organization must limit its data requirements to the following elements:

(a) Patient information that includes the following:

- (1) name;
- (2) address;
- (3) date of birth;
- (4) sex;
- (5) social security number or patient identification number;
- (6) name of health ~~carrier~~ plan company or health plan; and
- (7) plan identification number.

(b) Enrollee information that includes the following:

- (1) name;
- (2) address;
- (3) social security number or employee identification number;
- (4) relation to patient;
- (5) employer;

- (6) health benefit plan;
  - (7) group number or plan identification number; and
  - (8) availability of other coverage.
- (c) Attending ~~physician or provider~~ health care professional information that includes the following:
- (1) name;
  - (2) address;
  - (3) telephone numbers;
  - (4) degree and license;
  - (5) specialty or board certification status; and
  - (6) tax identification number or other identification number.
- (d) Diagnosis and treatment information that includes the following:
- (1) primary diagnosis with associated ICD or DSM coding, if available;
  - (2) secondary diagnosis with associated ICD or DSM coding, if available;
  - (3) tertiary diagnoses with associated ICD or DSM coding, if available;
  - (4) proposed procedures or treatments with ICD or associated CPT codes, if available;
  - (5) surgical assistant requirement;
  - (6) anesthesia requirement;
  - (7) proposed admission or service dates;
  - (8) proposed procedure date; and
  - (9) proposed length of stay.
- (e) Clinical information that includes the following:
- (1) support and documentation of appropriateness and level of service proposed; and
  - (2) identification of contact person for detailed clinical information.
- (f) Facility information that includes the following:
- (1) type;
  - (2) licensure and certification status and DRG exempt status;
  - (3) name;

- (4) address;
- (5) telephone number; and
- (6) tax identification number or other identification number.
- (g) Concurrent or continued stay review information that includes the following:
  - (1) additional days, services, or procedures proposed;
  - (2) reasons for extension, including clinical information sufficient for support of appropriateness and level of service proposed; and
  - (3) diagnosis status.
- (h) For admissions to facilities other than acute medical or surgical hospitals, additional information that includes the following:
  - (1) history of present illness;
  - (2) patient treatment plan and goals;
  - (3) prognosis;
  - (4) staff qualifications; and
  - (5) 24-hour availability of staff.

Additional information may be required for other specific review functions such as discharge planning or catastrophic case management. Second opinion information may also be required, when applicable, to support benefit plan requirements.

Sec. 22. Minnesota Statutes 1998, section 62M.04, subdivision 4, is amended to read:

Subd. 4. [ADDITIONAL INFORMATION.] A utilization review organization may request information in addition to that described in subdivision 3 when there is significant lack of agreement between the utilization review organization and the ~~health care~~ provider regarding the appropriateness of certification during the review or appeal process. For purposes of this subdivision, "significant lack of agreement" means that the utilization review organization has:

- (1) tentatively determined through its professional staff that a service cannot be certified;
- (2) referred the case to a physician for review; and
- (3) talked to or attempted to talk to the attending ~~physician~~ health care professional for further information.

Nothing in sections 62M.01 to 62M.16 prohibits a utilization review organization from requiring submission of data necessary to comply with the quality assurance and utilization review requirements of chapter 62D or other appropriate data or outcome analyses.

Sec. 23. Minnesota Statutes 1998, section 62M.05, is amended to read:

62M.05 [PROCEDURES FOR REVIEW DETERMINATION.]

Subdivision 1. [WRITTEN PROCEDURES.] A utilization review organization must have written procedures to ensure that reviews are conducted in accordance with the requirements of this chapter ~~and section 72A.201, subdivision 4a.~~

Subd. 2. [CONCURRENT REVIEW.] A utilization review organization may review ongoing inpatient stays based on the severity or complexity of the patient's enrollee's condition or on necessary treatment or discharge planning activities. Such review must not be consistently conducted on a daily basis.

Subd. 3. [NOTIFICATION OF DETERMINATIONS.] A utilization review organization must have written procedures for providing notification of its determinations on all certifications in accordance with the following: this section.

Subd. 3a. [STANDARD REVIEW DETERMINATION.] (a) Notwithstanding subdivision 3b, an initial determination on all requests for utilization review must be communicated to the provider and enrollee in accordance with this subdivision within ten business days of the request, provided that all information reasonably necessary to make a determination on the request has been made available to the utilization review organization.

(b) When an initial determination is made to certify, notification must be provided promptly by telephone to the provider. The utilization review organization shall send written notification to the hospital, attending physician, or applicable service provider within ten business days of the determination in accordance with section 72A.201, subdivision 4a; provider or shall maintain an audit trail of the determination and telephone notification. For purposes of this subdivision, "audit trail" includes documentation of the telephone notification, including the date; the name of the person spoken to; the enrollee or patient; the service, procedure, or admission certified; and the date of the service, procedure, or admission. If the utilization review organization indicates certification by use of a number, the number must be called the "certification number."

~~(b)~~ (c) When a an initial determination is made not to certify a hospital or surgical facility admission or extension of a hospital stay, or other service requiring review determination, notification must be provided by telephone within one working day after making the decision determination to the attending physician health care professional and hospital must be notified by telephone and a written notification must be sent to the hospital, attending physician health care professional, and enrollee or patient. The written notification must include the principal reason or reasons for the determination and the process for initiating an appeal of the determination. Upon request, the utilization review organization shall provide the attending physician or provider or enrollee with the criteria used to determine the necessity, appropriateness, and efficacy of the health care service and identify the database, professional treatment parameter, or other basis for the criteria. Reasons for a determination not to certify may include, among other things, the lack of adequate information to certify after a reasonable attempt has been made to contact the attending physician provider or enrollee.

(d) When an initial determination is made not to certify, the written notification must inform the enrollee and the attending health care professional of the right to submit an appeal to the internal appeal process described in section 62M.06 and the procedure for initiating the internal appeal.

Subd. 3b. [EXPEDITED REVIEW DETERMINATION.] (a) An expedited initial determination must be utilized if the attending health care professional believes that an expedited determination is warranted.

(b) Notification of an expedited initial determination to either certify or not to certify must be provided to the hospital, the attending health care professional, and the enrollee as expeditiously as the enrollee's medical condition requires, but no later than 72 hours from the initial request. When an expedited initial determination is made not to certify, the utilization review organization must also notify the enrollee and the attending health care professional of the right to submit an appeal to the expedited internal appeal as described in section 62M.06 and the procedure for initiating an internal expedited appeal.

Subd. 4. [FAILURE TO PROVIDE NECESSARY INFORMATION.] A utilization review organization must have written procedures to address the failure of a health care provider, patient, or representative of either or enrollee to provide the necessary information for review. If the patient enrollee or provider will not release the necessary information to the utilization review organization, the utilization review organization may deny certification in accordance with its own policy or the policy described in the health benefit plan.

Subd. 5. [NOTIFICATION TO CLAIMS ADMINISTRATOR.] If the utilization review organization and the claims administrator are separate entities, the utilization review organization must forward, electronically or in writing, a notification of certification or determination not to certify to the appropriate claims administrator for the health benefit plan.

Sec. 24. Minnesota Statutes 1998, section 62M.06, is amended to read:

62M.06 [APPEALS OF DETERMINATIONS NOT TO CERTIFY.]

Subdivision 1. [PROCEDURES FOR APPEAL.] A utilization review organization must have written procedures for appeals of determinations not to certify ~~an admission, procedure, service, or extension of stay~~. The right to appeal must be available to the enrollee ~~or designee~~ and to the attending ~~physician~~ health care professional. ~~The right of appeal must be communicated to the enrollee or designee or to the attending physician, whomever initiated the original certification request, at the time that the original determination is communicated.~~

Subd. 2. [EXPEDITED APPEAL.] (a) When an initial determination not to certify a health care service is made prior to or during an ongoing service requiring review, and the attending ~~physician~~ health care professional believes that the determination warrants ~~immediate~~ an expedited appeal, the utilization review organization must ensure that the ~~enrollee and the attending physician, enrollee, or designee~~ health care professional have an opportunity to appeal the determination over the telephone on an expedited basis. In such an appeal, the utilization review organization must ensure reasonable access to its consulting physician or health care provider. ~~Expedited appeals that are not resolved may be resubmitted through the standard appeal process.~~

(b) The utilization review organization shall notify the enrollee and attending health care professional by telephone of its determination on the expedited appeal as expeditiously as the enrollee's medical condition requires, but no later than 72 hours after receiving the expedited appeal.

(c) If the determination not to certify is not reversed through the expedited appeal, the utilization review organization must include in its notification the right to submit the appeal to the external appeal process described in section 62Q.73 and the procedure for initiating the process. This information must be provided in writing to the enrollee and the attending health care professional as soon as practical.

Subd. 3. [STANDARD APPEAL.] The utilization review organization must establish procedures for appeals to be made either in writing or by telephone.

(a) ~~Each~~ A utilization review organization shall notify in writing the enrollee ~~or patient~~, attending ~~physician~~ health care professional, and claims administrator of its determination on the appeal ~~as soon as practical, but in no case later than 45 days after receiving the required documentation on the appeal within 30 days upon receipt of the notice of appeal. If the utilization review organization cannot make a determination within 30 days due to circumstances outside the control of the utilization review organization, the utilization review organization may take up to 14 additional days to notify the enrollee, attending health care professional, and claims administrator of its determination. If the utilization review organization takes any additional days beyond the initial 30-day period to make its determination, it must inform the enrollee, attending health care professional, and claims administrator, in advance, of the extension and the reasons for the extension.~~

(b) The documentation required by the utilization review organization may include copies of part or all of the medical record and a written statement from the attending health care provider professional.

(c) Prior to upholding the ~~original decision~~ initial determination not to certify for clinical reasons, the utilization review organization shall conduct a review of the documentation by a physician who did not make the ~~original~~ initial determination not to certify.

(d) The process established by a utilization review organization may include defining a period within which an appeal must be filed to be considered. The time period must be communicated to the ~~patient, enrollee, or~~ and attending physician health care professional when the initial determination is made.

(e) An attending physician health care professional or enrollee who has been unsuccessful in an attempt to reverse a determination not to certify shall, consistent with section 72A.285, be provided the following:

- (1) a complete summary of the review findings;
- (2) qualifications of the reviewers, including any license, certification, or specialty designation; and
- (3) the relationship between the enrollee's diagnosis and the review criteria used as the basis for the decision, including the specific rationale for the reviewer's decision.

(f) In cases of appeal to reverse a determination not to certify for clinical reasons, the utilization review organization must, upon request of the attending physician health care professional, ensure that a physician of the utilization review organization's choice in the same or a similar general specialty as typically manages the medical condition, procedure, or treatment under discussion is reasonably available to review the case.

(g) If the initial determination is not reversed on appeal, the utilization review organization must include in its notification the right to submit the appeal to the external review process described in section 62Q.73 and the procedure for initiating the external process.

Subd. 4. [NOTIFICATION TO CLAIMS ADMINISTRATOR.] If the utilization review organization and the claims administrator are separate entities, the utilization review organization must forward notify, either electronically or in writing, a notification of certification or determination not to certify to the appropriate claims administrator for the health benefit plan of any determination not to certify that is reversed on appeal.

Sec. 25. Minnesota Statutes 1998, section 62M.07, is amended to read:

62M.07 [PRIOR AUTHORIZATION OF SERVICES.]

(a) Utilization review organizations conducting prior authorization of services must have written standards that meet at a minimum the following requirements:

- (1) written procedures and criteria used to determine whether care is appropriate, reasonable, or medically necessary;
- (2) a system for providing prompt notification of its determinations to enrollees and providers and for notifying the provider, enrollee, or enrollee's designee of appeal procedures under clause (4);
- (3) compliance with section ~~72A.201~~ 62M.05, subdivision 4a ~~subdivisions 3a and 3b~~, regarding time frames for approving and disapproving prior authorization requests;
- (4) written procedures for appeals of denials of prior authorization which specify the responsibilities of the enrollee and provider, and which meet the requirements of ~~section~~ sections 62M.06 and 72A.285, regarding release of summary review findings; and

(5) procedures to ensure confidentiality of patient-specific information, consistent with applicable law.

(b) No utilization review organization, health plan company, or claims administrator may conduct or require prior authorization of emergency confinement or emergency treatment. The enrollee or the enrollee's authorized representative may be required to notify the health plan company, claims administrator, or utilization review organization as soon after the beginning of the emergency confinement or emergency treatment as reasonably possible.

Sec. 26. Minnesota Statutes 1998, section 62M.09, subdivision 3, is amended to read:

Subd. 3. [PHYSICIAN REVIEWER INVOLVEMENT.] A physician must review all cases in which the utilization review organization has concluded that a determination not to certify for clinical reasons is appropriate. The physician should be reasonably available by telephone to discuss the determination with the attending ~~physician~~ health care professional. This subdivision does not apply to outpatient mental health or substance abuse services governed by subdivision 3a.

Sec. 27. Minnesota Statutes 1998, section 62M.10, subdivision 2, is amended to read:

Subd. 2. [REVIEWS DURING NORMAL BUSINESS HOURS.] A utilization review organization must conduct its telephone reviews, on-site reviews, and hospital communications during ~~hospitals' and physicians'~~ reasonable and normal business hours, unless otherwise mutually agreed.

Sec. 28. Minnesota Statutes 1998, section 62M.10, subdivision 5, is amended to read:

Subd. 5. [ORAL REQUESTS FOR INFORMATION.] Utilization review organizations shall orally inform, upon request, designated hospital personnel or the attending ~~physician~~ health care professional of the utilization review requirements of the specific health benefit plan and the general type of criteria used by the review agent. Utilization review organizations should also orally inform, upon request, ~~hospitals, physicians, and other health care professionals~~ a provider of the operational procedures in order to facilitate the review process.

Sec. 29. Minnesota Statutes 1998, section 62M.10, subdivision 7, is amended to read:

Subd. 7. [AVAILABILITY OF CRITERIA.] Upon request, a utilization review organization shall provide to an enrollee or to ~~an attending physician or~~ a provider the criteria used for a specific procedure to determine the necessity, appropriateness, and efficacy of that procedure and identify the database, professional treatment guideline, or other basis for the criteria.

Sec. 30. Minnesota Statutes 1998, section 62M.12, is amended to read:

62M.12 [PROHIBITION OF INAPPROPRIATE INCENTIVES.]

No individual who is performing utilization review may receive any financial incentive based on the number of denials of certifications made by such individual, provided that utilization review organizations may establish medically appropriate performance standards. This prohibition does not apply to financial incentives established between health ~~plans~~ plan companies and ~~their~~ providers.

Sec. 31. Minnesota Statutes 1998, section 62M.15, is amended to read:

62M.15 [APPLICABILITY OF OTHER CHAPTER REQUIREMENTS.]

The requirements of this chapter regarding the conduct of utilization review are in addition to any specific requirements contained in chapter 62A, 62C, 62D, 62Q, 62T, or 72A.

Sec. 32. Minnesota Statutes 1998, section 62Q.106, is amended to read:

62Q.106 [DISPUTE RESOLUTION BY COMMISSIONER.]

A complainant may at any time submit a complaint to the appropriate commissioner to investigate. After investigating a complaint, or reviewing a company's decision, the appropriate commissioner may order a remedy as authorized under ~~section 62Q.30~~ or chapter 45, 60A, or 62D.

Sec. 33. Minnesota Statutes 1998, section 62Q.19, subdivision 5a, is amended to read:

Subd. 5a. [COOPERATION.] Each health plan company and essential community provider shall cooperate to facilitate the use of the essential community provider by the high risk and special needs populations. This includes cooperation on the submission and processing of claims, sharing of all pertinent records and data, including performance indicators and specific outcomes data, and the use of all dispute resolution methods as defined in section 62Q.11, subdivision 1.

Sec. 34. [62Q.68] [DEFINITIONS.]

Subdivision 1. [APPLICATION.] For purposes of sections 62Q.68 to 62Q.72, the terms defined in this section have the meanings given them. For purposes of sections 62Q.69 and 62Q.70, the term "health plan company" does not include an insurance company licensed under chapter 60A to offer, sell, or issue a policy of accident and sickness insurance as defined in section 62A.01 or a nonprofit health service plan corporation regulated under chapter 62C that only provides dental coverage or vision coverage.

Subd. 2. [COMPLAINT.] "Complaint" means any grievance against a health plan company that is not the subject of litigation and that has been submitted by a complainant to a health plan company regarding the provision of health services including, but not limited to, the scope of coverage for health care services; retrospective denials or limitations of payment for services; eligibility issues; denials, cancellations, or nonrenewals of coverage; administrative operations; and the quality, timeliness, and appropriateness of health care services rendered. If the complaint is from an applicant, the complaint must relate to the application. If the complaint is from a former enrollee, the complaint must relate to services received during the period of time the individual was an enrollee. Any grievance requiring a medical determination in its resolution must have the medical determination aspect of the complaint processed under the appeal procedure described in section 62M.06.

Subd. 3. [COMPLAINANT.] "Complainant" means an enrollee, applicant, or former enrollee, or anyone acting on behalf of an enrollee, applicant, or former enrollee who submits a complaint.

Sec. 35. [62Q.69] [COMPLAINT RESOLUTION.]

Subdivision 1. [ESTABLISHMENT.] Each health plan company must establish and maintain an internal complaint resolution process that meets the requirements of this section to provide for the resolution of a complaint initiated by a complainant.

Subd. 2. [PROCEDURES FOR FILING A COMPLAINT.] (a) A complainant may submit a complaint to a health plan company either by telephone or in writing. If a complaint is submitted orally and the resolution of the complaint, as determined by the complainant, is partially or wholly adverse to the complainant, or the oral complaint is not resolved to the satisfaction of the complainant, by the health plan company within ten days of receiving the complaint, the health plan company must inform the complainant that the complaint may be submitted in writing. The health plan company must also offer to provide the complainant with any assistance needed to submit a written complaint, including an offer to complete the complaint form for a complaint that was previously submitted orally and promptly mail the completed form to the complainant for the complainant's signature. At the complainant's request, the health plan company must provide the assistance requested by the complainant. The complaint form must include the following information:

(1) the telephone number of the office of health care consumer assistance, advocacy, and information, and the health plan company member services or other departments or persons equipped to advise complainants on complaint resolution;

(2) the address to which the form must be sent;

(3) a description of the health plan company's internal complaint procedure and the applicable time limits; and

(4) the toll-free telephone number of either the commissioner of health or commerce and notification that the complainant has the right to submit the complaint at any time to the appropriate commissioner for investigation.

(b) Upon receipt of a written complaint, the health plan company must notify the complainant within ten business days that the complaint was received, unless the complaint is resolved to the satisfaction of the complainant within the ten business days.

(c) Each health plan company must provide, in the member handbook, subscriber contract, or certification of coverage, a clear and concise description of how to submit a complaint and a statement that, upon request, assistance in submitting a written complaint is available from the health plan company.

Subd. 3. [NOTIFICATION OF COMPLAINT DECISIONS.] (a) The health plan company must notify the complainant in writing of its decision and the reasons for it as soon as practical but in no case later than 30 days after receipt of a written complaint. If the health plan company cannot make a decision within 30 days due to circumstances outside the control of the health plan company, the health plan company may take up to 14 additional days to notify the complainant of its decision. If the health plan company takes any additional days beyond the initial 30-day period to make its decision, it must inform the complainant, in advance, of the extension and the reasons for the extension.

(b) If the decision is partially or wholly adverse to the complainant, the notification must inform the complainant of the right to appeal the decision to the health plan company's internal appeal process described in section 62Q.70 and the procedure for initiating an appeal.

(c) The notification must also inform the complainant of the right to submit the complaint at any time to either the commissioner of health or commerce for investigation and the toll-free telephone number of the appropriate commissioner.

Sec. 36. [62Q.70] [APPEAL OF THE COMPLAINT DECISION.]

Subdivision 1. [ESTABLISHMENT.] (a) Each health plan company shall establish an internal appeal process for reviewing a health plan company's decision regarding a complaint filed in accordance with section 62Q.69. The appeal process must meet the requirements of this section.

(b) The person or persons with authority to resolve or recommend the resolution of the internal appeal must not be solely the same person or persons who made the complaint decision under section 62Q.69.

(c) The internal appeal process must permit the receipt of testimony, correspondence, explanations, or other information from the complainant, staff persons, administrators, providers, or other persons as deemed necessary by the person or persons investigating or presiding over the appeal.

Subd. 2. [PROCEDURES FOR FILING AN APPEAL.] If a complainant notifies the health plan company of the complainant's desire to appeal the health plan company's decision regarding the complaint through the internal appeal process, the health plan company must provide the complainant the option for the appeal to occur either in writing or by hearing.

Subd. 3. [NOTIFICATION OF APPEAL DECISIONS.] (a) If a complainant appeals in writing, the health plan company must give the complainant written notice of the appeal decision and all key findings within 30 days of the health plan company's receipt of the complainant's written notice of appeal. If a complainant appeals by hearing, the health plan company must give the complainant written notice of the appeal decision and all key findings within 45 days of the health plan company's receipt of the complainant's written notice of appeal.

(b) If the appeal decision is partially or wholly adverse to the complainant, the notice must advise the complainant of the right to submit the appeal decision to the external review process described in section 62Q.73 and the procedure for initiating the external process.

(c) Upon the request of the complainant, the health plan company must provide the complainant with a complete summary of the appeal decision.

## Sec. 37. [62Q.71] [NOTICE TO ENROLLEES.]

Each health plan company shall provide to enrollees a clear and concise description of its complaint resolution procedure, if applicable under section 62Q.68, subdivision 1, and the procedure used for utilization review as defined under chapter 62M as part of the member handbook, subscriber contract, or certificate of coverage. If the health plan company does not issue a member handbook, the health plan company may provide the description in another written document. The description must specifically inform enrollees:

- (1) how to submit a complaint to the health plan company;
- (2) if the health plan includes utilization review requirements, how to notify the utilization review organization in a timely manner and how to obtain certification for health care services;
- (3) how to request an appeal either through the procedures described in sections 62Q.69 and 62Q.70 or through the procedures described in chapter 62M;
- (4) of the right to file a complaint with either the commissioner of health or commerce at any time during the complaint and appeal process;
- (5) the toll-free telephone number of the appropriate commissioner;
- (6) the telephone number of the office of consumer assistance, advocacy, and information; and
- (7) of the right to obtain an external review under section 62Q.73 and a description of when and how that right may be exercised.

## Sec. 38. [62Q.72] [RECORDKEEPING; REPORTING.]

Subdivision 1. [RECORDKEEPING.] Each health plan company shall maintain records of all enrollee complaints and their resolutions. These records shall be retained for five years and shall be made available to the appropriate commissioner upon request. An insurance company licensed under chapter 60A may instead comply with section 72A.20, subdivision 30.

Subd. 2. [REPORTING.] Each health plan company shall submit to the appropriate commissioner, as part of the company's annual filing, data on the number and type of complaints that are not resolved within 30 days, or 30 business days as provided under section 72A.201, subdivision 4, clause (3), for insurance companies licensed under chapter 60A. The commissioner shall also make this information available to the public upon request.

## Sec. 39. [62Q.73] [EXTERNAL REVIEW OF ADVERSE DETERMINATIONS.]

Subdivision 1. [DEFINITION.] For purposes of this section, adverse determination means:

- (1) a complaint decision relating to a health care service or claim that has been appealed in accordance with section 62Q.70 and the appeal decision is partially or wholly adverse to the complainant;
- (2) any initial determination not to certify that has been appealed in accordance with section 62M.06 and the appeal did not reverse the initial determination not to certify; or
- (3) a decision relating to a health care service made by a health plan company licensed under chapter 60A that denies the service on the basis that the service was not medically necessary.

An adverse determination does not include complaints relating to fraudulent marketing practices or agent misrepresentation.

Subd. 2. [EXCEPTION.] (a) This section does not apply to governmental programs except as permitted under paragraph (b). For purposes of this subdivision, "governmental programs" means the prepaid medical assistance program, the MinnesotaCare program, the prepaid general assistance medical care program, and the federal Medicare program.

(b) In the course of a recipient's appeal of a medical determination to the commissioner of human services under section 256.045, the recipient may request an expert medical opinion be arranged by the external review entity under contract to provide independent external reviews under this section. If such a request is made, the cost of the review shall be paid by the commissioner of human services. Any medical opinion obtained under this paragraph shall only be used by a state human services referee as evidence in the recipient's appeal to the commissioner of human services under section 256.045.

(c) Nothing in this subdivision shall be construed to limit or restrict the appeal rights provided in section 256.045 for governmental program recipients.

Subd. 3. [RIGHT TO EXTERNAL REVIEW.] (a) Any enrollee or anyone acting on behalf of an enrollee who has received an adverse determination may submit a written request for an external review of the adverse determination, if applicable under section 62Q.68, subdivision 1, or 62M.06, to the commissioner of health if the request involves a health plan company regulated by that commissioner or to the commissioner of commerce if the request involves a health plan company regulated by that commissioner. The written request must be accompanied by a filing fee of \$25. The fee may be waived by the commissioner of health or commerce in cases of financial hardship.

(b) Nothing in this section requires the commissioner of health or commerce to independently investigate an adverse determination referred for independent external review.

(c) If an enrollee requests an external review, the health plan company must participate in the external review. The cost of the external review in excess of the filing fee described in paragraph (a) shall be borne by the health plan company.

Subd. 4. [CONTRACT.] Pursuant to a request for proposal, the commissioner of administration, in consultation with the commissioners of health and commerce, shall contract with an organization or business entity to provide independent external reviews of all adverse determinations submitted for external review. The contract shall ensure that the fees for services rendered in connection with the reviews be reasonable.

Subd. 5. [CRITERIA.] (a) The request for proposal must require that the entity demonstrate:

(1) no conflicts of interest in that it is not owned, a subsidiary of, or affiliated with a health plan company or utilization review organization;

(2) an expertise in dispute resolution;

(3) an expertise in health related law;

(4) an ability to conduct reviews using a variety of alternative dispute resolution procedures depending upon the nature of the dispute;

(5) an ability to provide data to the commissioners of health and commerce on reviews conducted; and

(6) an ability to ensure confidentiality of medical records and other enrollee information.

(b) The commissioner of administration shall take into consideration, in awarding the contract according to subdivision 4, any national accreditation standards that pertain to an external review entity.

Subd. 6. [PROCESS.] (a) Upon receiving a request for an external review, the external review entity must provide immediate notice of the review to the enrollee and to the health plan company. Within ten business days of receiving notice of the review the health plan company and the enrollee must provide the external review entity with any information that they wish to be considered. Each party shall be provided an opportunity to present its version of the facts and arguments. An enrollee may be assisted or represented by a person of the enrollee's choice.

(b) As part of the external review process, any aspect of an external review involving a medical determination must be performed by a health care professional with expertise in the medical issue being reviewed.

(c) An external review shall be made as soon as practical but in no case later than 40 days after receiving the request for an external review and must promptly send written notice of the decision and the reasons for it to the enrollee, the health plan company, and to the commissioner who is responsible for regulating the health plan company.

Subd. 7. [STANDARDS OF REVIEW.] (a) For an external review of any issue in an adverse determination that does not require a medical necessity determination, the external review must be based on whether the adverse determination was in compliance with the enrollee's health benefit plan.

(b) For an external review of any issue in an adverse determination by a health plan company licensed under chapter 62D that requires a medical necessity determination, the external review must determine whether the adverse determination was consistent with the definition of medically necessary care in Minnesota Rules, part 4685.0100, subpart 9b.

(c) For an external review of any issue in an adverse determination by a health plan company, other than a health plan company licensed under chapter 62D, that requires a medical necessity determination, the external review must determine whether the adverse determination was consistent with the definition of medically necessary care in section 62Q.53, subdivision 2.

Subd. 8. [EFFECTS OF EXTERNAL REVIEW.] A decision rendered under this section shall be nonbinding on the enrollee and binding on the health plan company. The health plan company may seek judicial review of the decision on the grounds that the decision was arbitrary and capricious or involved an abuse of discretion.

Subd. 9. [IMMUNITY FROM CIVIL LIABILITY.] A person who participates in an external review by investigating, reviewing materials, providing technical expertise, or rendering a decision shall not be civilly liable for any action that is taken in good faith, that is within the scope of the person's duties, and that does not constitute willful or reckless misconduct.

Subd. 10. [DATA REPORTING.] The commissioners shall make available to the public, upon request, summary data on the decisions rendered under this section, including the number of reviews heard and decided and the final outcomes. Any data released to the public must not individually identify the enrollee initiating the request for external review.

Sec. 40. Minnesota Statutes 1998, section 62T.04, is amended to read:

62T.04 [COMPLAINT SYSTEM.]

Accountable provider networks must establish and maintain an enrollee complaint system as required under ~~section 62Q.105~~ sections 62Q.68 to 62Q.72. The accountable provider network may contract with the health care purchasing alliance or a vendor for operation of this system.

Sec. 41. Minnesota Statutes 1998, section 72A.201, subdivision 4a, is amended to read:

Subd. 4a. [STANDARDS FOR PREAUTHORIZATION APPROVAL.] If a policy of accident and sickness insurance or a subscriber contract requires preauthorization approval for any nonemergency services or benefits, the decision to approve or disapprove the requested services or benefits must be ~~communicated to the insured or the~~

~~insured's health care provider within ten business days of the preauthorization request provided that all information reasonably necessary to make a decision on the request has been made available to the insurer processed in accordance with section 62M.07.~~

Sec. 42. Minnesota Statutes 1998, section 256B.692, subdivision 2, is amended to read:

Subd. 2. [DUTIES OF THE COMMISSIONER OF HEALTH.] Notwithstanding chapters 62D and 62N, a county that elects to purchase medical assistance and general assistance medical care in return for a fixed sum without regard to the frequency or extent of services furnished to any particular enrollee is not required to obtain a certificate of authority under chapter 62D or 62N. A county that elects to purchase medical assistance and general assistance medical care services under this section must satisfy the commissioner of health that the requirements of chapter 62D, applicable to health maintenance organizations, or chapter 62N, applicable to community integrated service networks, will be met. A county must also assure the commissioner of health that the requirements of sections 62J.041; 62J.48; 62J.71 to 62J.73; 62M.01 to 62M.16; all applicable provisions of chapter 62Q, including sections 62Q.07; 62Q.075; ~~62Q.105~~; 62Q.1055; 62Q.106; ~~62Q.11~~; 62Q.12; 62Q.135; 62Q.14; 62Q.145; 62Q.19; 62Q.23, paragraph (c); ~~62Q.30~~; 62Q.43; 62Q.47; 62Q.50; 62Q.52 to 62Q.56; 62Q.58; 62Q.64; ~~62Q.68 to 62Q.72~~; and 72A.201 will be met. All enforcement and rulemaking powers available under chapters 62D, 62J, 62M, 62N, and 62Q are hereby granted to the commissioner of health with respect to counties that purchase medical assistance and general assistance medical care services under this section.

Sec. 43. [REPEALER.]

(a) Minnesota Statutes 1998, section 62D.11, subdivisions 1b and 2, are repealed.

(b) Minnesota Statutes 1998, sections 62Q.105; 62Q.11; and 62Q.30, are repealed.

(c) Minnesota Rules, parts 4685.0100, subparts 4 and 4a; and 4685.1700, are repealed.

(d) Minnesota Rules, part 4685.1010, subpart 3, is repealed.

Sec. 44. [EFFECTIVE DATE.]

Sections 1, 3 to 42, and 43, paragraphs (a) and (c), are effective April 1, 2000, and apply to contracts issued or renewed on or after that date. Upon request, the commissioner of health or commerce shall grant an extension of up to three months to any health plan company or utilization review organization that is unable to comply with sections 1, 3 to 42, and 43, paragraphs (a) and (c) by April 1, 2000, due to circumstances beyond the control of the health plan company or utilization review organization.

Section 43, paragraph (b), is effective July 1, 1999.

Sections 2 and 43, paragraph (d), are effective January 1, 2000, and apply to contracts issued or renewed on or after that date."

Delete the title and insert:

"A bill for an act relating to health; establishing a uniform complaint resolution process for health plan companies; establishing an external review process; amending Minnesota Statutes 1998, sections 62D.11, subdivision 1; 62M.01; 62M.02, subdivisions 3, 4, 5, 6, 7, 9, 10, 11, 12, 17, 20, 21, and by adding a subdivision; 62M.03, subdivisions 1 and 3; 62M.04, subdivisions 1, 2, 3, and 4; 62M.05; 62M.06; 62M.07; 62M.09, subdivision 3; 62M.10, subdivisions 2, 5, and 7; 62M.12; 62M.15; 62Q.106; 62Q.19, subdivision 5a; 62T.04; 72A.201, subdivision 4a; and 256B.692, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 62D; and 62Q; repealing Minnesota Statutes 1998, sections 62D.11, subdivisions 1b and 2; 62Q.105; 62Q.11; and 62Q.30; Minnesota Rules, parts 4685.0100, subparts 4 and 4a; 4685.1010, subpart 3; and 4685.1700."

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

Senate Conferees: LINDA BERGLIN, LEO T. FOLEY AND SHEILA M. KISCADEN.

House Conferees: KEVIN GOODNO, RON ABRAMS AND LEE GREENFIELD.

Goodno moved that the report of the Conference Committee on S. F. No. 1219 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 1219, A bill for an act relating to health; establishing a uniform complaint resolution process for health plan companies; establishing an external review process; amending Minnesota Statutes 1998, sections 62D.11, subdivision 1; 62M.01; 62M.02, subdivisions 3, 4, 5, 6, 7, 9, 10, 11, 12, 17, 20, 21, and by adding a subdivision; 62M.03, subdivisions 1 and 3; 62M.04, subdivisions 1, 2, 3, and 4; 62M.05; 62M.06; 62M.07; 62M.09, subdivision 3; 62M.10, subdivisions 2, 5, and 7; 62M.12; 62M.15; 62Q.106; 62Q.19, subdivision 5a; 62T.04; 72A.201, subdivision 4a; and 256B.692, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 62D; and 62Q; repealing Minnesota Statutes 1998, sections 62D.11, subdivisions 1b and 2; 62Q.105; and 62Q.30; Minnesota Rules, parts 4685.0100, subparts 4 and 4a; 4685.1010, subpart 3; and 4685.1700.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called.

Pawlenty moved that those not voting be excused from voting. The motion prevailed.

There were 132 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dorn	Holsten	Lindner	Ozment	Stang
Abrams	Entenza	Howes	Luther	Paulsen	Storm
Anderson, B.	Erhardt	Huntley	Mahoney	Pawlenty	Swenson
Anderson, I.	Erickson	Jaros	Mares	Paymar	Sykora
Bakk	Finseth	Jennings	Mariani	Pelowski	Tingelstad
Biernat	Folliard	Johnson	Marko	Peterson	Tomassoni
Bishop	Fuller	Juhnke	McCollum	Pugh	Trimble
Boudreau	Gerlach	Kahn	McElroy	Rest	Tuma
Bradley	Gleason	Kalis	McGuire	Reuter	Tunheim
Broecker	Goodno	Kelliher	Milbert	Rhodes	Van Dellen
Buesgens	Gray	Kielkucki	Molnau	Rifenberg	Vandev eer
Carlson	Greenfield	Knoblach	Mulder	Rostberg	Wagenius
Carruthers	Greiling	Koskinen	Mullery	Rukavina	Wejcm an
Cassell	Gunther	Krinkie	Murphy	Schumacher	Wenzel
Chaudhary	Haake	Kubly	Ness	Seagren	Westerberg
Clark, J.	Haas	Kuisle	Nornes	Seifert, J.	Westfall
Daggett	Hackbarth	Larsen, P.	Olson	Seifert, M.	Westrom
Davids	Harder	Larson, D.	Opatz	Skoe	Wilkin
Dawkins	Hasskamp	Leighton	Orfield	Skoglund	Winter
Dehler	Hausman	Lenczewski	Osskopp	Smith	Wolf
Dempsey	Hilty	Leppik	Osthoff	Solberg	Workman
Dorman	Holberg	Lieder	Otremba	Stanek	Spk. Sviggum

The bill was repassed, as amended by Conference, and its title agreed to.

## MOTION FOR RECONSIDERATION

Pawlenty moved that the vote whereby S. F. No. 709 was not repassed, as amended by Conference, on Saturday, May 15, 1999, be now reconsidered. The motion prevailed.

S. F. No. 709, as amended by Conference, was reported to the House.

S. F. No. 709, A bill for an act relating to state procurement; authorizing the commissioner of administration to award a preference of as much as six percent in the amount bid for specified goods or services to small businesses; amending Minnesota Statutes 1998, section 16C.16, subdivision 7; repealing Minnesota Rules, part 1230.1860, item A.

The bill, as amended by Conference, was placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 101 yeas and 32 nays as follows:

Those who voted in the affirmative were:

Anderson, I.	Entenza	Howes	Lieder	Osthoff	Storm
Bakk	Erhardt	Huntley	Luther	Otremba	Swenson
Biernat	Finseth	Jaros	Mahoney	Ozment	Tingelstad
Bishop	Folliard	Jennings	Mares	Pawlenty	Tomassoni
Boudreau	Gleason	Johnson	Mariani	Paymar	Trimble
Bradley	Gray	Juhnke	Marko	Pelowski	Tuma
Carlson	Greenfield	Kahn	McCollum	Peterson	Tunheim
Carruthers	Greiling	Kalis	McGuire	Pugh	Wagenius
Cassell	Gunther	Kelliher	Milbert	Rhodes	Wejcman
Chaudhary	Haake	Kielkucki	Mullery	Rukavina	Wenzel
Clark, J.	Haas	Koskinen	Munger	Schumacher	Westfall
Davids	Hackbarth	Kubly	Murphy	Seifert, M.	Westrom
Dawkins	Harder	Kuisele	Ness	Skoe	Winter
Dehler	Hasskamp	Larson, D.	Nornes	Skoglund	Wolf
Dempsey	Hausman	Leighton	Opatz	Smith	Workman
Dorman	Hilty	Lenczewski	Orfield	Solberg	Spk. Sviggum
Dorn	Holsten	Leppik	Osskopp	Stang	

Those who voted in the negative were:

Abeler	Erickson	Krinkie	Olson	Seagren	Westerberg
Abrams	Fuller	Larsen, P.	Paulsen	Seifert, J.	Wilkin
Anderson, B.	Gerlach	Lindner	Rest	Stanek	
Broecker	Goodno	McElroy	Reuter	Sykora	
Buesgens	Holberg	Molnau	Rifenberg	Van Dellen	
Daggett	Knoblach	Mulder	Rostberg	Vandevier	

The bill was repassed, as amended by Conference, and its title agreed to.

Munger was excused for the remainder of today's session.