

## STATE OF MINNESOTA

## EIGHTY-SIXTH SESSION — 2010

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 NINETY-SIXTH DAY

SAINT PAUL, MINNESOTA, TUESDAY, MAY 4, 2010

The House of Representatives convened at 9:00 a.m. and was called to order by Jeremy Kalin, Speaker pro tempore.

Prayer was offered by the Reverend Dennis J. Johnson, 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	Dettmer	Hayden	Lenczewski	Norton	Slawik
Anderson, B.	Dill	Hilstrom	Lesch	Obermueller	Slocum
Anderson, P.	Dittrich	Hilty	Liebling	Olin	Smith
Anderson, S.	Doepke	Holberg	Lieder	Otremba	Solberg
Anzelc	Doty	Hoppe	Lillie	Paymar	Sterner
Atkins	Downey	Hornstein	Loeffler	Pelowski	Swails
Beard	Drazkowski	Hortman	Loon	Peppin	Thao
Benson	Eastlund	Hosch	Mack	Persell	Thissen
Bigham	Eken	Howes	Mahoney	Peterson	Tillberry
Bly	Emmer	Huntley	Mariani	Poppe	Torkelson
Brod	Falk	Jackson	Marquart	Reinert	Urdahl
Brown	Faust	Johnson	Masin	Rosenthal	Wagenius
Brynaert	Fritz	Juhnke	McFarlane	Rukavina	Ward
Buesgens	Gardner	Kahn	McNamara	Ruud	Welti
Bunn	Garofalo	Kalin	Morgan	Sailer	Westrom
Carlson	Gottwalt	Kath	Morrow	Sanders	Winkler
Champion	Greiling	Kelly	Mullery	Scalze	Zellers
Clark	Gunther	Kiffmeyer	Murdock	Scott	Spk. Kelliher
Cornish	Hackbarth	Knuth	Murphy, E.	Seifert	
Davids	Hamilton	Koenen	Murphy, M.	Sertich	
Davnie	Hansen	Kohls	Nelson	Severson	
Dean	Hausman	Laine	Newton	Shimanski	
Demmer	Haws	Lanning	Nornes	Simon	

A quorum was present.

Magnus was excused 7:35 p.m.

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

Sertich 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.

ANNOUNCEMENT FROM THE COMMITTEE ON  
RULES AND LEGISLATIVE ADMINISTRATION

Pursuant to rules 1.21 and 1.22, the Committee on Rules and Legislative Administration specified Monday, May 3, 2010, as the date after which the 5:00 p.m. deadlines no longer apply to the designation of bills to be placed on the Calendar for the Day and to the announcement of the intention to request that bills be considered by the House on the Fiscal Calendar.

Pursuant to rule 3.14, the Committee on Rules and Legislative Administration specified Monday, May 3, 2010, as the date after which notice of intent to move to reconsider must not be given.

REPORTS OF CHIEF CLERK

S. F. No. 3055 and H. F. No. 3467, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Davnie moved that the rules be so far suspended that S. F. No. 3055 be substituted for H. F. No. 3467 and that the House File be indefinitely postponed. The motion prevailed.

**PETITIONS AND COMMUNICATIONS**

The following communication was received:

STATE OF MINNESOTA  
OFFICE OF THE GOVERNOR  
SAINT PAUL 55155

April 30, 2010

The Honorable Margaret Anderson Kelliher  
Speaker of the House of Representatives  
The State of Minnesota

Dear Speaker Kelliher:

I have vetoed and am returning House File No. 3164, Chapter No. 284.

This bill is unnecessary because the credit transfer issues identified by the Legislative Auditor, MnSCU staff, and students are already being addressed through internal actions and policy changes.

Sincerely,

TIM PAWLENTY  
Governor

## REPORTS OF STANDING COMMITTEES AND DIVISIONS

Carlson from the Committee on Finance to which was referred:

H. F. No. 2431, A bill for an act relating to education finance; modifying the school finance system; creating a new education funding framework; amending Minnesota Statutes 2008, sections 123B.53, subdivision 5; 124D.4531, as amended; 124D.59, subdivision 2; 124D.65, subdivision 5; 125A.76, subdivision 5; 125A.79, subdivision 7; 126C.01, by adding subdivisions; 126C.05, subdivisions 1, 3, 5, 6, 8, 16, 17; 126C.10, subdivisions 1, 2, 2a, 3, 4, 6, 13, 14, 18, by adding subdivisions; 126C.13, subdivisions 4, 5; 126C.17, subdivisions 1, 5, 6; 126C.20; 126C.40, subdivision 1; 127A.51; proposing coding for new law in Minnesota Statutes, chapters 123B; 126C; repealing Minnesota Statutes 2008, sections 123B.54; 123B.57, subdivisions 3, 4, 5; 123B.591; 125A.76, subdivision 4; 125A.79, subdivision 6; 126C.10, subdivisions 2b, 13a, 13b, 24, 25, 26, 27, 28, 29, 30, 31, 31a, 31b, 32, 33, 34, 35, 36; 126C.12; 126C.126; 127A.50.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

### "ARTICLE 1

#### GENERAL EDUCATION

Section 1. Minnesota Statutes 2008, section 11A.16, subdivision 5, is amended to read:

Subd. 5. **Calculation of income.** As of the end of each fiscal year, the state board shall calculate the investment income earned by the permanent school fund. The investment income earned by the fund shall equal the amount of interest on debt securities ~~and~~ dividends on equity securities, and interest earned on certified monthly earnings prior to the transfer to the Department of Education. Gains and losses arising from the sale of securities shall be apportioned as follows:

(a) If the sale of securities results in a net gain during a fiscal year, the gain shall be apportioned in equal installments over the next ten fiscal years to offset net losses in those years. If any portion of an installment is not needed to recover subsequent losses identified in paragraph (b) it shall be added to the principal of the fund.

(b) If the sale of securities results in a net loss during a fiscal year, the net loss shall be recovered first from the gains in paragraph (a) apportioned to that fiscal year. If these gains are insufficient, any remaining net loss shall be recovered from interest and dividend income in equal installments over the following ten fiscal years.

Sec. 2. Minnesota Statutes 2008, section 120B.07, is amended to read:

**120B.07 EARLY GRADUATION.**

(a) Notwithstanding any law to the contrary, any secondary school student who has completed all required courses or standards may, with the approval of the student, the student's parent or guardian, and local school officials, graduate before the completion of the school year.

(b) General education revenue attributable to the student must be paid as though the student was in attendance for the entire year unless the student participates in the early graduation achievement scholarship program under section 120B.08.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

**Sec. 3. [120B.08] EARLY GRADUATION ACHIEVEMENT SCHOLARSHIP PROGRAM.**

Subdivision 1. **Participation.** A student who qualifies for early graduation under section 120B.07 is eligible to participate in the early graduation achievement scholarship program.

Subd. 2. **Scholarship amounts.** A student who participates in the early graduation achievement scholarship program is eligible for a scholarship of \$2,500 if the student qualifies for graduation one semester early, \$5,000 if the student qualifies for graduation two semesters early, or \$7,500 if the student qualifies for graduation three or more semesters early.

Subd. 3. **Scholarship uses.** An early graduation achievement scholarship may be used at any accredited institution of higher education.

Subd. 4. **Application.** A qualifying student may apply to the commissioner of education for an early graduation achievement scholarship. The application must be in the form and manner specified by the commissioner. Upon verification of the qualifying student's course completion necessary for graduation, the department must issue the student a certificate showing the student's scholarship amount.

Subd. 5. **Enrollment verification.** A student who qualifies under this section and enrolls in an accredited higher education institution must submit a form to the commissioner verifying the student's enrollment in the higher education institution and the tuition charges for that semester. Within 15 days of receipt of a student's enrollment and tuition verification form, the commissioner must issue a scholarship check to the student in the lesser of the tuition amount for that semester or the maximum amount of the student's early graduation achievement scholarship. A student may continue to submit enrollment verification forms to the commissioner until the student has used the full amount of the student's graduation achievement scholarship.

Subd. 6. **General education money transferred.** The commissioner must transfer the amounts necessary to fund the early graduation achievement scholarships from the general education aid appropriation for that year.

**EFFECTIVE DATE.** This section is effective for fiscal years 2011 and later.

Sec. 4. Minnesota Statutes 2008, section 123B.63, subdivision 3, is amended to read:

Subd. 3. **Capital project levy referendum.** (a) A district may levy the local tax rate approved by a majority of the electors voting on the question to provide funds for an approved project. The election must take place no more than five years before the estimated date of commencement of the project. The referendum must be held on a date set by the board. A referendum for a project not receiving a positive review and comment by the commissioner under section 123B.71 must be approved by at least 60 percent of the voters at the election.

(b) The referendum may be called by the school board and may be held:

(1) separately, before an election for the issuance of obligations for the project under chapter 475; or

(2) in conjunction with an election for the issuance of obligations for the project under chapter 475; or

(3) notwithstanding section 475.59, as a conjunctive question authorizing both the capital project levy and the issuance of obligations for the project under chapter 475. Any obligations authorized for a project may be issued within five years of the date of the election.

(c) The ballot must provide a general description of the proposed project, state the estimated total cost of the project, state whether the project has received a positive or negative review and comment from the commissioner, state the maximum amount of the capital project levy as a percentage of net tax capacity, state the amount that will be raised by that local tax rate in the first year it is to be levied, and state the maximum number of years that the levy authorization will apply.

The ballot must contain a textual portion with the information required in this section and a question stating substantially the following:

"Shall the capital project levy proposed by the board of ..... School District No. .... be approved?"

If approved, the amount provided by the approved local tax rate applied to the net tax capacity for the year preceding the year the levy is certified may be certified for the number of years, not to exceed ten, approved.

(d) If the authority for an existing project is expiring and the district is proposing a new project at the same maximum tax rate, the general description on the ballot may state that the capital project levy is being renewed and that the tax rate is not being increased from the previous year's rate and the notice required under section 276.60, may be modified to read: "BY VOTING YES ON THIS BALLOT QUESTION, YOU ARE VOTING TO EXTEND THE AUTHORITY FOR AN EXPIRING CAPITAL PROJECT AT THE SAME TAX RATE."

(e) In the event a conjunctive question proposes to authorize both the capital project levy and the issuance of obligations for the project, appropriate language authorizing the issuance of obligations must also be included in the question.

(f) The district must notify the commissioner of the results of the referendum.

**EFFECTIVE DATE.** This section is effective for referenda conducted on or after July 1, 2010.

Sec. 5. Minnesota Statutes 2008, section 124D.09, subdivision 20, is amended to read:

Subd. 20. **Textbooks; materials.** All textbooks and equipment provided to a pupil, and paid for under subdivision 13, are the property of the pupil's postsecondary institution. Each pupil is required to return all textbooks and equipment to the postsecondary institution after the course has ended. The postsecondary institution may bill the pupil for any textbooks and equipment that are not promptly returned by the student.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 6. Minnesota Statutes 2008, section 125A.79, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For the purposes of this section, the definitions in this subdivision apply.

(a) "Unreimbursed special education cost" means the sum of the following:

(1) expenditures for teachers' salaries, contracted services, supplies, equipment, and transportation services eligible for revenue under section 125A.76; plus

(2) expenditures for tuition bills received under sections 125A.03 to 125A.24 and 125A.65 for services eligible for revenue under section 125A.76, subdivision 2; minus

(3) revenue for teachers' salaries, contracted services, supplies, equipment, and transportation services under section 125A.76; minus

(4) tuition receipts under sections 125A.03 to 125A.24 and 125A.65 for services eligible for revenue under section 125A.76, subdivision 2.

(b) "General revenue" for a school district means the sum of the general education revenue according to section 126C.10, subdivision 1, excluding alternative teacher compensation revenue, ~~plus the total qualifying referendum revenue specified in paragraph (e)~~ minus transportation sparsity revenue minus total operating capital revenue. "General revenue" for a charter school means the sum of the general education revenue according to section 124D.11, subdivision 1, and transportation revenue according to section 124D.11, subdivision 2, excluding alternative teacher compensation revenue, minus referendum equalization aid minus transportation sparsity revenue minus operating capital revenue.

(c) "Average daily membership" has the meaning given it in section 126C.05.

(d) "Program growth factor" means 1.02 for fiscal year 2012 and later.

~~(e) "Total qualifying referendum revenue" means two thirds of the district's total referendum revenue as adjusted according to section 127A.47, subdivision 7, paragraphs (a) to (c), for fiscal year 2006, one third of the district's total referendum revenue for fiscal year 2007, and none of the district's total referendum revenue for fiscal year 2008 and later.~~

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

Sec. 7. Minnesota Statutes 2008, section 126C.10, subdivision 2a, is amended to read:

Subd. 2a. **Extended time revenue.** (a) A school district's extended time revenue is equal to the product of ~~\$4,604~~ (1) the formula allowance for that year minus \$523, and (2) the sum of the adjusted marginal cost pupil units of the district for each pupil in average daily membership in excess of 1.0 and less than 1.2 according to section 126C.05, subdivision 8, if the district has extended time average daily membership in the current year.

(b) A school district's extended time revenue may be used for extended day programs, extended week programs, summer school, and other programming authorized under the learning year program.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal years 2011 and later.

Sec. 8. Minnesota Statutes 2008, section 126C.10, subdivision 13a, is amended to read:

Subd. 13a. **Operating capital levy.** To obtain operating capital revenue ~~for fiscal year 2007 and later~~, a district may levy an amount not more than the product of its operating capital revenue for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital equalizing factor. The operating capital equalizing factor equals ~~\$22,222 for fiscal year 2006, and~~ \$10,700 for fiscal year years 2007 through 2011, \$10,915 for fiscal year 2012, and \$11,029 for fiscal years 2013 and later.

**EFFECTIVE DATE.** This section is effective for fiscal years 2012 and later.

Sec. 9. Minnesota Statutes 2008, section 126C.10, subdivision 14, is amended to read:

Subd. 14. **Uses of total operating capital revenue.** Total operating capital revenue may be used only for the following purposes:

- (1) to acquire land for school purposes;
- (2) to acquire or construct buildings for school purposes;
- (3) to rent or lease buildings, including the costs of building repair or improvement that are part of a lease agreement;
- (4) to improve and repair school sites and buildings, and equip or reequip school buildings with permanent attached fixtures, including library media centers;
- (5) for a surplus school building that is used substantially for a public nonschool purpose;
- (6) to eliminate barriers or increase access to school buildings by individuals with a disability;
- (7) to bring school buildings into compliance with the State Fire Code adopted according to chapter 299F;
- (8) to remove asbestos from school buildings, encapsulate asbestos, or make asbestos-related repairs;
- (9) to clean up and dispose of polychlorinated biphenyls found in school buildings;
- (10) to clean up, remove, dispose of, and make repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296A.01;
- (11) for energy audits for school buildings and to modify buildings if the audit indicates the cost of the modification can be recovered within ten years;
- (12) to improve buildings that are leased according to section 123B.51, subdivision 4;
- (13) to pay special assessments levied against school property but not to pay assessments for service charges;
- (14) to pay principal and interest on state loans for energy conservation according to section 216C.37 or loans made under the Douglas J. Johnson Economic Protection Trust Fund Act according to sections 298.292 to 298.298;
- (15) to purchase or lease interactive telecommunications equipment;
- (16) by board resolution, to transfer money into the debt redemption fund to: (i) pay the amounts needed to meet, when due, principal and interest payments on certain obligations issued according to chapter 475; or (ii) pay principal and interest on debt service loans or capital loans according to section 126C.70;
- (17) to pay operating capital-related assessments of any entity formed under a cooperative agreement between two or more districts;
- (18) to purchase or lease computers and related materials, copying machines, telecommunications equipment, and other noninstructional equipment;
- (19) to purchase or lease assistive technology or equipment for instructional programs;

(20) to purchase textbooks;

(21) to purchase new and replacement library media resources or technology;

(22) to purchase vehicles;

(23) to purchase or lease telecommunications equipment, computers, and related equipment for integrated information management systems for:

(i) managing and reporting learner outcome information for all students under a results-oriented graduation rule;

(ii) managing student assessment, services, and achievement information required for students with individual education plans; and

(iii) other classroom information management needs; ~~and~~

(24) to pay personnel costs directly related to the acquisition, operation, and maintenance of telecommunications systems, computers, related equipment, and network and applications software; and

(25) to pay the costs directly associated with closing a school facility, including moving and storage costs.

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

Sec. 10. Minnesota Statutes 2008, section 126C.126, is amended to read:

**126C.126 REALLOCATING GENERAL EDUCATION REVENUE FOR ALL-DAY KINDERGARTEN AND PREKINDERGARTEN.**

(a) In order to provide additional revenue for an optional all-day kindergarten program, a district may reallocate general education revenue attributable to 12th grade students who have graduated early under section 120B.07 and who do not participate in the early graduation achievement scholarship program under section 120B.08.

(b) A school district may spend general education revenue on extended time kindergarten and prekindergarten programs.

**EFFECTIVE DATE.** This section is effective for fiscal years 2011 and later.

Sec. 11. Minnesota Statutes 2008, section 126C.17, is amended by adding a subdivision to read:

Subd. 9a. **Renewal by school board.** Notwithstanding the election requirements of subdivision 9, a school board may renew an expiring referendum by board action if:

(1) the per pupil amount of the referendum is the same as the amount expiring;

(2) the term of the renewed referendum is no longer than the initial term approved by the voters; and

(3) the school board has adopted a written resolution authorizing the renewal after holding a meeting and allowing public testimony on the proposed renewal.

**EFFECTIVE DATE.** This section is effective July 1, 2010.



Sec. 12. Minnesota Statutes 2008, section 126C.20, is amended to read:

**126C.20 ANNUAL GENERAL EDUCATION AID APPROPRIATION.**

There is annually appropriated from the general fund to the department the amount necessary for general education aid under section 126C.13 and the early graduation achievement scholarship program under section 120B.08. This amount must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

**EFFECTIVE DATE.** This section is effective for fiscal years 2011 and later.

Sec. 13. Minnesota Statutes 2009 Supplement, section 126C.41, subdivision 2, is amended to read:

Subd. 2. **Retired employee health benefits.** (a) A district may levy an amount up to the amount the district is required by the collective bargaining agreement in effect on March 30, 1992, to pay for health insurance or unreimbursed medical expenses for licensed and nonlicensed employees who have terminated services in the employing district and withdrawn from active teaching service or other active service, as applicable, before July 1, 1992, and to pay for health insurance or unreimbursed medical expenses for licensed and nonlicensed employees who have terminated services in the employing district and withdrawn from active teaching service or other active service, as applicable before July 1, 1998, only if a sunset clause is in effect for the current collective bargaining agreement. The total amount of the levy each year may not exceed \$600,000.

(b) In addition to the levy authority granted under paragraph (a), a school district may levy for other postemployment benefits expenses actually paid during the previous fiscal year. For purposes of this subdivision, "postemployment benefits" means benefits giving rise to a liability under Statement No. 45 of the Government Accounting Standards Board. A district seeking levy authority under this subdivision must:

(1) create or have created an actuarial liability to pay postemployment benefits to employees or officers after their termination of service;

(2) have a sunset clause in effect for the current collective bargaining agreement as required by paragraph (a); and

(3) apply for the authority in the form and manner required by the commissioner of education.

If the total levy authority requested under this paragraph exceeds the amount established in paragraph (c), the commissioner must proportionately reduce each district's maximum levy authority under this subdivision. The commissioner may subsequently adjust each district's levy authority under this subdivision so long as the total levy authority does not exceed the maximum levy authority for that year.

(c) The maximum levy authority under paragraph (b) must not exceed the following amounts:

(1) \$9,242,000 for taxes payable in 2010;

(2) \$29,863,000 for taxes payable in 2011; and

(3) for taxes payable in 2012 and later, the maximum levy authority must not exceed the sum of the previous year's authority and \$14,000,000.

Sec. 14. Minnesota Statutes 2009 Supplement, section 126C.44, is amended to read:

**126C.44 SAFE SCHOOLS LEVY.**

(a) Each district may make a levy on all taxable property located within the district for the purposes specified in this section. The maximum amount which may be levied for all costs under this section shall be equal to \$30 multiplied by the district's adjusted marginal cost pupil units for the school year. The proceeds of the levy must be reserved and used for directly funding the following purposes or for reimbursing the cities and counties who contract with the district for the following purposes: (1) to pay the costs incurred for the salaries, benefits, and transportation costs of peace officers and sheriffs for liaison in services in the district's schools; (2) to pay the costs for a drug abuse prevention program as defined in section 609.101, subdivision 3, paragraph (e), in the elementary schools; (3) to pay the costs for a gang resistance education training curriculum in the district's schools; (4) to pay the costs for security in the district's schools and on school property; (5) to pay the costs for other crime prevention, drug abuse, student and staff safety, voluntary opt-in suicide prevention tools, and violence prevention measures taken by the school district; or (6) to pay costs for licensed school counselors, licensed school nurses, licensed school social workers, licensed school psychologists, and licensed alcohol and chemical dependency counselors to help provide early responses to problems. For expenditures under clause (1), the district must initially attempt to contract for services to be provided by peace officers or sheriffs with the police department of each city or the sheriff's department of the county within the district containing the school receiving the services. If a local police department or a county sheriff's department does not wish to provide the necessary services, the district may contract for these services with any other police or sheriff's department located entirely or partially within the school district's boundaries.

(b) A school district that is a member of an intermediate school district may include in its authority under this section the costs associated with safe schools activities authorized under paragraph (a) for intermediate school district programs. This authority must not exceed \$10 times the adjusted marginal cost pupil units of the member districts. This authority is in addition to any other authority authorized under this section. Revenue raised under this paragraph must be transferred to the intermediate school district.

(c) A school district must set aside at least \$3 per adjusted marginal cost pupil unit of the safe schools levy proceeds for the purposes authorized under paragraph (a), clause (6). The district must annually certify either that: (1) its total spending on services provided by the employees listed in paragraph (a), clause (6), is not less than the sum of its expenditures for these purposes, excluding amounts spent under this section, in the previous year plus the amount spent under this section; ~~or~~ (2) that the district's full-time equivalent number of employees listed in paragraph (a), clause (6), is not less than the number for the previous year; or (3) that the district's full-time equivalent number of employees listed in paragraph (a), clause (6), including those provided through a special education cooperative, intermediate school district, or education district, is not less than the number for the previous year.

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

ARTICLE 2

EDUCATION EXCELLENCE

Section 1. Minnesota Statutes 2008, section 120A.41, is amended to read:

**120A.41 LENGTH OF SCHOOL YEAR; DAYS OF INSTRUCTION.**

A school board's annual school calendar must include at least ~~the number of days of student instruction the board formally adopted as its school calendar at the beginning of the 1996-1997 school year~~ 425 hours of instruction for a kindergarten student without a disability, 935 hours of instruction for a student in grades 1 through 6, and 1,020 hours of instruction for a student in grades 7 through 12, not including summer school.

**EFFECTIVE DATE.** This section is effective for the 2010-2011 school year and later.

Sec. 2. Minnesota Statutes 2008, section 120B.021, subdivision 1, is amended to read:

Subdivision 1. **Required academic standards.** The following subject areas are required for statewide accountability:

- (1) language arts;
- (2) mathematics;
- (3) science;
- (4) social studies, including history, geography, economics, and government and citizenship;
- (5) physical education;
- (6) ~~health and physical education~~, for which locally developed academic standards apply; and

~~(6)~~ (7) the arts, for which statewide or locally developed academic standards apply, as determined by the school district. Public elementary and middle schools must offer at least three and require at least two of the following four arts areas: dance; music; theater; and visual arts. Public high schools must offer at least three and require at least one of the following five arts areas: media arts; dance; music; theater; and visual arts.

The commissioner must submit proposed standards in science and social studies to the legislature by February 1, 2004.

For purposes of applicable federal law, the academic standards for language arts, mathematics, and science apply to all public school students, except the very few students with extreme cognitive or physical impairments for whom an individualized education plan team has determined that the required academic standards are inappropriate. An individualized education plan team that makes this determination must establish alternative standards.

A school district, no later than the 2007-2008 school year, must adopt graduation requirements that meet or exceed state graduation requirements established in law or rule. A school district that incorporates these state graduation requirements before the 2007-2008 school year must provide students who enter the 9th grade in or before the 2003-2004 school year the opportunity to earn a diploma based on existing locally established graduation requirements in effect when the students entered the 9th grade. District efforts to develop, implement, or improve instruction or curriculum as a result of the provisions of this section must be consistent with sections 120B.10, 120B.11, and 120B.20.

The commissioner must include the contributions of Minnesota American Indian tribes and communities as they relate to the academic standards during the review and revision of the required academic standards.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to all school districts and charter schools beginning in the 2012-2013 school year and later. A school district or charter school is strongly encouraged to implement state physical education standards in an earlier school year than the 2012-2013 school year if it has adopted physical education standards equivalent to the standards developed by the National Association for Sport and Physical Education under section 38 on the effective date of this act, or if it is scheduled to undertake the periodic review of its local physical education standards under Minnesota Statutes, section 120B.023, subdivision 2, paragraph (g), in a school year before the 2012-2013 school year, it is strongly encouraged to implement state physical education standards consistent with section 38 in an earlier school year.

Sec. 3. Minnesota Statutes 2009 Supplement, section 120B.023, subdivision 2, is amended to read:

Subd. 2. **Revisions and reviews required.** (a) The commissioner of education must revise and appropriately embed technology and information literacy standards consistent with recommendations from school media specialists into the state's academic standards and graduation requirements and implement a review cycle for state academic standards and related benchmarks, consistent with this subdivision. During each review cycle, the commissioner also must examine the alignment of each required academic standard and related benchmark with the knowledge and skills students need for college readiness and advanced work in the particular subject area.

(b) The commissioner in the 2006-2007 school year must revise and align the state's academic standards and high school graduation requirements in mathematics to require that students satisfactorily complete the revised mathematics standards, beginning in the 2010-2011 school year. Under the revised standards:

(1) students must satisfactorily complete an algebra I credit by the end of eighth grade; and

(2) students scheduled to graduate in the 2014-2015 school year or later must satisfactorily complete an algebra II credit or its equivalent.

The commissioner also must ensure that the statewide mathematics assessments administered to students in grades 3 through 8 and 11 are aligned with the state academic standards in mathematics, consistent with section 120B.30, subdivision 1, paragraph (b). The commissioner must implement a review of the academic standards and related benchmarks in mathematics beginning in the 2015-2016 school year.

(c) The commissioner in the 2007-2008 school year must revise and align the state's academic standards and high school graduation requirements in the arts to require that students satisfactorily complete the revised arts standards beginning in the 2010-2011 school year. The commissioner must implement a review of the academic standards and related benchmarks in arts beginning in the 2016-2017 school year.

(d) The commissioner in the 2008-2009 school year must revise and align the state's academic standards and high school graduation requirements in science to require that students satisfactorily complete the revised science standards, beginning in the 2011-2012 school year. Under the revised standards, students scheduled to graduate in the 2014-2015 school year or later must satisfactorily complete a chemistry or physics credit. The commissioner must implement a review of the academic standards and related benchmarks in science beginning in the 2017-2018 school year.

(e) The commissioner in the 2009-2010 school year must revise and align the state's academic standards and high school graduation requirements in language arts to require that students satisfactorily complete the revised language arts standards beginning in the 2012-2013 school year. The commissioner must implement a review of the academic standards and related benchmarks in language arts beginning in the 2018-2019 school year.

(f) The commissioner in the 2010-2011 school year must revise and align the state's academic standards and high school graduation requirements in social studies to require that students satisfactorily complete the revised social studies standards beginning in the 2013-2014 school year. The commissioner must implement a review of the academic standards and related benchmarks in social studies beginning in the 2019-2020 school year.

(g) School districts and charter schools must revise and align local academic standards and high school graduation requirements in health, ~~physical education~~, world languages, and career and technical education to require students to complete the revised standards beginning in a school year determined by the school district or charter school. School districts and charter schools must formally establish a periodic review cycle for the academic standards and related benchmarks in health, ~~physical education~~, world languages, and career and technical education.

(h) The commissioner in the 2013-2014 school year and later must use the good cause exemption under section 14.388, subdivision 1, clause (3), to amend the rules governing state physical education standards to conform the state standards to changes in the standards developed by the National Association for Sport and Physical Education. Directions to the commissioner to embed technology and information literacy standards under paragraph (a) and other requirements related to state academic standards under this chapter do not apply.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to all school districts and charter schools beginning in the 2012-2013 school year and later, except that paragraph (h) applies beginning in the 2013-2014 school year and later. A school district or charter school is strongly encouraged to implement state physical education standards in an earlier school year than the 2012-2013 school year if it has adopted physical education standards equivalent to the standards developed by the National Association for Sport and Physical Education under section 38 on the effective date of this act, or if it is scheduled to undertake the periodic review of its local physical education standards under paragraph (g) in a school year before the 2012-2013 school year, it is strongly encouraged to implement state physical education standards consistent with section 38 in an earlier school year.

Sec. 4. Minnesota Statutes 2008, section 120B.15, is amended to read:

**120B.15 GIFTED AND TALENTED STUDENTS PROGRAMS.**

(a) School districts and charter schools may identify students, locally develop programs addressing instructional and affective needs, provide staff development, and evaluate programs to provide gifted and talented students with challenging and appropriate educational programs.

(b) School districts and charter schools may adopt guidelines for assessing and identifying students for participation in gifted and talented programs. The guidelines should include the use of:

(1) multiple and objective criteria; and

(2) assessments and procedures that are valid and reliable, fair, and based on current theory and research addressing the use of tools and methods that are sensitive to underrepresented groups, including, but not limited to, students who are low income, minority, gifted and learning disabled, and English language learners.

(c) School districts and charter schools must adopt procedures for the academic acceleration of gifted and talented students. These procedures must include how the district will:

(1) assess a student's readiness and motivation for acceleration; and

(2) match the level, complexity, and pace of the curriculum to a student to achieve the best type of academic acceleration for that student.

Sec. 5. **[120B.21] MENTAL HEALTH EDUCATION.**

The legislature encourages districts to provide instruction in mental health for students in grades 7 through 12. Instruction must be aligned with local health standards and integrated into a district's existing programs, curriculum, or the general school environment. The commissioner of education, in consultation with mental health organizations, shall provide assistance to districts including:

(1) age-appropriate model learning activities for grades 7 through 12 that address mental health components of the National Health Education Standards and the benchmarks developed by the department's quality teaching network in health and best practices in mental health education; and

(2) a directory of resources for planning and implementing age-appropriate mental health curriculum and instruction in grades 7 through 12.

Sec. 6. Minnesota Statutes 2009 Supplement, section 120B.30, subdivision 1, is amended to read:

Subdivision 1. **Statewide testing.** (a) The commissioner, with advice from experts with appropriate technical qualifications and experience and stakeholders, consistent with subdivision 1a, shall include in the comprehensive assessment system, for each grade level to be tested, state-constructed tests developed ~~from and~~ to be computer-adaptive reading and mathematics assessments for general education students that are aligned with the state's required academic standards under section 120B.021, include multiple choice questions, and be administered annually to all students in grades 3 through 8. State-developed high school tests aligned with the state's required academic standards under section 120B.021 and administered to all high school students in a subject other than writing must include multiple choice questions. The commissioner shall establish one or more months during which schools shall administer the tests to students each school year. For students enrolled in grade 8 before the 2005-2006 school year, Minnesota basic skills tests in reading, mathematics, and writing shall fulfill students' basic skills testing requirements for a passing state notation. The passing scores of basic skills tests in reading and mathematics are the equivalent of 75 percent correct for students entering grade 9 based on the first uniform test administered in February 1998. Students who have not successfully passed a Minnesota basic skills test by the end of the 2011-2012 school year must pass the graduation-required assessments for diploma under paragraph (b).

(b) The state assessment system must be aligned to the most recent revision of academic standards as described in section 120B.023 in the following manner:

(1) mathematics;

(i) grades 3 through 8 beginning in the 2010-2011 school year; and

(ii) high school level beginning in the ~~2013-2014~~ 2014-2015 school year;

(2) science; grades 5 and 8 and at the high school level beginning in the 2011-2012 school year; and

(3) language arts and reading; grades 3 through 8 and high school level beginning in the 2012-2013 school year.

(c) For students enrolled in grade 8 in the 2005-2006 school year and later, only the following options shall fulfill students' state graduation test requirements:

(1) for reading and mathematics:

(i) obtaining an achievement level equivalent to or greater than proficient as determined through a standard setting process on the Minnesota comprehensive assessments in grade 10 for reading and grade 11 for mathematics or achieving a passing score as determined through a standard setting process on the graduation-required assessment for diploma in grade 10 for reading and grade 11 for mathematics or subsequent retests;

(ii) achieving a passing score as determined through a standard setting process on the state-identified language proficiency test in reading and the mathematics test for English language learners or the graduation-required assessment for diploma equivalent of those assessments for students designated as English language learners;

(iii) achieving an individual passing score on the graduation-required assessment for diploma as determined by appropriate state guidelines for students with an individual education plan or 504 plan;

(iv) obtaining achievement level equivalent to or greater than proficient as determined through a standard setting process on the state-identified alternate assessment or assessments in grade 10 for reading and grade 11 for mathematics for students with an individual education plan; or

(v) achieving an individual passing score on the state-identified alternate assessment or assessments as determined by appropriate state guidelines for students with an individual education plan; and

(2) for writing:

(i) achieving a passing score on the graduation-required assessment for diploma;

(ii) achieving a passing score as determined through a standard setting process on the state-identified language proficiency test in writing for students designated as English language learners;

(iii) achieving an individual passing score on the graduation-required assessment for diploma as determined by appropriate state guidelines for students with an individual education plan or 504 plan; or

(iv) achieving an individual passing score on the state-identified alternate assessment or assessments as determined by appropriate state guidelines for students with an individual education plan.

(d) Students enrolled in grade 8 in any school year from the 2005-2006 school year to the 2009-2010 school year who do not pass the mathematics graduation-required assessment for diploma under paragraph (b) are eligible to receive a high school diploma ~~with a passing state notation~~ if they:

(1) complete with a passing score or grade all state and local coursework and credits required for graduation by the school board granting the students their diploma;

(2) participate in district-prescribed academic remediation in mathematics; and

(3) fully participate in at least two retests of the mathematics GRAD test or until they pass the mathematics GRAD test, whichever comes first. A school, district, or charter school must place on the high school transcript a student's highest current pass status for each subject that has a required graduation assessment score for each of the following assessments on the student's high school transcript: the mathematics Minnesota Comprehensive Assessment, reading Minnesota Comprehensive Assessment, and writing Graduation Required Assessment for Diploma, and when applicable, the mathematics Graduation Required Assessment for Diploma and reading Graduation Required Assessment for Diploma.

In addition, the school board granting the students their diplomas may formally decide to include a notation of high achievement on the high school diplomas of those graduating seniors who, according to established school board criteria, demonstrate exemplary academic achievement during high school.

(e) The 3rd through 8th grade computer-adaptive assessments and high school test results shall be available to districts for diagnostic purposes affecting student learning and district instruction and curriculum, and for establishing educational accountability. The commissioner must disseminate to the public the computer-adaptive assessments and high school test results upon receiving those results.

(f) The 3rd through 8th grade computer-adaptive assessments and high school tests must be aligned with state academic standards. The commissioner shall determine the testing process and the order of administration. The statewide results shall be aggregated at the site and district level, consistent with subdivision 1a.

(g) In addition to the testing and reporting requirements under this section, the commissioner shall include the following components in the statewide public reporting system:

(1) uniform statewide testing of all students in grades 3 through 8 and at the high school level that provides appropriate, technically sound accommodations or alternate assessments;

(2) educational indicators that can be aggregated and compared across school districts and across time on a statewide basis, including average daily attendance, high school graduation rates, and high school drop-out rates by age and grade level;

(3) state results on the American College Test; and

(4) state results from participation in the National Assessment of Educational Progress so that the state can benchmark its performance against the nation and other states, and, where possible, against other countries, and contribute to the national effort to monitor achievement.

(h) Notwithstanding other law to the contrary, the commissioner must not sign a memorandum of understanding, agree to participate in a consortium or partnership, or enter into any other agreement with any other state to develop shared common assessments of K-12 academic standards without first receiving specific legislative authorization.

**EFFECTIVE DATE.** Paragraph (h) is effective the day following final enactment, and applies to agreements entered into after the effective date of this act. Requirements for using computer-adaptive mathematics assessments for grades 3 through 8 apply in the 2011-2012 school year and later and requirements for using computer-adaptive reading assessments for grades 3 through 8 apply in the 2013-2014 school year and later.

Sec. 7. Minnesota Statutes 2009 Supplement, section 120B.30, subdivision 1a, is amended to read:

Subd. 1a. **Statewide and local assessments; results.** (a) For purposes of this section, the following definitions have the meanings given them.

(1) "Computer-adaptive assessments" means fully adaptive assessments or partially adaptive assessments.

(2) "Fully adaptive assessments" include test items that are on-grade level and items that may be above or below a student's grade level.

(3) "Partially adaptive assessments" include two portions of test items, where one portion is limited to on-grade level test items and a second portion includes test items that are on-grade level or above or below a student's grade level.

(4) "On-grade level" test items contain subject area content that is aligned to state academic standards for the grade level of the student taking the assessment.

(5) "Above-grade level" test items contain subject area content that is above the grade level of the student taking the assessment and are considered aligned with state academic standards to the extent they are aligned with content represented in state academic standards above the grade level of the student taking the assessment. Notwithstanding the student's grade level, administering above-grade level test items to a student does not violate the requirement that state assessments must be aligned with state standards.

(6) "Below-grade level" test items contain subject area content that is below the grade level of the student taking the test and are considered aligned with state academic standards to the extent they are aligned with content represented in state academic standards below the student's current grade level. Notwithstanding the student's grade level, administering below-grade level test items to a student does not violate the requirement that state assessments must be aligned with state standards.



(b) The commissioner must use fully adaptive assessments to the extent no net loss of federal and state funds occurs as a result of using these assessments. If a net loss of federal and state funds were to occur under this subdivision, then the commissioner must use partially adaptive assessments to meet existing federal educational accountability requirements.

(c) For purposes of conforming with existing federal educational accountability requirements, the commissioner must develop and implement computer-adaptive reading and mathematics assessments for grades 3 through 8, state-developed high school reading and mathematics tests aligned with state academic standards, and science assessments under clause (2) that districts and sites must use to monitor student growth toward achieving those standards. In developing and implementing computer-adaptive assessments, the commissioner must allow for paper-and-pencil tests that are the equivalent of computer-adaptive assessments under this section to the extent these tests are needed to accommodate the technology capacity of individual school districts. The commissioner must not develop statewide assessments for academic standards in social studies, health and physical education, and the arts. The commissioner must require:

(1) annual computer-adaptive reading and mathematics assessments in grades 3 through 8, and high school reading and mathematics tests; and

(2) annual science assessments in one grade in the grades 3 through 5 span, the grades 6 through 8 span, and a life sciences assessment in the grades 9 through 12 span, and the commissioner must not require students to achieve a passing score on high school science assessments as a condition of receiving a high school diploma.

(d) The commissioner must ensure that for annual computer-adaptive assessments:

(1) individual student performance data and achievement and summary reports are available to all schools within three school days of when students take an assessment;

(2) growth information is available for each student from the student's first assessment to each proximate assessment using a constant measurement scale;

(3) parents, teachers, and school administrators are able to use elementary and middle school student performance data to project student achievement in high school;

(4) teachers and school administrators are able to use formative information about students' academic strengths and weaknesses, to the extent it is available, to improve student instruction and indicate specific skills and knowledge that should be introduced and developed for students at given score levels, organized by strands within subject areas, and aligned to state academic standards; and

(5) the maximum number of school districts have the opportunity to replace district-purchased computer-adaptive assessments with state-developed and state-funded computer-adaptive assessments.

~~(b)~~ (e) The commissioner must ensure that all statewide tests administered to elementary and secondary students measure students' academic knowledge and skills and not students' values, attitudes, and beliefs.

~~(c)~~ (f) Reporting of assessment results must:

(1) provide timely, useful, and understandable information on the performance of individual students, schools, school districts, and the state;

(2) include a value-added growth indicator of student achievement under section 120B.35, subdivision 3, paragraph (b); and

(3)(i) for students enrolled in grade 8 before the 2005-2006 school year, determine whether students have met the state's basic skills requirements; and

(ii) for students enrolled in grade 8 in the 2005-2006 school year and later, determine whether students have met the state's academic standards.

~~(d)~~ (g) Consistent with applicable federal law and subdivision 1, paragraph (d), clause (1), the commissioner must include appropriate, technically sound accommodations or alternative assessments for the very few students with disabilities for whom statewide assessments are inappropriate and for students with limited English proficiency.

~~(e)~~ (h) A school, school district, and charter school must administer statewide assessments under this section, as the assessments become available, to evaluate student proficiency in the context of the state's grade level academic standards. If a state assessment is not available, a school, school district, and charter school must determine locally if a student has met the required academic standards. A school, school district, or charter school may use a student's performance on a statewide assessment as one of multiple criteria to determine grade promotion or retention. A school, school district, or charter school may use a high school student's performance on a statewide assessment as a percentage of the student's final grade in a course, or place a student's assessment score on the student's transcript.

**EFFECTIVE DATE.** Requirements for using computer-adaptive mathematics assessments for grades 3 through 8 apply in the 2011-2012 school year and later and requirements for using computer-adaptive reading assessments for grades 3 through 8 apply in the 2013-2014 school year and later.

Sec. 8. Minnesota Statutes 2009 Supplement, section 120B.30, is amended by adding a subdivision to read:

**Subd. 1b. High school algebra end-of-course assessment.** (a) Notwithstanding subdivision 1, the commissioner shall establish a statewide high school algebra end-of-course assessment for students entering grade 8 in the 2010-2011 school year and later that provides information on the college and career readiness of Minnesota students and fulfills federal accountability requirements, consistent with this subdivision and related rules. For purposes of this subdivision, "college and career readiness" means the knowledge and skills that a high school graduate needs to do either credit-bearing coursework at a two-year or four-year college or university or career-track employment that pays a living wage, provides employment benefits, and offers clear pathways for advancement through further education and training.

(b) This statewide high school algebra end-of-course assessment must conform with the following:

(1) align with the most recently revised academic content standards under section 120B.023, subdivision 2;

(2) include both multiple-choice and open-ended items that assess the appropriate algebra knowledge and skills contained in the state's academic content standards;

(3) be designed for computer administration and scoring so that, beginning the second year a computerized test is administered and as soon as practicable during the first year a computerized test is administered, the exam results of students who take computerized tests are available to the school or district within three full school days after the exam is administered, among other design characteristics;

(4) be administered at regular intervals that align with the most common high school schedules in Minnesota;

(5) generate achievement levels established through a professionally recognized methodology;

(6) use achievement level descriptors that define a student's college and career readiness;

(7) comprise 20 percent of the student's overall course grade in the corresponding course;

(8) require a student who does not pass a high school algebra course to (i) retake the course or complete a district-authorized credit recovery class, (ii) opt, at the student's election, to retake the end-of-course assessment within a regularly scheduled administration window, and (iii) have the student select the exam score on the initial test or the retest to count as the equivalent of 20 percent of the student's overall course grade;

(9) allow an eligible student to meet this requirement through an alternative method that demonstrates the student's college and career readiness:

(i) for high school students who transfer into Minnesota from another state where the algebra course content, as applicable, is of equal or greater rigor, pass that state's high school course and graduation requirements in algebra, as applicable;

(ii) allow a student who has an active individualized education program to achieve a passing status at an individual level as prescribed by the commissioner;

(iii) waive the required exam for a high school student who is an English language learner under section 124D.59 and who has been enrolled for four or fewer years in a school in which English is the primary language of instruction; or

(iv) other alternative methods recommended by the Assessment Advisory Committee, if subsequently specifically authorized by law to allow other alternative methods;

(10) use three consecutive school years of research and analysis through the 2014-2015 school year, as prescribed by the commissioner, to calculate and report an alignment index that compares students' final grades in this course with their end-of-course assessment scores;

(11) subsequent to calculating and reporting the alignment index under clause (10), require schools that are highly misaligned for two or more consecutive school years to transmit written notice of the misalignment to all parents of students enrolled in the school, as prescribed by the commissioner; and

(12) when schools are highly misaligned for two or more consecutive years under clause (11), use school district funds under section 122A.60, subdivision 1a, paragraph (a), to correct the misalignment.

(c) The requirements of this subdivision apply to students in public schools, including charter schools, who enter grade 8 in the 2010-2011 school year or later. The commissioner may establish a transition period where students who enter grade 8 in the 2010-2011 or 2011-2012 school year graduate either under the Graduation-Required Assessment for Diploma requirements under section 120B.30, subdivision 1, or this subdivision. The commissioner may seek authority from the legislature to adjust the time line under this paragraph if circumstances such as changes in federal law governing educational accountability and assessment warrant such an adjustment.

(d) To fully implement this subdivision and enable school districts to provide intervention and support to struggling students and improve instruction for all students, the commissioner must provide districts with (1) a benchmark assessment aligned with the high school algebra end-of-course assessment, and as funding allows, may provide districts with (2) an item bank available to teachers for creating formative assessments to help students prepare for the high school algebra end-of-course assessment.

(e) The commissioner shall expand the membership and purpose of the Assessment Advisory Committee established under section 120B.365 to include assessment experts and practitioners from both secondary and postsecondary education systems and other appropriate stakeholders to monitor the implementation of and student

outcomes based on the algebra end-of-course assessment and policies and the state support available to districts, including small or rural districts, under this subdivision. This committee shall report annually by February 15 to the commissioner and the legislature on the implementation of and student outcomes based on the assessment and policies under this subdivision. Notwithstanding section 15.059, subdivision 3, committee members shall not receive compensation, per diem payments, or reimbursement for expenses.

(f) Using a solicitation process that includes a "request for proposal" process and multiple responses, the commissioner shall contract for at least two independent studies at two-year intervals to evaluate (1) the implementation of the requirements and (2) the availability and efficacy of resources to support and improve student outcomes based on student achievement data under this subdivision. The commissioner must submit the results of the first study to the education policy and finance committees of the legislature by February 15, 2015. The commissioner must submit the results of the second study to the legislature by February 15, 2017.

(g) The commissioner must not begin to develop additional statewide end-of-course exams in geometry, chemistry, or physics until specifically authorized in law to do so.

(h) A district or charter school must indicate on a student's transcript the student's level of college and career readiness in algebra under this subdivision after the levels have been established through a professionally recognized methodology.

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

Sec. 9. Minnesota Statutes 2009 Supplement, section 120B.30, subdivision 3, is amended to read:

Subd. 3. **Reporting.** The commissioner shall report test ~~data results~~ publicly and to stakeholders, including the performance achievement levels developed from students' unweighted test scores in each tested subject and a listing of demographic factors that strongly correlate with student performance. The test results must not include personally identifiable information as defined in Code of Federal Regulations, title 34, section 99.3. The commissioner shall also report data that compares performance results among school sites, school districts, Minnesota and other states, and Minnesota and other nations. The commissioner shall disseminate to schools and school districts a more comprehensive report containing testing information that meets local needs for evaluating instruction and curriculum.

Sec. 10. Minnesota Statutes 2009 Supplement, section 120B.30, subdivision 4, is amended to read:

Subd. 4. **Access to tests.** Consistent with section 13.34, the commissioner must adopt and publish a policy to provide public and parental access for review of basic skills tests, Minnesota Comprehensive Assessments, or any other such statewide test and assessment which would not compromise the objectivity or fairness of the testing or examination process. Upon receiving a written request, the commissioner must make available to parents or guardians a copy of their student's actual responses to the test questions for their review.

Sec. 11. Minnesota Statutes 2009 Supplement, section 120B.35, subdivision 3, is amended to read:

Subd. 3. **State growth target; other state measures.** (a) The state's educational assessment system measuring individual students' educational growth is based on indicators of achievement growth that show an individual student's prior achievement. Indicators of achievement and prior achievement must be based on highly reliable statewide or districtwide assessments.

(b) The commissioner, in consultation with a stakeholder group that includes assessment and evaluation directors and staff and researchers must implement a model that uses a value-added growth indicator and includes criteria for identifying schools and school districts that demonstrate medium and high growth under section 120B.299,

subdivisions 8 and 9, and may recommend other value-added measures under section 120B.299, subdivision 3. The model may be used to advance educators' professional development and replicate programs that succeed in meeting students' diverse learning needs. Data on individual teachers generated under the model are personnel data under section 13.43. The model must allow users to:

(1) report student growth consistent with this paragraph; and

(2) for all student categories, report and compare aggregated and disaggregated state growth data using the nine student categories identified under the federal 2001 No Child Left Behind Act and two student gender categories of male and female, respectively, following appropriate reporting practices to protect nonpublic student data.

The commissioner must report separate measures of student growth and proficiency, consistent with this paragraph.

(c) When reporting student performance under section 120B.36, subdivision 1, the commissioner annually, beginning July 1, 2011, must report two core measures indicating the extent to which current high school graduates are being prepared for postsecondary academic and career opportunities:

(1) a preparation measure indicating the number and percentage of high school graduates in the most recent school year who completed course work important to preparing them for postsecondary academic and career opportunities, consistent with the core academic subjects required for admission to Minnesota's public colleges and universities as determined by the Office of Higher Education under chapter 136A; and

(2) a rigorous coursework measure indicating the number and percentage of high school graduates in the most recent school year who successfully completed one or more college-level advanced placement, international baccalaureate, postsecondary enrollment options including concurrent enrollment, other rigorous courses of study under section 120B.021, subdivision 1a, or industry certification courses or programs.

When reporting the core measures under clauses (1) and (2), the commissioner must also analyze and report separate categories of information using the nine student categories identified under the federal 2001 No Child Left Behind Act and two student gender categories of male and female, respectively, following appropriate reporting practices to protect nonpublic student data.

(d) When reporting student performance under section 120B.36, subdivision 1, the commissioner annually, beginning July 1, 2014, must report summary data on school safety and students' engagement and connection at school. The summary data under this paragraph are separate from and must not be used for any purpose related to measuring or evaluating the performance of classroom teachers. The commissioner, in consultation with qualified experts on student engagement and connection and classroom teachers, must identify highly reliable variables that generate summary data under this paragraph. The summary data may be used at school, district, and state levels only. Any data on individuals received, collected, or created that are used to generate the summary data under this paragraph are nonpublic data under section 13.02, subdivision 9.

(e) For purposes of statewide educational accountability, the commissioner must identify and report measures that demonstrate the success of school districts, school sites, charter schools, and alternative program providers in improving the graduation outcomes of students under this paragraph. When reporting student performance under section 120B.36, subdivision 1, the commissioner, beginning July 1, 2013, must annually report summary data on (i) the four- and six-year graduation rates of students throughout the state who are identified as at risk of not graduating or off track to graduate, including students who are eligible to participate in a program under section 123A.05 or 124D.68, among other students, and (ii) the success that school districts, school sites, charter schools, and alternative program providers experience in:

- (1) identifying at-risk and off-track student populations by grade;
- (2) providing successful prevention and intervention strategies for at-risk students;
- (3) providing successful recuperative and recovery or reenrollment strategies for off-track students; and
- (4) improving the graduation outcomes of at-risk and off-track students.

For purposes of this paragraph, a student who is at risk of not graduating is a student in eighth or ninth grade who meets one or more of the following criteria: first enrolled in an English language learners program in eighth or ninth grade and may be older than other students enrolled in the same grade; as an eighth grader, is absent from school for at least 20 percent of the days of instruction during the school year, is two or more years older than other students enrolled in the same grade, or fails multiple core academic courses; or as a ninth grader, fails multiple ninth grade core academic courses in English language arts, math, science, or social studies.

For purposes of this paragraph, a student who is off track to graduate is a student who meets one or more of the following criteria: first enrolled in an English language learners program in high school and is older than other students enrolled in the same grade; is a returning dropout; is 16 or 17 years old and two or more academic years off track to graduate; is 18 years or older and two or more academic years off track to graduate; or is 18 years or older and may graduate within one school year.

**EFFECTIVE DATE.** Paragraph (e) applies to data that are collected in the 2012-2013 school year and later and reported annually beginning July 1, 2013, consistent with the recommendations the commissioner receives from recognized and qualified experts on improving differentiated graduation rates, and establishing alternative routes to a standard high school diploma for at-risk and off-track students.

Sec. 12. Minnesota Statutes 2009 Supplement, section 120B.36, subdivision 1, is amended to read:

Subdivision 1. **School performance report cards.** (a) The commissioner shall report student academic performance under section 120B.35, subdivision 2; the percentages of students showing low, medium, and high growth under section 120B.35, subdivision 3, paragraph (b); school safety and student engagement and connection under section 120B.35, subdivision 3, paragraph (d); rigorous coursework under section 120B.35, subdivision 3, paragraph (c); the four- and six-year graduation rates of at-risk and off-track students throughout the state under section 120B.35, subdivision 3, paragraph (e), and the success that school districts, school sites, charter schools, and alternative program providers experience in their efforts to improve the graduation outcomes of those students; two separate student-to-teacher ratios that clearly indicate the definition of teacher consistent with sections 122A.06 and 122A.15 for purposes of determining these ratios; staff characteristics excluding salaries; student enrollment demographics; district mobility; and extracurricular activities. The report also must indicate a school's adequate yearly progress status, and must not set any designations applicable to high- and low-performing schools due solely to adequate yearly progress status.

(b) The commissioner shall develop, annually update, and post on the department Web site school performance report cards.

(c) The commissioner must make available performance report cards by the beginning of each school year.

(d) A school or district may appeal its adequate yearly progress status in writing to the commissioner within 30 days of receiving the notice of its status. The commissioner's decision to uphold or deny an appeal is final.

(e) School performance report card data are nonpublic data under section 13.02, subdivision 9, until not later than ten days after the appeal procedure described in paragraph (d) concludes. The department shall annually post school performance report cards to its public Web site no later than September 1.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to annual reports beginning July 1, 2013.

Sec. 13. **[121A.215] LOCAL SCHOOL DISTRICT WELLNESS POLICIES; WEB SITE.**

Where available, a school district must post its current local school wellness policy on its Web site.

**EFFECTIVE DATE.** This section is effective August 1, 2010.

Sec. 14. Minnesota Statutes 2009 Supplement, section 122A.09, subdivision 4, is amended to read:

Subd. 4. **License and rules.** (a) The board ~~must~~ may adopt new rules and amend any existing rules to license public school teachers and interns ~~subject to only under specific legislative authority and consistent with the requirements of chapter 14.~~ This paragraph does not prohibit the board from making technical changes or corrections to rules or repealing rules adopted by the board.

(b) The board must adopt rules requiring a person to successfully complete a skills examination in reading, writing, and mathematics as a requirement for initial teacher licensure. Such rules must require college and universities offering a board-approved teacher preparation program to provide remedial assistance to persons who did not achieve a qualifying score on the skills examination, including those for whom English is a second language.

(c) The board must adopt rules to approve teacher preparation programs. The board, upon the request of a postsecondary student preparing for teacher licensure or a licensed graduate of a teacher preparation program, shall assist in resolving a dispute between the person and a postsecondary institution providing a teacher preparation program when the dispute involves an institution's recommendation for licensure affecting the person or the person's credentials. At the board's discretion, assistance may include the application of chapter 14.

(d) The board must provide the leadership and shall adopt rules for the redesign of teacher education programs to implement a research based, results-oriented curriculum that focuses on the skills teachers need in order to be effective. The board shall implement new systems of teacher preparation program evaluation to assure program effectiveness based on proficiency of graduates in demonstrating attainment of program outcomes.

(e) The board must adopt rules requiring candidates for initial licenses to ~~successfully complete~~ pass an examination of general pedagogical knowledge and examinations of licensure-specific teaching skills. The rules shall be effective by September 1, 2001. The rules under this paragraph also must require candidates for initial licenses to teach prekindergarten or elementary students to successfully complete, as part of the examination of licensure-specific teaching skills, test items assessing the candidates' knowledge, skill, and ability in comprehensive, scientifically based reading instruction under section 122A.06, subdivision 4, and their knowledge and understanding of the foundations of reading development, the development of reading comprehension, and reading assessment and instruction, and their ability to integrate that knowledge and understanding. The rules under this paragraph also must require general education candidates for initial licenses to teach prekindergarten or elementary students to pass, as part of the examination of licensure-specific teaching skills, test items assessing the candidates' knowledge, skill, and ability in mathematics.

(f) The board must adopt rules requiring teacher educators to work directly with elementary or secondary school teachers in elementary or secondary schools to obtain periodic exposure to the elementary or secondary teaching environment.

(g) The board must grant licenses to interns and to candidates for initial licenses.

(h) The board must design and implement an assessment system which requires a candidate for an initial license and first continuing license to demonstrate the abilities necessary to perform selected, representative teaching tasks at appropriate levels.

(i) The board must receive recommendations from local committees as established by the board for the renewal of teaching licenses. Committee recommendations must be consistent with section 122A.18, subdivision 4, paragraph (b).

(j) The board must grant life licenses to those who qualify according to requirements established by the board, and suspend or revoke licenses pursuant to sections 122A.20 and 214.10. The board must not establish any expiration date for application for life licenses.

(k) The board must adopt rules that require all licensed teachers who are renewing their continuing license to include in their renewal requirements further preparation in the areas of using positive behavior interventions and in accommodating, modifying, and adapting curricula, materials, and strategies to appropriately meet the needs of individual students and ensure adequate progress toward the state's graduation rule.

(l) In adopting rules to license public school teachers who provide health-related services for disabled children, the board shall adopt rules consistent with license or registration requirements of the commissioner of health and the health-related boards who license personnel who perform similar services outside of the school.

(m) The board must adopt rules that require all licensed teachers who are renewing their continuing license to include in their renewal requirements further reading preparation, consistent with section 122A.06, subdivision 4. The rules do not take effect until they are approved by law. Teachers who do not provide direct instruction including, at least, counselors, school psychologists, school nurses, school social workers, audiovisual directors and coordinators, and recreation personnel are exempt from this section.

(n) The board must adopt rules that require all licensed teachers who are renewing their continuing license to include in their renewal requirements further preparation in understanding the key warning signs of early-onset mental illness in children and adolescents.

(o) The board, consistent with section 122A.18, subdivision 4, paragraph (b), must amend its licensure renewal rules to include professional reflection and growth in best teaching practices in the preparation requirements for relicensure under this paragraph and paragraphs (i), (k), (m), and (n), and any other preparation requirements applicable to teachers seeking to renew their continuing license from the board.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to all new and amended rules proposed by the Board of Teaching, including all new and amended rules that are not yet formally adopted, except that the amendments to paragraphs (i) and (o) apply to licensees seeking relicensure beginning June 30, 2012. This section does not affect the requirement that the Board of Teaching continue to finally adopt rules initially proposed before the effective date of this section, to implement the requirement of Laws 2003, chapter 129, article 1, section 10, and Laws 2007, chapter 146, article 2, section 34, that the board adopt rules relating to credentials for education paraprofessionals.

Sec. 15. Minnesota Statutes 2008, section 122A.16, is amended to read:

**122A.16 HIGHLY QUALIFIED TEACHER DEFINED.**

(a) A qualified teacher is one holding a valid license, under this chapter, to perform the particular service for which the teacher is employed in a public school.



(b) For the purposes of the federal No Child Left Behind Act, a highly qualified teacher is one who holds a valid license under this chapter to perform the particular service for which the teacher is employed in a public school or who meets the requirements of a highly objective uniform state standard of evaluation (HOUSSE).

All Minnesota teachers teaching in a core academic subject area, as defined by the federal No Child Left Behind Act, in which they are not fully licensed may complete the following HOUSSE process in the core subject area for which the teacher is requesting highly qualified status by completing an application, in the form and manner described by the commissioner, that includes:

(1) documentation of student achievement as evidenced by norm-referenced test results that are objective and psychometrically valid and reliable;

(2) evidence of local, state, or national activities, recognition, or awards for professional contribution to achievement;

(3) description of teaching experience in the teachers' core subject area in a public school under a waiver, variance, limited license or other exception; nonpublic school; and postsecondary institution;

(4) test results from the ~~Praxis II~~ subject area content test;

(5) evidence of advanced certification from the National Board for Professional Teaching Standards;

(6) evidence of the successful completion of course work or pedagogy courses; and

(7) evidence of the successful completion of high quality professional development activities.

Districts must assign a school administrator to serve as a HOUSSE reviewer to meet with teachers under this paragraph and, where appropriate, certify the teachers' applications. Teachers satisfy the definition of highly qualified when the teachers receive at least 100 of the total number of points used to measure the teachers' content expertise under clauses (1) to (7). Teachers may acquire up to 50 points only in any one clause (1) to (7). Teachers may use the HOUSSE process to satisfy the definition of highly qualified for more than one subject area.

(c) Achievement of the HOUSSE criteria is not equivalent to a license. A teacher must obtain permission from the Board of Teaching in order to teach in a public school.

Sec. 16. Minnesota Statutes 2008, section 122A.18, subdivision 1, is amended to read:

Subdivision 1. **Authority to license.** (a) The Board of Teaching must license teachers, as defined in section 122A.15, subdivision 1, except for supervisory personnel, as defined in section 122A.15, subdivision 2.

(b) The Board of School Administrators must license supervisory personnel as defined in section 122A.15, subdivision 2, except for athletic coaches.

(c) Licenses under the jurisdiction of the Board of Teaching, the Board of School Administrators, and the commissioner of education must be issued through the licensing section of the department.

(d) The Board of Teaching may approve only those teacher preparation programs that target and address identified concerns affecting students in kindergarten through grade 12. The Board of Teaching and the Department of Education, consistent with the requirements of chapter 13, must enter into an agreement to share kindergarten through grade 12 educational data solely for approving and improving teacher education programs. The Board of Teaching must ensure that this information remains confidential and is used only for this purpose. Any unauthorized disclosure is subject to a penalty under section 13.09.

(e) The Board of School Administrators may approve only those administrator preparation programs that target and address identified concerns affecting students in kindergarten through grade 12. The Board of School Administrators and the Department of Education, consistent with the requirements of chapter 13, must enter into an agreement to share kindergarten through grade 12 educational data solely for approving and improving education administration programs. The Board of School Administrators must ensure that this information remains confidential and is used only for this purpose. Any unauthorized disclosure is subject to a penalty under section 13.09.

Sec. 17. Minnesota Statutes 2008, section 122A.18, subdivision 2, is amended to read:

Subd. 2. **Teacher and support personnel qualifications.** (a) The Board of Teaching must issue licenses under its jurisdiction to persons the board finds to be qualified and competent for their respective positions.

(b) The board must require a person to ~~successfully complete~~ pass an examination of skills in reading, writing, and mathematics before being granted an initial teaching license to provide direct instruction to pupils in prekindergarten, elementary, secondary, or special education programs. The board must require colleges and universities offering a board approved teacher preparation program to provide remedial assistance that includes a formal diagnostic component to persons enrolled in their institution who did not achieve a qualifying score on the skills examination, including those for whom English is a second language. The colleges and universities must provide assistance in the specific academic areas of deficiency in which the person did not achieve a qualifying score. School districts must provide similar, appropriate, and timely remedial assistance that includes a formal diagnostic component and mentoring to those persons employed by the district who completed their teacher education program outside the state of Minnesota, received a one-year license to teach in Minnesota and did not achieve a qualifying score on the skills examination, including those persons for whom English is a second language. The Board of Teaching shall report annually to the education committees of the legislature on the total number of teacher candidates during the most recent school year taking the skills examination, the number who achieve a qualifying score on the examination, the number who do not achieve a qualifying score on the examination, the distribution of all candidates' scores, the number of candidates who have taken the examination at least once before, and the number of candidates who have taken the examination at least once before and achieve a qualifying score.

~~(c) A person who has completed an approved teacher preparation program and obtained a one-year license to teach, but has not successfully completed the skills examination, may renew the one-year license for two additional one-year periods. Each renewal of the one-year license is contingent upon the licensee:~~

~~(1) providing evidence of participating in an approved remedial assistance program provided by a school district or postsecondary institution that includes a formal diagnostic component in the specific areas in which the licensee did not obtain qualifying scores; and~~

~~(2) attempting to successfully complete the skills examination during the period of each one-year license.~~

~~(d)~~ (c) The Board of Teaching must grant continuing licenses only to those persons who have met board criteria for granting a continuing license, which includes ~~successfully completing~~ passing the skills examination in reading, writing, and mathematics.

~~(e)~~ (d) All colleges and universities approved by the board of teaching to prepare persons for teacher licensure must include in their teacher preparation programs a common core of teaching knowledge and skills to be acquired by all persons recommended for teacher licensure. This common core shall meet the standards developed by the interstate new teacher assessment and support consortium in its 1992 "model standards for beginning teacher licensing and development." Amendments to standards adopted under this paragraph are covered by chapter 14. The board of teaching shall report annually to the education committees of the legislature on the performance of teacher candidates on common core assessments of knowledge and skills under this paragraph during the most recent school year.

(e) The Board of Teaching must:

(1) ensure that kindergarten through grade 12 teacher licensing standards are highly aligned with the state's kindergarten through grade 12 academic standards;

(2) adopt a review cycle that is consistent with the kindergarten through grade 12 academic standards review cycle under section 120B.023, subdivision 2; and

(3) review and align the teacher licensure standards with the kindergarten through grade 12 academic standards within one school year after the commissioner reviews and adopts revised kindergarten through grade 12 academic standards in a particular subject area.

(f) All teacher preparation programs approved by the Board of Teaching must require teacher candidates to complete at least one online course.

Sec. 18. Minnesota Statutes 2008, section 122A.23, subdivision 2, is amended to read:

Subd. 2. **Applicants licensed in other states.** (a) Subject to the requirements of sections 122A.18, subdivision 8, and 123B.03, the Board of Teaching must issue a teaching license or a temporary teaching license under paragraphs (b) to (e) to an applicant who holds at least a baccalaureate degree from a regionally accredited college or university and holds or held a similar out-of-state teaching license that requires the applicant to successfully complete a teacher preparation program approved by the issuing state, which includes field-specific teaching methods and student teaching or essentially equivalent experience.

(b) The Board of Teaching must issue a teaching license to an applicant who:

(1) ~~successfully completed~~ passed all exams and ~~successfully completed~~ human relations preparation components required by the Board of Teaching; and

(2) holds or held an out-of-state teaching license to teach the same content field and grade levels if the scope of the out-of-state license is no more than one grade level less than a similar Minnesota license.

(c) The Board of Teaching, consistent with board rules, must issue up to three one-year temporary teaching licenses to an applicant who holds or held an out-of-state teaching license to teach the same content field and grade levels, where the scope of the out-of-state license is no more than one grade level less than a similar Minnesota license, but has not ~~successfully completed~~ passed all exams and ~~successfully completed~~ human relations preparation components required by the Board of Teaching.

(d) The Board of Teaching, consistent with board rules, must issue up to three one-year temporary teaching licenses to an applicant who:

(1) ~~successfully completed~~ passed all exams and ~~successfully completed~~ human relations preparation components required by the Board of Teaching; and

(2) holds or held an out-of-state teaching license to teach the same content field and grade levels, where the scope of the out-of-state license is no more than one grade level less than a similar Minnesota license, but has not completed field-specific teaching methods or student teaching or equivalent experience.

The applicant may complete field-specific teaching methods and student teaching or equivalent experience by successfully participating in a one-year school district mentorship program consistent with board-adopted standards of effective practice and Minnesota graduation requirements.

(e) The Board of Teaching must issue a temporary teaching license for a term of up to three years only in the content field or grade levels specified in the out-of-state license to an applicant who:

(1) ~~successfully completed~~ passed all exams and successfully completed human relations preparation components required by the Board of Teaching; and

(2) holds or held an out-of-state teaching license where the out-of-state license is more limited in the content field or grade levels than a similar Minnesota license.

(f) The Board of Teaching must not issue to an applicant more than three one-year temporary teaching licenses under this subdivision.

(g) The Board of Teaching must not issue a license under this subdivision if the applicant has not attained the additional degrees, credentials, or licenses required in a particular licensure field.

**Sec. 19. [122A.245] ALTERNATIVE TEACHER PREPARATION PROGRAM AND LIMITED-TERM TEACHER LICENSE.**

**Subdivision 1. Requirements.** (a) The Board of Teaching must approve qualified teacher preparation programs under this section that are a means to acquire a two-year limited-term license and to prepare for acquiring a standard entrance license. Partnerships composed of school districts or charter schools and either:

(1) a college or university with a board-approved alternative teacher preparation program; or

(2) a nonprofit corporation formed for an education-related purpose and subject to chapter 317A and a college or university with a board-approved alternative teacher preparation program may offer this program if:

(i) a need for teachers exists based on the determination by a participating school district or charter school that in the previous school year too few qualified candidates applied for its posted, available teaching positions;

(ii) the teaching staff does not reflect the racial and cultural diversity of the student population of the district or charter school; or

(iii) the school district or charter school identifies a need to reduce or eliminate a student achievement gap based on school performance report card data under section 120B.36.

(b) To participate in this program, a candidate must:

(1) have a bachelor's degree with a minimum 3.0 grade point average, or have a bachelor's degree and meet other board-adopted criteria;

(2) pass the reading, writing, and mathematics skills examination under section 122A.18; and

(3) pass the board-approved content area and pedagogy tests.

**Subd. 2. Characteristics.** An alternative teacher preparation program under this section must include:

(1) a minimum 200-hour instructional phase that provides intensive preparation before that person assumes classroom responsibilities;

(2) a research-based and results-oriented approach focused on best teaching practices to increase student proficiency and growth measured against state academic standards;

(3) strategies to combine pedagogy and best teaching practices to better inform teachers' classroom instruction;

(4) assessment, supervision, and evaluation of the program participant to determine the participant's specific needs throughout the program and to support the participant in successfully completing the program;

(5) formal instruction and intensive peer coaching throughout the school year that provide structured guidance and regular ongoing support;

(6) high quality, sustained, intensive, and classroom-embedded staff development opportunities conducted by a mentor or by a mentorship team that may include school administrators, teachers, and postsecondary faculty members and are directed at improving student learning and achievement; and

(7) a requirement that program participants demonstrate to the local site team under subdivision 5 that they are making satisfactory progress toward acquiring a standard entrance license from the Board of Teaching.

Subd. 3. **Program approval.** The Board of Teaching must approve alternative teacher preparation programs under this section based on board-adopted criteria that reflect best practices for alternative teacher preparation programs consistent with this section. The board must permit licensure candidates to demonstrate licensure competencies in school-based settings and through other nontraditional means.

Subd. 4. **Employment conditions.** Where applicable, teachers with a limited-term license under this section are subject to the terms of the local collective bargaining agreement between the local representative of the teachers and the school board.

Subd. 5. **Approval for standard entrance license.** A local site team that may include teachers, school administrators, postsecondary faculty, and nonprofit staff must evaluate the performance of the teacher candidate using the Minnesota State Standards of Effective Practice for Teachers established in rule and submit to the board an evaluation report recommending whether or not to issue the teacher candidate a standard entrance license.

Subd. 6. **Standard entrance license.** The Board of Teaching must issue a standard entrance license to a teacher candidate under this section who successfully performs throughout the program and is recommended for licensure under subdivision 5.

Subd. 7. **Qualified teacher.** A person with a valid limited-term license under this section is the teacher of record and a qualified teacher within the meaning of section 122A.16.

Subd. 8. **Reports.** The Board of Teaching must submit an interim report on the efficacy of this program to the K-12 Education Policy and Finance committees of the legislature by February 15, 2012, and a final report by February 15, 2014.

**EFFECTIVE DATE.** This section is effective for the 2010-2011 school year and later.

Sec. 20. **[122A.246] ALTERNATIVE TEACHER PREPARATION PROGRAM AND LIMITED-TERM TEACHER LICENSE FOR MID-CAREER PROFESSIONALS.**

Subdivision 1. **Requirements.** (a) The Board of Teaching annually must approve qualified teacher preparation programs under this section that are a means for mid-career professionals to acquire a two-year limited-term license and to prepare for acquiring a standard entrance license. Partnerships composed of school districts or charter schools and either:

(1) a college or university with a board-approved alternative teacher preparation program; or

(2) a nonprofit corporation formed for an education-related purpose and subject to chapter 317A and a college or university with a board-approved alternative teacher preparation program may offer this program if:

(i) a need for teachers exists in a subject area identified by the department as a shortage area;

(ii) the teaching staff does not reflect the racial and cultural diversity of the student population of the district or charter school; and

(iii) the district or charter school identifies a need to reduce or eliminate a student achievement gap based on school performance report card data under section 120B.36.

(b) To participate in this program, a candidate must:

(1) have a bachelor's degree and at least ten years of professional experience in a field related to the license being sought; or

(2) hold a valid teaching license and have at least five years of classroom teaching experience.

(c) A candidate under paragraph (b), clause (1), must:

(1) pass the reading, writing, and mathematics skills examination under section 122A.18;

(2) obtain qualifying scores on board-approved content area and pedagogy tests; and

(3) before receiving a limited term license under this section, complete a minimum 200-hour instructional phase that provides intensive preparation and a full-time student teaching experience that places the candidate in the classroom under the direct supervision of a fully licensed classroom teacher for at least 12 weeks. A candidate under paragraph (b), clause (1), is declared to have met the requirements of this paragraph through the licensing process and previous classroom experience.

Subd. 2. **Characteristics.** An alternative teacher preparation program under this section must include:

(1) a research-based and results-oriented approach focused on best teaching practices to increase student proficiency and growth measured against state academic standards;

(2) strategies to combine pedagogy and best teaching practices to better inform teachers' classroom instruction;

(3) assessment, supervision, and evaluation of the program participant to determine the participant's specific needs throughout the program and to support the participant in successfully completing the program;

(4) formal instruction and intensive peer coaching throughout the school year that provide structured guidance and regular ongoing support;

(5) high quality, sustained, intensive, and classroom-embedded staff development opportunities conducted by a mentor or by a mentorship team that may include school administrators, teachers, and postsecondary faculty members and are directed at improving student learning and achievement; and

(6) a requirement that program participants demonstrate to the local site team under subdivision 5 that they are making satisfactory progress toward acquiring a standard entrance license from the Board of Teaching.

Subd. 3. **Program approval.** The Board of Teaching must approve alternative teacher preparation programs under this section based on board-adopted criteria that reflect best practices for alternative teacher preparation programs consistent with this section. The board must permit licensure candidates to demonstrate licensure competencies in school-based settings and through other nontraditional means.

Subd. 4. **Employment conditions.** (a) Each full school year that a teacher with a limited-term license teaches in a Minnesota school is one year of the teacher's first probationary employment period.

(b) Where applicable, teachers with a limited-term license under this section are subject to the terms of the local collective bargaining agreement between the local representative of the teachers and the school board.

(c) A school district or charter school must not prospectively promise to employ a teacher candidate who receives a standard entrance license under this section.

Subd. 5. **Approval for standard entrance license.** Postsecondary faculty, the supervising teacher, and other qualified staff must evaluate the performance of the teacher candidate using the Minnesota state standards of effective practice for teachers and content standards by licensure area established in rule and submit to the board an evaluation report recommending whether or not to issue the teacher candidate a standard entrance license.

Subd. 6. **Standard entrance license.** The Board of Teaching may issue a standard entrance license to a teacher candidate under this section who successfully performs under the two-year limited license and is recommended for licensure under subdivision 5.

Subd. 7. **Qualified teacher.** A person with a valid limited-term license under this section is the teacher of record and a qualified teacher within the meaning of section 122A.16.

Subd. 8. **Reports.** (a) The Board of Teaching annually must collect and report to the K-12 Education Policy and Finance Committees of the legislature alternative teacher preparation program provider data on cumulative teacher retention rates, number of licenses issued by licensure area, the locations where teachers are placed, the number of programs approved, and the demographic characteristics of the teacher candidates, among other data. The board may use these data to approve program providers under this section.

(b) The Board of Teaching must submit a report on the efficacy of this program to the K-12 Education Policy and Finance committees of the legislature by February 15, 2014.

Sec. 21. Minnesota Statutes 2009 Supplement, section 122A.40, subdivision 8, is amended to read:

Subd. 8. **Annual evaluations and peer coaching for continuing contract teachers.** (a) To improve student learning and success, a school board and an exclusive representative of the teachers in the district, consistent with paragraph (b), shall develop a an annual teacher evaluation and peer review process for continuing contract teachers through joint agreement. The peer review process ~~may~~ must include having trained observers serve as peer coaches or having teachers participate in professional learning communities.

(b) To develop, improve, and support qualified teachers and effective teaching practices and improve student learning and success, the annual evaluation process for continuing contract teachers must:

(1) be a collaborative effort between teachers and school administrators to develop and implement a teacher evaluation process that is based on professional teaching standards and includes both formative assessments to improve instruction through identifying teachers' strengths and weaknesses and summative assessments conducted at least once every three school years and used to make personnel decisions, consistent with clause (2);

(2) coordinate staff development activities under section 122A.60 with this evaluation process and teachers' evaluation outcomes and give teachers not meeting standards of effective practice sufficient support to improve;

(3) include in-class observations by both licensed mentor teachers and school administrators who are trained evaluators, use a valid observation framework or protocol, and periodically undergo a reliability review;

(4) provide peer coaching or have teachers participate in professional learning communities, consistent with paragraph (a);

(5) require teachers to develop and present a portfolio demonstrating evidence of reflection and professional growth, consistent with section 122A.18, subdivision 4, paragraph (b), using criteria developed by the Board of Teaching to reliably assess portfolio content, and include teachers' own performance assessment based on student work samples, student and family surveys, and videotapes of teachers' work, among other activities;

(6) demonstrate teachers' content knowledge and teaching skills; and

(7) use longitudinal data on student academic growth, student attendance, student engagement and connection, and other outcome measures as evaluation components.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies beginning when a district next enters into or modifies a collective bargaining agreement or by the 2011-2012 school year, whichever comes first.

Sec. 22. Minnesota Statutes 2009 Supplement, section 122A.41, subdivision 5, is amended to read:

Subd. 5. **Annual evaluations and peer coaching for continuing contract teachers.** (a) To improve student learning and success, a school board and an exclusive representative of the teachers in the district, consistent with paragraph (b), must develop a an annual teacher evaluation and peer review process for nonprobationary teachers through joint agreement. The peer review process may must include having trained observers serve as peer coaches or having teachers participate in professional learning communities.

(b) To develop, improve, and support qualified teachers and effective teaching practices and improve student learning and success, the annual evaluation process for continuing contract teachers must:

(1) be a collaborative effort between teachers and school administrators to develop and implement a teacher evaluation process that is based on professional teaching standards and includes both formative assessments to improve instruction through identifying teachers' strengths and weaknesses and summative assessments conducted at least once every three school years and used to make personnel decisions, consistent with clause (2);

(2) coordinate staff development activities under section 122A.60 with this evaluation process and teachers' evaluation outcomes and give teachers not meeting standards of effective practice sufficient support to improve;

(3) include in-class observations by both licensed mentor teachers and school administrators who are trained evaluators, use a valid observation framework or protocol, and periodically undergo a reliability review;

(4) provide peer coaching or have teachers participate in professional learning communities, consistent with paragraph (a);

(5) require teachers to develop and present a portfolio demonstrating evidence of reflection and professional growth, consistent with section 122A.18, subdivision 4, paragraph (b), using criteria developed by the Board of Teaching to reliably assess portfolio content, and include teachers' own performance assessment based on student work samples, student and family surveys, and videotapes of teachers' work, among other activities;



(6) demonstrate teachers' content knowledge and teaching skills; and

(7) use longitudinal data on student academic growth, student attendance, student engagement and connection, and other outcome measures as evaluation components.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies beginning when a district next enters into or modifies a collective bargaining agreement or by the 2011-2012 school year, whichever comes first.

Sec. 23. **[123A.29] EFFICIENCY PLUS ACCESS TASK FORCES.**

**Subdivision 1. Purpose.** The purpose of the efficiency plus access task forces is to facilitate greater efficiency and reduce education costs through collaboration and cooperation across school districts and other governmental agencies while maintaining or improving the learning results for students. The legislative intent is to reduce the administrative costs of education without resorting to a policy of required consolidation that reduces the number of districts or school boards and without creating fewer larger schools that require longer bus rides for students.

**Subd. 2. Required district participation.** Each district with an enrollment of fewer than 5,000 pupils in K-12 for fiscal year 2010 shall participate in an efficiency plus access task force.

**Subd. 3. Optional district and other public entity participation.** School districts with more than 5,000 pupils, charter schools, cities, townships, counties, public higher education institutions, Head Start agencies, public libraries, and other public entities are encouraged to participate in the efficiency plus access task forces.

**Subd. 4. Task force membership.** (a) Participating districts may organize the task forces using an existing education district, intermediate district, or other cooperative model. Districts may request that a service cooperative assist in establishing task forces for their service area. Districts do not need to be contiguous to form an efficiency plus access task force. Each task force shall consist of one member appointed by each district board included in the task force and one member from each entity defined in subdivision 3 that choose to participate. Districts and other public entities may decide to become members of more than one efficiency plus access task force. These appointments shall be made by August 15, 2010.

(b) Each school board shall develop a process within the district allowing teachers, students, parents, and the community to have access and opportunities to review and make recommendations to be brought forward to the efficiency plus access task force.

(c) The initial meeting of each task force shall not be later than September 30, 2010. At the initial meeting, each task force shall elect a chair and other officers it considers necessary to coordinate the work of the task force.

**Subd. 5. Task force; powers.** (a) Each task force shall review and make recommendations to the boards of the participating districts and public entities regarding how the purpose of this section can be met in the following areas:

(1) administrative services including but not limited to superintendent services, principal services, financial management, human services, facilities and grounds maintenance, food and nutrition services, research and evaluation services, transportation services, health services, information technology services, and other administrative services. Cooperation with other public agencies for the provision of administrative services should be considered;

(2) instructional and learning services including but not limited to creating a common calendar; low-attendance elective secondary courses; use of technology to replace or supplement courses currently being provided; use of technology to provide new learning opportunities through technology with an emphasis on using low-cost or no-cost

learning opportunities available online; coordination with higher education so that advanced courses are provided college credit to avoid duplication between high school and postsecondary; determine how certain students can complete select high school credit requirements while in middle school; and exploring ways to utilize the learning opportunities in the community through programs such as parks and recreation, arts, libraries, and other community providers; and

(3) cooperative arrangements for shared extracurricular activities, including having the activities become the responsibility of the community recreational program.

(b) The task force shall consider creating new models of schools including project-based learning schools, online learning schools in cooperation with other education districts, service cooperatives or chartered schools, new grade 11 postsecondary models in partnership with colleges and universities, prekindergarten through primary grades in partnership with early childhood providers, and other models of schooling.

Subd. 6. **Reporting.** Each efficiency plus access task force shall file its initial planning report with the commissioner no later than October 15, 2010. The report shall include the basic information about the composition of the task force, including how input to the task force will be obtained consistent with subdivision 4, paragraph (b). Each task force shall complete its recommendations and file its report with the member school boards and commissioner no later than December 1, 2011. The report shall include recommendations pursuant to subdivision 5 and identify the financial impact of those recommendations for at least fiscal years 2013 and 2014. Each school board shall file a report with the commissioner regarding the actions it will take in response to the report no later than March 15, 2012. The report shall also include the impact on other agencies included in the task force planning.

Sec. 24. Minnesota Statutes 2009 Supplement, section 123B.143, subdivision 1, is amended to read:

Subdivision 1. **Contract; duties.** All districts maintaining a classified secondary school must employ a superintendent who shall be an ex officio nonvoting member of the school board. The authority for selection and employment of a superintendent must be vested in the board in all cases. An individual employed by a board as a superintendent shall have an initial employment contract for a period of time no longer than three years from the date of employment. Any subsequent employment contract must not exceed a period of three years. A board, at its discretion, may or may not renew an employment contract. A board must not, by action or inaction, extend the duration of an existing employment contract. Beginning 365 days prior to the expiration date of an existing employment contract, a board may negotiate and enter into a subsequent employment contract to take effect upon the expiration of the existing contract. A subsequent contract must be contingent upon the employee completing the terms of an existing contract. If a contract between a board and a superintendent is terminated prior to the date specified in the contract, the board may not enter into another superintendent contract with that same individual that has a term that extends beyond the date specified in the terminated contract. A board may terminate a superintendent during the term of an employment contract for any of the grounds specified in section 122A.40, subdivision 9 or 13. A superintendent shall not rely upon an employment contract with a board to assert any other continuing contract rights in the position of superintendent under section 122A.40. Notwithstanding the provisions of sections 122A.40, subdivision 10 or 11, 123A.32, 123A.75, or any other law to the contrary, no individual shall have a right to employment as a superintendent based on order of employment in any district. If two or more districts enter into an agreement for the purchase or sharing of the services of a superintendent, the contracting districts have the absolute right to select one of the individuals employed to serve as superintendent in one of the contracting districts and no individual has a right to employment as the superintendent to provide all or part of the services based on order of employment in a contracting district. The superintendent of a district shall perform the following:

(1) visit and supervise the schools in the district, report and make recommendations about their condition when advisable or on request by the board;

(2) recommend to the board employment and dismissal of teachers;

(3) annually evaluate each school principal and assistant principal assigned responsibility for supervising a school building within the district, consistent with section 123B.147, subdivision 3, paragraph (b);

(4) superintend school grading practices and examinations for promotions;

(4) (5) make reports required by the commissioner; and

(5) (6) perform other duties prescribed by the board.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies beginning when a district next enters into or modifies a collective bargaining agreement or by the 2011-2012 school year, whichever comes first.

Sec. 25. Minnesota Statutes 2008, section 123B.147, subdivision 3, is amended to read:

Subd. 3. **Duties; evaluation.** (a) The principal shall provide administrative, supervisory, and instructional leadership services, under the supervision of the superintendent of schools of the district and ~~in accordance with~~ according to the policies, rules, and regulations of the school board of education, for the planning, management, operation, and evaluation of the education program of the building or buildings to which the principal is assigned.

(b) To enhance principals' leadership skills and support and improve teachers' teaching practices, the school board and the exclusive representative of the school principals of the district must negotiate a plan for an annual evaluation of the school principals and assistant principals assigned responsibility for supervising a school building within the district. The annual evaluation process must:

(1) be designed to support and improve principals' instructional leadership defined in the plan, organizational management, and professional development, and strengthen principals' capacity in the areas of instruction, supervision, evaluation, and the development of teachers and highly effective school organizations;

(2) include formative and summative evaluations;

(3) be consistent with the principals' job description, district long-term plans and goals, and principals' own professional multiyear growth plans and goals;

(4) include on-the-job observations, team assessments and evaluations, and verbal and written feedback on performance;

(5) require feedback from teachers, support staff, students, and parents;

(6) use longitudinal data on student academic growth as an evaluation component; and

(7) be linked to professional development.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies beginning when a district next enters into or modifies a collective bargaining agreement or by the 2011-2012 school year, whichever comes first.

Sec. 26. Minnesota Statutes 2009 Supplement, section 124D.10, subdivision 3, is amended to read:

Subd. 3. **Authorizer.** (a) For purposes of this section, the terms defined in this subdivision have the meanings given them.

"Application" to receive approval as an authorizer means the proposal an eligible authorizer submits to the commissioner under paragraph (c) before that authorizer is able to submit any affidavit to charter to a school.

"Application" under subdivision 4 means the charter school business plan a school developer submits to an authorizer for approval to establish a charter school that documents the school developer's mission statement, school purposes, program design, financial plan, governance and management structure, and background and experience, plus any other information the authorizer requests. The application also shall include a "statement of assurances" of legal compliance prescribed by the commissioner.

"Affidavit" means a written statement the authorizer submits to the commissioner for approval to establish a charter school under subdivision 4 attesting to its review and approval process before chartering a school.

"Affidavit" means the form an authorizer submits to the commissioner that is a precondition to a charter school organizing an affiliated nonprofit building corporation under subdivision 17a.

(b) The following organizations may authorize one or more charter schools:

(1) a school board; intermediate school district school board; education district organized under sections 123A.15 to 123A.19;

(2) a charitable organization under section 501(c)(3) of the Internal Revenue Code of 1986, excluding a nonpublic sectarian or religious institution, without an approved affidavit by the commissioner prior to July 1, 2009, and any person other than a natural person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the nonpublic sectarian or religious institution, and any other charitable organization under this clause that in the federal IRS Form 1023, Part IV, describes activities indicating a religious purpose, that:

(i) is a member of the Minnesota Council of Nonprofits or the Minnesota Council on Foundations;

(ii) is registered with the attorney general's office;

(iii) reports an end-of-year fund balance of at least \$2,000,000; and

(iv) is incorporated in the state of Minnesota;

(3) a Minnesota private college, notwithstanding clause (2), that grants two- or four-year degrees and is registered with the Minnesota Office of Higher Education under chapter 136A; community college, state university, or technical college governed by the Board of Trustees of the Minnesota State Colleges and Universities; or the University of Minnesota; or

(4) a nonprofit corporation subject to chapter 317A, described in section 317A.905, and exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code of 1986, may authorize one or more charter schools if the charter school has operated for at least three years under a different authorizer and if the nonprofit corporation has existed for at least 25 years.

(5) no more than three single-purpose sponsors that are charitable, nonsectarian organizations formed under section 501(c)(3) of the Internal Revenue Code of 1986 and incorporated in the state of Minnesota whose sole purpose is to charter schools. Eligible organizations interested in being approved as a sponsor under this paragraph must submit a proposal to the commissioner that includes the provisions of paragraph (c) and a five-year financial plan. Such authorizers shall consider and approve applications using the criteria provided in subdivision 4 and shall not limit the applications it solicits, considers, or approves to any single curriculum, learning program, or method.

(c) An eligible authorizer under this subdivision must apply to the commissioner for approval as an authorizer before submitting any affidavit to the commissioner to charter a school. The application for approval as a charter school authorizer must demonstrate the applicant's ability to implement the procedures and satisfy the criteria for chartering a school under this section. The commissioner must approve or disapprove an application within 60 business days of the application deadline. If the commissioner disapproves the application, the commissioner must notify the applicant of the deficiencies and the applicant then has 20 business days to address the deficiencies to the commissioner's satisfaction. Failing to address the deficiencies to the commissioner's satisfaction makes an applicant ineligible to be an authorizer. The commissioner, in establishing criteria for approval, must consider the applicant's:

- (1) capacity and infrastructure;
- (2) application criteria and process;
- (3) contracting process;
- (4) ongoing oversight and evaluation processes; and
- (5) renewal criteria and processes.

(d) The affidavit application for approval to be submitted to and evaluated by the commissioner must include at least the following:

- (1) how chartering schools is a way for the organization to carry out its mission;
- (2) a description of the capacity of the organization to serve as a sponsor, including the personnel who will perform the sponsoring duties, their qualifications, the amount of time they will be assigned to this responsibility, and the financial resources allocated by the organization to this responsibility;
- (3) a description of the application and review process the authorizer will use to make decisions regarding the granting of charters, which will include at least the following:
  - (i) how the statutory purposes defined in subdivision 1 are addressed;
  - (ii) the mission, goals, program model, and student performance expectations;
  - (iii) an evaluation plan for the school that includes criteria for evaluating educational, organizational, and fiscal plans;
  - (iv) the school's governance plan;
  - (v) the financial management plan; and
  - (vi) the administration and operations plan;
- (4) a description of the type of contract it will arrange with the schools it charters that meets the provisions of subdivision 6 and defines the rights and responsibilities of the charter school for governing its educational program, controlling its funds, and making school management decisions;

(5) the process to be used for providing ongoing oversight of the school consistent with the contract expectations specified in clause (4) that assures that the schools chartered are complying with both the provisions of applicable law and rules, and with the contract;

(6) the process for making decisions regarding the renewal or termination of the school's charter based on evidence that demonstrates the academic, organizational, and financial competency of the school, including its success in increasing student achievement and meeting the goals of the charter school agreement; and

(7) an assurance specifying that the organization is committed to serving as a sponsor for the full five-year term.

A disapproved applicant under this paragraph may resubmit an application during a future application period.

(e) The authorizer must participate in department-approved training.

(f) An authorizer that chartered a school before August 1, 2009, must apply by June 30, 2011, to the commissioner for approval, under paragraph (c), to continue as an authorizer under this section. For purposes of this paragraph, an authorizer that fails to submit a timely application is ineligible to charter a school.

(g) The commissioner shall review an authorizer's performance every five years in a manner and form determined by the commissioner and may review an authorizer's performance more frequently at the commissioner's own initiative or at the request of a charter school operator, charter school board member, or other interested party. The commissioner, after completing the review, shall transmit a report with findings to the authorizer. If, consistent with this section, the commissioner finds that an authorizer has not fulfilled the requirements of this section, the commissioner may subject the authorizer to corrective action, which may include terminating the contract with the charter school board of directors of a school it chartered. The commissioner must notify the authorizer in writing of any findings that may subject the authorizer to corrective action and the authorizer then has 15 business days to request an informal hearing before the commissioner takes corrective action.

(h) The commissioner may at any time take corrective action against an authorizer, including terminating an authorizer's ability to charter a school for:

(1) failing to demonstrate the criteria under paragraph (c) under which the commissioner approved the authorizer;

(2) violating a term of the chartering contract between the authorizer and the charter school board of directors; or

(3) unsatisfactory performance as an approved authorizer.

Sec. 27. Minnesota Statutes 2009 Supplement, section 124D.10, subdivision 4, is amended to read:

Subd. 4. **Formation of school.** (a) An authorizer, after receiving an application from a school developer, may charter a licensed teacher under section 122A.18, subdivision 1, or a group of individuals that includes one or more licensed teachers under section 122A.18, subdivision 1, to operate a school subject to the commissioner's approval of the authorizer's affidavit under paragraph (b). The school must be organized and operated as a cooperative under chapter 308A or nonprofit corporation under chapter 317A and the provisions under the applicable chapter shall apply to the school except as provided in this section.

Notwithstanding sections 465.717 and 465.719, a school district, subject to this section and section 124D.11, may create a corporation for the purpose of establishing a charter school.

(b) Before the operators may establish and operate a school, the authorizer must file an affidavit with the commissioner stating its intent to charter a school. An authorizer must file a separate affidavit for each school it intends to charter. The affidavit must state the terms and conditions under which the authorizer would charter a school and how the authorizer intends to oversee the fiscal and student performance of the charter school and to comply with the terms of the written contract between the authorizer and the charter school board of directors under subdivision 6. The commissioner must approve or disapprove the authorizer's affidavit within 60 business days of receipt of the affidavit. If the commissioner disapproves the affidavit, the commissioner shall notify the authorizer of the deficiencies in the affidavit and the authorizer then has 20 business days to address the deficiencies. If the authorizer does not address deficiencies to the commissioner's satisfaction, the commissioner's disapproval is final. Failure to obtain commissioner approval precludes an authorizer from chartering the school that is the subject of this affidavit.

(c) The authorizer may prevent an approved charter school from opening for operation if, among other grounds, the charter school violates this section or does not meet the ready-to-open standards that are part of the authorizer's oversight and evaluation process or are stipulated in the charter school contract.

(d) The operators authorized to organize and operate a school, before entering into a contract or other agreement for professional or other services, goods, or facilities, must incorporate as a cooperative under chapter 308A or as a nonprofit corporation under chapter 317A and must establish a board of directors composed of at least five members who are not related parties until a timely election for members of the ongoing charter school board of directors is held according to the school's articles and bylaws under paragraph (f). A charter school board of directors must be composed of at least five members who are not related parties. Staff members employed at the school, including teachers providing instruction under a contract with a cooperative, and all parents or legal guardians of children enrolled in the school are the voters eligible to elect the members of the school's board of directors. A charter school must notify eligible voters of the school board election dates at least 30 days before the election. Board of director meetings must comply with chapter 13D.

(e) Upon the request of an individual, the charter school must make available in a timely fashion the minutes of meetings of the board of directors, and of members and committees having any board-delegated authority; financial statements showing all operations and transactions affecting income, surplus, and deficit during the school's last annual accounting period; and a balance sheet summarizing assets and liabilities on the closing date of the accounting period. A charter school also must post on its official Web site information identifying its authorizer and indicate how to contact that authorizer and include that same information about its authorizer in other school materials that it makes available to the public.

(f) Every charter school board member shall attend department-approved training on board governance, the board's role and responsibilities, employment policies and practices, and financial management. A board member who does not begin the required training within six months of being seated and complete the required training within 12 months of being seated on the board is ineligible to continue to serve as a board member.

(g) The ongoing board must be elected before the school completes its third year of operation. Board elections must be held during a time when school is in session. The charter school board of directors shall be composed of at least five nonrelated members and include: (i) at least one licensed teacher employed and serving as a teacher at the school or a licensed teacher providing instruction under a ~~contract~~ contract between the charter school and a cooperative; (ii) the parent or legal guardian of a student enrolled in the charter school who is not employed by the charter school; and (iii) an interested community member who is not employed by the charter school and does not have a child enrolled in the school. The board may be a teacher majority board composed of teachers described in this paragraph. The chief financial officer and the chief administrator ~~are~~ may only serve as ex-officio nonvoting board members and shall not serve as a voting member of the board. Charter school employees shall not serve on the board unless item (i) applies. Contractors providing facilities, goods, or services to a charter school shall not serve on the board of directors of the charter school. Board bylaws shall outline the process and procedures for changing the board's governance model, consistent with chapter 317A. A board may change its governance model only:

(1) by a majority vote of the board of directors and the licensed teachers employed by the school, including licensed teachers providing instruction under a contract between the school and a cooperative; and

(2) with the authorizer's approval.

Any change in board governance must conform with the board structure established under this paragraph.

(h) The granting or renewal of a charter by an authorizer must not be conditioned upon the bargaining unit status of the employees of the school.

(i) The granting or renewal of a charter school by an authorizer must not be contingent on the charter school being required to contract, lease, or purchase services from the authorizer. Any potential contract, lease, or purchase of service from an authorizer must be disclosed to the commissioner, accepted through an open bidding process, and be a separate contract from the charter contract. The school must document the open bidding process. An authorizer must not enter into a contract to provide management and financial services for a school that it authorizes, unless the school documents that it received at least two competitive bids.

(j) An authorizer may permit the board of directors of a charter school to expand the operation of the charter school to additional sites or to add additional grades at the school beyond those described in the authorizer's original affidavit as approved by the commissioner only after submitting a supplemental affidavit for approval to the commissioner in a form and manner prescribed by the commissioner. The supplemental affidavit must show that:

(1) the expansion proposed by the charter school is supported by need and projected enrollment;

(2) the charter school expansion is warranted, at a minimum, by longitudinal data demonstrating students' improved academic performance and growth on statewide assessments under chapter 120B;

(3) the charter school is fiscally sound and has the financial capacity to implement the proposed expansion; and

(4) the authorizer finds that the charter school has the management capacity to carry out its expansion.

(k) The commissioner shall have 30 business days to review and comment on the supplemental affidavit. The commissioner shall notify the authorizer of any deficiencies in the supplemental affidavit and the authorizer then has 30 business days to address, to the commissioner's satisfaction, any deficiencies in the supplemental affidavit. The school may not expand grades or add sites until the commissioner has approved the supplemental affidavit. The commissioner's approval or disapproval of a supplemental affidavit is final.

Sec. 28. Minnesota Statutes 2009 Supplement, section 124D.10, subdivision 4a, is amended to read:

Subd. 4a. **Conflict of interest.** (a) An individual ~~is prohibited from serving~~ must not serve as a member of the charter school board of directors if ~~the~~ that individual, an immediate family member, or the individual's partner is an owner, an employee or agent of, or a contractor who contracts with a for-profit or nonprofit entity, or an individual, and with whom the charter school contracts, directly or indirectly, for professional services, goods, or facilities. A violation of this prohibition renders a contract voidable at the option of the commissioner or the charter school board of directors. A member of a charter school board of directors who violates this prohibition is individually liable to the charter school for any damage caused by the violation.

(b) No member of the board of directors, employee, officer, or agent of a charter school shall participate in selecting, awarding, or administering a contract if a conflict of interest exists. A conflict exists when:

(1) the board member, employee, officer, or agent;



- (2) the immediate family of the board member, employee, officer, or agent;
- (3) the partner of the board member, employee, officer, or agent; or
- (4) an organization that employs, or is about to employ any individual in clauses (1) to (3),

has a financial or other interest in the entity with which the charter school is contracting. A violation of this prohibition renders the contract void.

(c) Any employee, agent, or board member of the authorizer who participates in the initial review, approval, ongoing oversight, evaluation, or the charter renewal or nonrenewal process or decision is ineligible to serve on the board of directors of a school chartered by that authorizer.

(d) An individual may serve as a member of the board of directors if no conflict of interest under paragraph (a) exists.

(e) A charter school board member or employee may receive remuneration such as a fee-for-service as part of a financial transaction involving a charter school only if the remuneration is payment for services rendered that are in addition to the services the board member or employee already agreed to provide to the charter school and the board of directors formally approves the remuneration.

(f) The conflict of interest provisions under this subdivision do not apply to compensation paid to a teacher employed by the charter school who also serves as a member of the board of directors.

(g) The conflict of interest provisions under this subdivision do not apply to a teacher who provides services to a charter school through a cooperative formed under chapter 308A when the teacher also serves on the charter school board of directors.

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

Sec. 29. Minnesota Statutes 2009 Supplement, section 124D.10, subdivision 6a, is amended to read:

Subd. 6a. **Audit report.** (a) The charter school must submit an audit report to the commissioner and its authorizer by December 31 each year.

(b) The charter school, with the assistance of the auditor conducting the audit, must include with the report a copy of all charter school agreements for corporate management services. If the entity that provides the professional services to the charter school is exempt from taxation under section 501 of the Internal Revenue Code of 1986, that entity must file with the commissioner by February 15 a copy of the annual return required under section 6033 of the Internal Revenue Code of 1986.

(c) If the commissioner receives an audit report indicating that a material weakness exists in the financial reporting systems of a charter school, the charter school must submit a written report to the commissioner explaining how the material weakness will be resolved. An entity, as a condition of providing financial services to a charter school, must agree to make available information about a charter school's financial audit to the commissioner upon request.

Sec. 30. Minnesota Statutes 2009 Supplement, section 124D.10, subdivision 11, is amended to read:

Subd. 11. **Employment and other operating matters.** (a) A charter school must employ or contract with necessary teachers, as defined by section 122A.15, subdivision 1, who hold valid licenses to perform the particular service for which they are employed in the school. The charter school's state aid may be reduced under section 127A.43 if the school employs a teacher who is not appropriately licensed or approved by the board of teaching.

The school may employ necessary employees who are not required to hold teaching licenses to perform duties other than teaching and may contract for other services. The school may discharge teachers and nonlicensed employees. The charter school board is subject to section 181.932. When offering employment to a prospective employee, a charter school must give that employee a written description of the terms and conditions of employment and the school's personnel policies. The terms and conditions of employment must include an annual teacher evaluation that is substantively consistent with section 122A.40, subdivision 8, paragraph (b). Teacher evaluations do not create an expectation of continuing employment.

(b) A person, without holding a valid administrator's license, may perform administrative, supervisory, or instructional leadership duties. The board of directors shall establish qualifications for persons that hold administrative, supervisory, or instructional leadership roles. The qualifications shall include at least the following areas: instruction and assessment; human resource and personnel management; financial management; legal and compliance management; effective communication; and board, authorizer, and community relationships. The board of directors shall use those qualifications as the basis for job descriptions, hiring, and performance evaluations, substantively consistent with section 123B.147, subdivision 3, paragraph (b), of those who hold administrative, supervisory, or instructional leadership roles. Performance evaluations do not create an expectation of continuing employment. The board of directors and an individual who does not hold a valid administrative license and who serves in an administrative, supervisory, or instructional leadership position shall develop a professional development plan. Documentation of the implementation of the professional development plan of these persons shall be included in the school's annual report.

(c) The board of directors also shall decide matters related to the operation of the school, including budgeting, curriculum and operating procedures.

**EFFECTIVE DATE.** This section is effective for the 2011-2012 school year and later.

Sec. 31. Minnesota Statutes 2009 Supplement, section 124D.10, subdivision 23, is amended to read:

Subd. 23. **Causes for nonrenewal or termination of charter school contract.** (a) The duration of the contract with an authorizer must be for the term contained in the contract according to subdivision 6. The authorizer may or may not renew a contract at the end of the term for any ground listed in paragraph (b). An authorizer may unilaterally terminate a contract during the term of the contract for any ground listed in paragraph (b). At least 60 days before not renewing or terminating a contract, the authorizer shall notify the board of directors of the charter school of the proposed action in writing. The notice shall state the grounds for the proposed action in reasonable detail and that the charter school's board of directors may request in writing an informal hearing before the authorizer within 15 business days of receiving notice of nonrenewal or termination of the contract. Failure by the board of directors to make a written request for a hearing within the 15-business-day period shall be treated as acquiescence to the proposed action. Upon receiving a timely written request for a hearing, the authorizer shall give ten business days' notice to the charter school's board of directors of the hearing date. The authorizer shall conduct an informal hearing before taking final action. The authorizer shall take final action to renew or not renew a contract no later than 20 business days before the proposed date for terminating the contract or the end date of the contract.

(b) A contract may be terminated or not renewed upon any of the following grounds:

- (1) failure to meet the requirements for pupil performance contained in the contract;
- (2) failure to meet generally accepted standards of fiscal management;
- (3) violations of law; or
- (4) other good cause shown.

If a contract is terminated or not renewed under this paragraph, the school must be dissolved according to the applicable provisions of chapter 308A or 317A.

(c) If the sponsor and the charter school board of directors mutually agree to terminate or not renew the contract, a change in sponsors is allowed if the commissioner approves the transfer to a different eligible authorizer to authorize the charter school. Both parties must jointly submit their intent in writing to the commissioner to mutually terminate the contract. The sponsor that is a party to the existing contract at least must inform the approved different eligible sponsor about the fiscal and operational status and student performance of the school. Before the commissioner determines whether to approve a transfer of authorizer, the commissioner first must determine whether the charter school and prospective new authorizer can identify and effectively resolve those circumstances causing the previous authorizer and the charter school to mutually agree to terminate the contract. If no transfer of sponsor is approved, the school must be dissolved according to applicable law and the terms of the contract.

(d) The commissioner, after providing reasonable notice to the board of directors of a charter school and the existing authorizer, and after providing an opportunity for a public hearing under chapter 14, may terminate the existing contract between the authorizer and the charter school board if the charter school has a history of:

- (1) failure to meet pupil performance requirements ~~contained in the contract~~ consistent with state law;
- (2) financial mismanagement or failure to meet generally accepted standards of fiscal management; or
- (3) ~~repeated or major~~ violations of the law.

(e) If the commissioner terminates a charter school contract under subdivision 3, paragraph (g), the commissioner shall provide the charter school with information about other eligible authorizers.

Sec. 32. **[124D.101] VACANT BUILDING INVENTORY.**

The Department of Administration and the Department of Education annually shall publish a list of state and district-owned buildings and parts of buildings that are vacant and unused and that may be suitable for operating a charter school. The Department of Education shall make the list available to charter school applicants and operators. The list shall include the building address, a brief building description, and building name. Nothing in this section requires a building owner to sell or lease a listed building or a part of a building to a charter school, any other school, or any other prospective buyer or tenant. School districts, upon request, must provide the Department of Education with the information it needs to compile the vacant building list under this section.

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

Sec. 33. Laws 2009, chapter 96, article 2, section 64, is amended to read:

Sec. 64. **RESERVED REVENUE FOR STAFF DEVELOPMENT; TEMPORARY SUSPENSION.**

(a) Notwithstanding Minnesota Statutes, section 122A.61, subdivision 1, for fiscal years 2010 and 2011 only, a school district or charter school may use revenue reserved for staff development under Minnesota Statutes, section 122A.61, subdivision 1, according to the requirements of general education revenue under Minnesota Statutes, section 126C.13, subdivision 5.

(b) On June 30, 2010, a school district may permanently transfer any balance from the reserved account for staff development to the undesignated general fund balance.

Sec. 34. Laws 2009, chapter 96, article 2, section 67, subdivision 14, is amended to read:

Subd. 14. **Collaborative urban educator.** For the collaborative urban educator grant program:

\$528,000	.....	2010
\$528,000	.....	2011

\$210,000 each year is for the Southeast Asian teacher program at Concordia University, St. Paul; \$159,000 each year is for the collaborative urban educator program at the University of St. Thomas; and \$159,000 each year is for the Center for Excellence in Urban Teaching at Hamline University. Grant recipients must collaborate with urban and nonurban school districts. Any balance in the first year does not cancel but is available in the second year.

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

Sec. 35. Laws 2009, chapter 96, article 2, section 67, subdivision 17, is amended to read:

Subd. 17. **Education Planning and Assessment System (EPAS) program.** For the Educational Planning and Assessment System (EPAS) program under Minnesota Statutes, section 120B.128:

\$829,000	.....	2010
<del>\$ 829,000</del> <u>638,000</u>	.....	2011

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

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 36. **IMPLEMENTING DIFFERENTIATED GRADUATION RATE MEASURES AND EXPLORING ALTERNATIVE ROUTES TO A STANDARD DIPLOMA FOR AT-RISK AND OFF-TRACK STUDENTS.**

(a) To implement the requirements of Minnesota Statutes, section 120B.35, subdivision 3, paragraph (e), the commissioner of education must convene a group of recognized and qualified experts on improving differentiated graduation rates and establishing alternative routes to a standard high school diploma for at-risk and off-track students throughout the state. The commissioner must assist the group, as requested, to explore and recommend to the commissioner and the legislature (i) research-based measures that demonstrate the relative success of school districts, school sites, charter schools, and alternative program providers in improving the graduation outcomes of at-risk and off-track students, and (ii) state options for establishing alternative routes to a standard diploma consistent with the educational accountability system under Minnesota Statutes, chapter 120B. When proposing alternative routes to a standard diploma, the group also must identify highly reliable variables that generate summary data to comply with Minnesota Statutes, section 120B.35, subdivision 3, paragraph (e), including: who initiates the request for an alternative route; who approves the request for an alternative route; the parameters of the alternative route process, including whether a student first must fail a regular, state-mandated exam; and the comparability of the academic and achievement criteria reflected in the alternative route and the standard route for a standard diploma. The group is also encouraged to identify the data, time lines, and methods needed to evaluate and report on the alternative routes to a standard diploma once they are implemented and the student outcomes that result from those routes.

(b) The commissioner must convene the first meeting of this group by September 15, 2010. Group members must include: one administrator of, one teacher from, and one parent of a student currently enrolled in a state-approved alternative program selected by the Minnesota Association of Alternative Programs; one representative selected by the Minnesota Online Learning Alliance; one representative selected by the Metropolitan Federation of

Alternative Schools; one representative selected by the Minnesota Association of Charter Schools; one representative selected by the Minnesota School Board Association; one representative selected by Education Minnesota; one representative selected by the Association of Metropolitan School Districts; one representative selected by the Minnesota Rural Education Association; two faculty members selected by the dean of the college of education at the University of Minnesota with expertise in serving and assessing at-risk and off-track students; two Minnesota State Colleges and Universities faculty members selected by the Minnesota State Colleges and Universities chancellor with expertise in serving and assessing at-risk and off-track students; one currently serving superintendent from a school district selected by the Minnesota Association of School Administrators; one currently serving high school principal selected by the Minnesota Association of Secondary School Principals; and two public members selected by the commissioner. The group may seek input from representatives of other interested stakeholders and organizations with expertise to help inform the group's work. The group must meet at least quarterly. Group members do not receive compensation or reimbursement of expenses for participating in this group. The group expires February 16, 2012.

(c) The group, by February 15, 2012, must develop and submit to the commissioner and the education policy and finance committees of the legislature recommendations and legislation, consistent with this section and Minnesota Statutes, section 120B.35, subdivision 3, paragraph (e), for:

(1) measuring and reporting differentiated graduation rates for at-risk and off-track students throughout the state and the success and costs that school districts, school sites, charter schools, and alternative program providers experience in identifying and serving at-risk or off-track student populations; and

(2) establishing alternative routes to a standard diploma.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to school report cards beginning July 1, 2013.

Sec. 37. **RULEMAKING AUTHORITY.**

The commissioner of education shall adopt rules consistent with chapter 14 that provide English language proficiency standards for instruction of students identified as limited English proficient under Minnesota Statutes, sections 124D.58 to 124D.64. The English language proficiency standards must encompass the language domains of listening, speaking, reading, and writing. The English language proficiency standards must reflect social and academic dimensions of acquiring a second language that are accepted of English language learners in prekindergarten through grade 12. The English language proficiency standards must address the specific contexts for language acquisition in the areas of social and instructional settings as well as academic language encountered in language arts, mathematics, science, and social studies. The English language proficiency standards must express the progression of language development through language proficiency levels. The English language proficiency standards must be implemented for all limited English proficient students beginning in the 2011-2012 school year and assessed beginning in the 2012-2013 school year.

Sec. 38. **DEPARTMENT OF EDUCATION.**

Subdivision 1. **Recess guidelines.** The department is encouraged to develop voluntary school district guidelines that promote high quality recess practices and foster student behaviors that lead students to increase their activity levels, improve their social skills, and misbehave less.

Subd. 2. **Common course catalogue.** The department is encouraged to include in the Minnesota common course catalogue all district physical education classes and physical education graduation requirements.

Subd. 3. **Standards adoption.** Notwithstanding Minnesota Statutes, sections 120B.021, subdivision 2, and 120B.023, any statutory criteria required when reviewing or revising standards and benchmarks, any requirements governing the content of statewide standards, and any other law to the contrary, the commissioner of education shall initially adopt the most recent standards developed by the National Association for Sport and Physical Education for physical education in kindergarten through grade 12.

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

Sec. 39. **HEALTHY KIDS AWARDS PROGRAM.**

Subdivision 1. **Recognition.** The healthy kids awards program rewards kindergarten through grade 12 students for their nutritional well-being and physical activity. In addition to the physical and nutritional education students receive in physical education classes, the program is intended to integrate physical activity and nutritional education into nonphysical education classes, recess, and extracurricular activities throughout the day. Interested schools must agree to participate from October through May of each school year.

Subd. 2. **School district participation.** School districts annually by September 15 may submit to the commissioner of education a letter of intent to participate in a healthy kids awards program from October to May during the current school year. The commissioner must recognize on the school performance report card under Minnesota Statutes, section 120B.36, those schools and districts that affirm to the commissioner, as prescribed by the commissioner, that at least 75 percent of students in the school or district are physically active for at least 60 minutes each school day. The time students spend participating in a physical education class counts toward the daily 60-minute requirement.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies beginning in the 2010-2011 school year and later.

Sec. 40. **ADVISORY TASK FORCE ON SCHOOL DESEGREGATION AND INTEGRATION.**

Subdivision 1. **Establishment; purpose; membership.** (a) An advisory task force on school desegregation and integration is established to develop recommendations and legislation for the legislature on: (i) addressing the findings and recommendations in the 2005 Minnesota legislative auditor's report on school district integration revenue, (ii) amending Minnesota's school desegregation rule, and (iii) specifying the purpose, use, and allocation of integration revenue under Minnesota Statutes, section 124D.86. The task force shall consist of education stakeholders interested in addressing school desegregation and integration policies, integration revenue uses, and the academic achievement gap among groups of students. The 17-member task force consists of the commissioner of education or the commissioner's designee and the following:

- (1) one member appointed by and serving at the pleasure of the Minnesota Indian Affairs Council;
- (2) one member appointed by and serving at the pleasure of the Council on Asian-Pacific Minnesotans;
- (3) one member appointed by and serving at the pleasure of the Council on Black Minnesotans;
- (4) one member appointed by and serving at the pleasure of the Chicano Latino Affairs Council;

(5) three public members appointed by the speaker of the house who are currently serving as school district superintendents, collaborative coordinators, or school board members, with one public member from each of the following: an urban school district, a suburban school district, and a rural school district, and where at least one of the three public members is also from a metropolitan integration district;

(6) four current members of the house of representatives appointed by the speaker of the house, with two from each political party, and where two members are from the seven-county metropolitan area and two members are from rural Minnesota;

(7) three public members appointed by the senate Subcommittee on Committees of the Committee on Rules and Administration who are currently serving as school district superintendents, collaborative coordinators, or school board members, with one public member from each of the following: an urban school district, a suburban school district, and a rural school district, and where at least one of the three public members is also from a rural integration collaborative district; and

(8) two current members of the senate appointed by the senate Subcommittee on Committees of the Committee on Rules and Administration, with one from each political party, and where one member is from the seven-county metropolitan area and the second member is from rural Minnesota.

(b) Task force members shall be appointed by July 1, 2010. Task force members shall be represented by the designated appointee of each named organization. The task force shall seek input from nonmember organizations such as the Institute on Race and Poverty, the Minneapolis Urban League, the Minnesota Minority Education Partnership, the National Association for the Advancement of Colored People, and the Office of the State Demographer, among other organizations whose expertise can help inform the work of the task force.

(c) The commissioner of education shall convene the first meeting of the task force by September 15, 2010. Task force members shall elect one member to serve as the task force chair. The task force may invite representatives of other interested education stakeholders and organizations to participate in task force meetings. The task force must meet at least monthly.

(d) Upon request, the commissioner of education shall provide assistance to the task force.

(e) Task force members do not receive compensation or reimbursement of expenses from the task force for service on the task force.

**Subd. 2. Duties; report.** (a) The task force shall develop recommendations and legislation for addressing the findings and recommendations in the 2005 Minnesota legislative auditor's report on school district integration revenue, amending Minnesota's school desegregation rule, and Minnesota Statutes, section 124D.86, governing the use and allocation of integration revenue. These recommendations and legislation may address but are not limited to:

(1) access to integrated and equitable learning environments that enhance achievement and opportunities for all students;

(2) changing demographics among Minnesota students reflected in the increasing numbers of students of color, new immigrants, and English language learners;

(3) cultural proficiency training for teachers;

(4) the impact of school choice laws on state and local school desegregation and integration efforts; and

(5) financial and other resources that enable schools and school districts to provide staff development training, magnet schools, and other interdistrict collaborative initiatives that enhance student achievement.

(b) By January 15, 2011, the task force shall submit to the legislative committees and divisions with jurisdiction over early childhood through grade 12 education policy and finance a report and accompanying legislation that reflect the substance of the recommendation of the task force.

Subd. 3. **Expiration.** The task force expires on January 16, 2011.

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

Sec. 41. **ASSESSMENT ADVISORY COMMITTEE; RECOMMENDATIONS.**

(a) The Assessment Advisory Committee must develop recommendations for alternative methods by which students satisfy the high school algebra end-of-course requirements under Minnesota Statutes, section 120B.30, subdivision 1b, paragraph (b), clause (9), and demonstrate their college and career readiness. The Assessment Advisory Committee, among other alternative methods and if consistent with federal educational accountability law, must consider allowing students to:

(1) achieve the mathematics college readiness score on the American College Test (ACT) or Scholastic Aptitude Test (SAT) exam;

(2) achieve a college-credit score on a College-Level Examination Program (CLEP) for algebra;

(3) achieve a score on an equivalent Advanced Placement or International Baccalaureate exam that would earn credit at a four-year college or university; or

(4) pass a credit-bearing course in college algebra or a more advanced course in that subject with a grade of C or better under Minnesota Statutes, section 124D.09, including Minnesota Statutes, section 124D.09, subdivision 10.

(b) The Assessment Advisory Committee, in the context of the high school algebra end-of-course assessment under Minnesota Statutes, section 120B.30, subdivision 1b, may develop recommendations on integrating universal design principles to improve access to learning and assessments for all students, more accurately understand what students know and can do, provide Minnesota with more cost-effective assessments, and provide educators with more valid inferences about students' achievement levels.

(c) The Assessment Advisory Committee, for purposes of fully implementing the high school algebra end-of-course assessment under Minnesota Statutes, section 120B.30, subdivision 1b, also must develop recommendations for:

(1) calculating the alignment index, including how questions about validity and reliability are resolved; and

(2) defining "misaligned" and "highly misaligned" and when and under what specific circumstances misalignments occur.

(d) By February 15, 2011, the Assessment Advisory Committee must submit its recommendations under this section to the education commissioner and the education policy and finance committees of the legislature.

(e) The commissioner must not implement any element of any recommendation under paragraphs (a) to (d) related to the high school algebra end-of-course assessment under Minnesota Statutes, section 120B.30, subdivision 1b, without first receiving specific legislative authority to do so.

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

Sec. 42. **PERSISTENTLY LOWEST-ACHIEVING SCHOOL DESIGNATION; FEDERAL SCHOOL IMPROVEMENT GRANTS.**

For purposes of federal school improvement grants under the American Recovery and Reinvestment Act, and unless the chief administrator of a school voluntarily agrees to the designation in writing, the department must not use a school's high school graduation rate as a basis to designate a high school chartered under Minnesota Statutes, section 124D.10, or an alternative learning program established under Minnesota Statutes, section 123A.05, to serve



and reengage students who were expelled, dropped out, or are otherwise not enrolled in school, among other students, as a persistently lowest-achieving school if on December 15 at least 70 percent of the students who, at the time they enroll in the school, are two or more years older than the average statewide age of other students enrolled in the same grade, lack a sufficient number of high school credits to graduate on time, or are otherwise eligible to participate in the graduation incentives program under Minnesota Statutes, section 124D.68.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies retroactively from January 1, 2010.

Sec. 43. **REPEALER.**

Minnesota Statutes 2008, section 122A.24, is repealed.

**EFFECTIVE DATE.** This section is effective August 1, 2010.

### ARTICLE 3

#### SPECIAL PROGRAMS

Section 1. Minnesota Statutes 2009 Supplement, section 125A.02, subdivision 1, is amended to read:

Subdivision 1. **Child with a disability.** "Child with a disability" means a child identified under federal and state special education law as ~~having a hearing impairment, blindness, visual disability, deaf or hard-of-hearing, blind or visually impaired, deafblind, or having a speech or language impairment, a physical disability impairment, other health impairment disability, mental developmental cognitive disability, emotional/behavioral an emotional or behavioral disorder, specific learning disability, autism spectrum disorder, traumatic brain injury, or severe multiple disabilities impairments, or deafblind disability and~~ who needs special education and related services, as determined by the rules of the commissioner, ~~is a child with a disability.~~ A licensed physician, an advanced practice nurse, or a licensed psychologist is qualified to make a diagnosis and determination of attention deficit disorder or attention deficit hyperactivity disorder for purposes of identifying a child with a disability.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 2. Minnesota Statutes 2008, section 125A.03, is amended to read:

#### **125A.03 SPECIAL INSTRUCTION FOR CHILDREN WITH A DISABILITY.**

(a) ~~As defined~~ Except as provided in paragraph (b), every district must provide or make available special instruction education and related services, either within the district or in another district, for all children every child with a disability, including providing required services under Code of Federal Regulations, title 34, section 300.121, paragraph (d), to those children suspended or expelled from school for more than ten school days in that school year, who are residents is a resident of the district and who are disabled as set forth in section 125A.02 from birth until that child becomes 21 years old or receives a regular high school diploma, whichever comes first. For purposes of state and federal special education laws, The phrase "special instruction education and related services" in the state Education Code means a free and appropriate public education provided to an eligible child with disabilities and includes special education and related services defined in the Individuals with Disabilities Education Act, subpart A, section 300.24 a disability.

(b) ~~Notwithstanding any age limits in laws to the contrary, special instruction and services must be provided from birth until July 1 after the child with a disability becomes 21 years old but shall not extend beyond secondary school or its equivalent, except as provided in section 124D.68, subdivision 2. If a child with a disability becomes~~

21 years old during the school year, the district shall continue to make available special education and related services until the last day of the school year, or until the day the child receives a regular high school diploma, whichever comes first.

(c) For purposes of this section and section 121A.41, subdivision 7, paragraph (a), clause (2), "school year" means the days of student instruction designated by the school board as the regular school year in the annual calendar adopted under section 120A.41.

(d) A district shall identify, locate, and evaluate children with a disability in the district who are in need of special education and related services. Local health, education, and social service agencies must refer children under age five who are known to need or suspected of needing special instruction education and related services to the school district. ~~Districts with less than the minimum number of eligible children with a disability as determined by the commissioner must cooperate with other districts to maintain a full range of programs for education and services for children with a disability. This section does not alter the compulsory attendance requirements of section 120A.22.~~

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 3. **[125A.031] RESOLVING DISPUTES AMONG DISTRICTS.**

If districts dispute which district is responsible for providing or making available special education and related services to a child with a disability who is not currently enrolled in a district because the child's district of residence is disputed, the district in which that child first tries to enroll shall provide or make available special education and related services to the child until the commissioner is notified and expeditiously resolves the dispute. For purposes of this section, "district" means a school district or a charter school.

Sec. 4. Minnesota Statutes 2009 Supplement, section 125A.091, subdivision 7, is amended to read:

Subd. 7. **Conciliation conference.** A parent must have an opportunity to meet with appropriate district staff in at least one conciliation conference if the parent objects to any proposal of which the parent receives notice under subdivision 3a. A district must offer to hold a conciliation conference within two business days after receiving a parent's objection to a proposal or refusal in the prior written notice. ~~The district must hold the conciliation conference within ten calendar days from the date the district receives a the parent's objection to a proposal or refusal in the prior written notice.~~ Except as provided in this section, all discussions held during a conciliation conference are confidential and are not admissible in a due process hearing. Within five school days after the final conciliation conference, the district must prepare and provide to the parent a conciliation conference memorandum that describes the district's final proposed offer of service. This memorandum is admissible in evidence in any subsequent proceeding.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to all conciliation conferences required after that date.

Sec. 5. Minnesota Statutes 2008, section 125A.21, subdivision 2, is amended to read:

Subd. 2. **Third party reimbursement.** (a) Beginning July 1, 2000, districts shall seek reimbursement from insurers and similar third parties for the cost of services provided by the district whenever the services provided by the district are otherwise covered by the child's health coverage. Districts shall request, but may not require, the child's family to provide information about the child's health coverage when a child with a disability begins to receive services from the district of a type that may be reimbursable, and shall request, but may not require, updated information after that as needed.

(b) For children enrolled in medical assistance under chapter 256B or MinnesotaCare under chapter 256L who have no other health coverage, a district shall provide an initial written notice to the enrolled child's parent or legal representative of its intent to seek reimbursement from medical assistance or MinnesotaCare for the individual education plan health-related services provided by the district. The notice shall include:

(1) the right of the parent or legal representative to request a copy of all records concerning individualized education program health-related services disclosed by the district to any third party;

(2) the right of the parent or legal representative to withdraw consent for disclosing a child's records at any time without consequence, including consent that was initially given as part of the application process for MinnesotaCare or medical assistance under section 256B.08, subdivision 1; and

(3) a decision to revoke consent for schools to share information from education records does not impact a parent's eligibility for MinnesotaCare or medical assistance.

(c) The district shall give the parent or legal representative annual written notice of:

(1) the district's intent to seek reimbursement from medical assistance or MinnesotaCare for individual education plan health-related services provided by the district;

(2) the right of the parent or legal representative to request a copy of all records concerning individual education plan health-related services disclosed by the district to any third party; and

(3) the right of the parent or legal representative to withdraw consent for disclosure of a child's records at any time without consequence, including consent that was initially given as part of the application process for MinnesotaCare or medical assistance under section 256B.08, subdivision 1.

The written notice shall be provided as part of the written notice required by Code of Federal Regulations, title 34, section 300.504.

(d) In order to access the private health care coverage of a child who is covered by private health care coverage in whole or in part, a district must:

(1) obtain annual written informed consent from the parent or legal representative, in compliance with subdivision 5; and

(2) inform the parent or legal representative that a refusal to permit the district or state Medicaid agency to access their private health care coverage does not relieve the district of its responsibility to provide all services necessary to provide free and appropriate public education at no cost to the parent or legal representative.

(e) If the commissioner of human services obtains federal approval to exempt covered individual education plan health-related services from the requirement that private health care coverage refuse payment before medical assistance may be billed, paragraphs (b), (c), and (d) shall also apply to students with a combination of private health care coverage and health care coverage through medical assistance or MinnesotaCare.

(f) In the event that Congress or any federal agency or the Minnesota legislature or any state agency establishes lifetime limits, limits for any health care services, cost-sharing provisions, or otherwise provides that individual education plan health-related services impact benefits for persons enrolled in medical assistance or MinnesotaCare, the amendments to this subdivision adopted in 2002 are repealed on the effective date of any federal or state law or regulation that imposes the limits. In that event, districts must obtain informed consent consistent with this subdivision as it existed prior to the 2002 amendments and subdivision 5, before seeking reimbursement for children enrolled in medical assistance under chapter 256B or MinnesotaCare under chapter 256L who have no other health care coverage.

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

Sec. 6. Minnesota Statutes 2008, section 125A.21, subdivision 3, is amended to read:

Subd. 3. **Use of reimbursements.** Of the reimbursements received, districts may:

(1) retain an amount sufficient to compensate the district for its administrative costs of obtaining reimbursements;

(2) regularly obtain from education- and health-related entities training and other appropriate technical assistance designed to improve the district's ability to ~~determine which services are reimbursable and to seek timely reimbursement in a cost-effective manner~~ access third-party payments for individualized education program health-related services; or

(3) reallocate reimbursements for the benefit of students with ~~special needs~~ individualized education programs or individual family service plans in the district.

Sec. 7. Minnesota Statutes 2008, section 125A.21, subdivision 5, is amended to read:

Subd. 5. **Informed consent.** When obtaining informed consent, consistent with sections 13.05, subdivision 4, paragraph (d); ~~and~~, 256B.77, subdivision 2, paragraph (p), and Code of Federal Regulations, title 34, parts 99 and 300, to bill health plans for covered services, the school district must notify the legal representative (1) that the cost of the person's private health insurance premium may increase due to providing the covered service in the school setting, (2) that the school district may pay certain enrollee health plan costs, including but not limited to, co-payments, coinsurance, deductibles, premium increases or other enrollee cost-sharing amounts for health and related services required by an individual service plan, or individual family service plan, and (3) that the school's billing for each type of covered service may affect service limits and prior authorization thresholds. The informed consent may be revoked in writing at any time by the person authorizing the billing of the health plan.

Sec. 8. Minnesota Statutes 2008, section 125A.21, subdivision 7, is amended to read:

Subd. 7. **District disclosure of information.** A school district may disclose information contained in a student's individual education plan, consistent with section 13.32, subdivision 3, paragraph (a), and Code of Federal Regulations, title 34, part 99; including records of the student's diagnosis and treatment, to a health plan company only with the signed and dated consent of the student's parent, or other legally authorized individual. The school district shall disclose only that information necessary for the health plan company to decide matters of coverage and payment. A health plan company may use the information only for making decisions regarding coverage and payment, and for any other use permitted by law.

Sec. 9. Minnesota Statutes 2008, section 125A.515, is amended by adding a subdivision to read:

Subd. 3a. **Students without a disability from other states.** A school district need not provide education services under this section to an out-of-state student without an individualized education program who lacks a tuition agreement or other agreement by the placing authority to pay for the services.

**EFFECTIVE DATE.** This section is effective July 1, 2010, for fiscal years 2011 and later.

Sec. 10. Minnesota Statutes 2009 Supplement, section 125A.63, subdivision 2, is amended to read:

Subd. 2. **Programs.** The Department of Education, through the resource centers must offer summer institutes or other training programs and other educational strategies throughout the state for deaf or hard-of-hearing, blind or visually impaired, and multiply disabled pupils. The resource centers must also offer workshops for teachers, and leadership development for teachers.

A program offered through the resource centers must promote and develop education programs offered by school districts or other organizations. The program must assist school districts or other organizations to develop innovative programs.

Sec. 11. Minnesota Statutes 2009 Supplement, section 125A.63, subdivision 4, is amended to read:

Subd. 4. **Advisory committees.** (a) The commissioner shall establish an advisory committee for each resource center. The advisory committees shall develop recommendations regarding the resource centers and submit an annual report to the commissioner on the form and in the manner prescribed by the commissioner.

(b) The advisory committee for the Resource Center for the Deaf and Hard of Hearing shall meet periodically at least four times per year and submit an annual report to the commissioner, the education policy and finance committees of the legislature, and the Commission of Deaf, DeafBlind, and Hard of Hearing Minnesotans. The report must, at least:

(1) identify and report the aggregate, data-based education outcomes for children with the primary disability classification of deaf and hard of hearing, consistent with the commissioner's child count reporting practices, the commissioner's state and local outcome data reporting system by district and region, ~~and~~ the school performance report cards under section 120B.36, subdivision 1, and relevant IDEA Parts B and C mandated reporting data; and

(2) describe the implementation of a data-based plan for improving the education outcomes of deaf and hard of hearing children that is premised on evidence-based best practices, and provide a cost estimate for ongoing implementation of the plan; and

(3) include the recommendations for improving the developmental outcomes of children birth to age 3 and the data underlying those recommendations that the coordinator identifies under subdivision 5.

Sec. 12. Minnesota Statutes 2009 Supplement, section 125A.63, subdivision 5, is amended to read:

Subd. 5. **Statewide hearing loss early education intervention coordinator.** (a) The coordinator shall:

(1) collaborate with the early hearing detection and intervention coordinator for the Department of Health, the director of the Department of Education Resource Center for Deaf and Hard-of-Hearing, and the Department of Health Early Hearing Detection and Intervention Advisory Council;

(2) coordinate and support Department of Education early hearing detection and intervention teams;

(3) leverage resources by serving as a liaison between interagency early intervention committees; part C coordinators from the Departments of Education, Health, and Human Services; Department of Education regional low-incidence facilitators; service coordinators from school districts; Minnesota children with special health needs in the Department of Health; public health nurses; child find; Department of Human Services Deaf and Hard-of-Hearing Services Division; and others as appropriate;

(4) identify, support, and promote culturally appropriate and evidence-based early intervention practices for infants with hearing loss, and provide training, outreach, and use of technology to increase consistency in statewide service provision;

(5) identify culturally appropriate specialized reliable and valid instruments to assess and track the progress of children with hearing loss and promote their use;

(6) ensure that early childhood providers, parents, and members of the individual family service and intervention plan are provided with child progress data resulting from specialized assessments;

(7) educate early childhood providers and teachers of the deaf and hard-of-hearing to use developmental data from specialized assessments to plan and adjust individual family service plans; and

(8) make recommendations that would improve educational outcomes to the early hearing detection and intervention committee, the commissioners of education and health, the Commission of Deaf, DeafBlind and Hard-of-Hearing Minnesotans, and the advisory council of the Minnesota Department of Education Resource Center for the Deaf and Hard-of-Hearing.

(b) The Department of Education must provide aggregate data regarding outcomes ~~of deaf and hard-of-hearing~~ children with hearing loss who receive early intervention services within the state in accordance with the state performance plan.

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

Sec. 13. Minnesota Statutes 2008, section 125A.69, subdivision 1, is amended to read:

Subdivision 1. ~~Two kinds~~ **Admissions.** ~~There are two kinds of Admission to the Minnesota State Academies is~~ described in this section.

(a) A pupil who is deaf, hard of hearing, or blind-deaf, may be admitted to the Academy for the Deaf. A pupil who is blind or visually impaired, blind-deaf, or multiply disabled may be admitted to the Academy for the Blind. For a pupil to be admitted, two decisions must be made under sections 125A.03 to 125A.24 and 125A.65.

(1) It must be decided by the individual education planning team that education in regular or special education classes in the pupil's district of residence cannot be achieved satisfactorily because of the nature and severity of the deafness or blindness or visual impairment respectively.

(2) It must be decided by the individual education planning team that the academy provides the most appropriate placement within the least restrictive alternative for the pupil.

(b) A deaf or hard of hearing child or a visually impaired pupil may be admitted to get socialization skills or on a short-term basis for skills development.

(c) A parent of a child who resides in Minnesota and who meets the disability criteria for being deaf or hard-of-hearing, blind or visually impaired, or multiply disabled may apply to place the child in the Minnesota State Academies. Academy staff must review the application to determine whether the Minnesota State Academies is an appropriate placement for the child. If academy staff determine that the Minnesota State Academies is an appropriate placement, the staff must invite the individualized education program team at the child's resident school district to participate in a meeting to arrange a trial placement of between 60 and 90 calendar days at the Minnesota State Academies. If the child's parent consents to the trial placement, the Minnesota State Academies is the responsible serving school district and incur all due process obligations under law and the child's resident school district is responsible for any transportation included in the child's individualized education program during the trial placement. Before the trial placement ends, academy staff must convene an individualized education program team meeting to determine whether to continue the child's placement at the Minnesota State Academies or that another

placement is appropriate. If the individualized education program team and the parent are unable to agree on the child's placement, the child's placement reverts to the placement in the child's individualized education program that immediately preceded the trial placement. If the parent and individualized education program team agree to continue the placement beyond the trial period, the transportation and due process responsibilities are the same as those described for the trial placement under this paragraph.

**EFFECTIVE DATE.** This section is effective for the 2010-2011 school year and later.

Sec. 14. Minnesota Statutes 2009 Supplement, section 256B.0625, subdivision 26, is amended to read:

Subd. 26. **Special education services.** (a) Medical assistance covers medical services identified in a recipient's individualized education plan and covered under the medical assistance state plan. Covered services include occupational therapy, physical therapy, speech-language therapy, clinical psychological services, nursing services, school psychological services, school social work services, personal care assistants serving as management aides, assistive technology devices, transportation services, health assessments, and other services covered under the medical assistance state plan. Mental health services eligible for medical assistance reimbursement must be provided or coordinated through a children's mental health collaborative where a collaborative exists if the child is included in the collaborative operational target population. The provision or coordination of services does not require that the individual education plan be developed by the collaborative.

The services may be provided by a Minnesota school district that is enrolled as a medical assistance provider or its subcontractor, and only if the services meet all the requirements otherwise applicable if the service had been provided by a provider other than a school district, in the following areas: medical necessity, physician's orders, documentation, personnel qualifications, and prior authorization requirements. The nonfederal share of costs for services provided under this subdivision is the responsibility of the local school district as provided in section 125A.74. Services listed in a child's individual education plan are eligible for medical assistance reimbursement only if those services meet criteria for federal financial participation under the Medicaid program.

(b) Approval of health-related services for inclusion in the individual education plan does not require prior authorization for purposes of reimbursement under this chapter. The commissioner may require physician review and approval of the plan not more than once annually or upon any modification of the individual education plan that reflects a change in health-related services.

(c) Services of a speech-language pathologist provided under this section are covered notwithstanding Minnesota Rules, part 9505.0390, subpart 1, item L, if the person:

(1) holds a masters degree in speech-language pathology;

(2) is licensed by the Minnesota Board of Teaching as an educational speech-language pathologist; and

(3) either has a certificate of clinical competence from the American Speech and Hearing Association, has completed the equivalent educational requirements and work experience necessary for the certificate or has completed the academic program and is acquiring supervised work experience to qualify for the certificate.

(d) Medical assistance coverage for medically necessary services provided under other subdivisions in this section may not be denied solely on the basis that the same or similar services are covered under this subdivision.

(e) The commissioner shall develop and implement package rates, bundled rates, or per diem rates for special education services under which separately covered services are grouped together and billed as a unit in order to reduce administrative complexity.

(f) The commissioner shall develop a cost-based payment structure for payment of these services. Only costs reported through designated Department of Education data systems in distinct service categories may be included in the cost-based payment structure. The commissioner shall reimburse claims submitted based on an interim rate, and shall settle at a final rate once the department has determined it. The commissioner shall notify the school district of the final rate. The school district has 60 days to appeal the final rate. To appeal the final rate, the school district shall file a written appeal request to the commissioner within 60 days of the date the final rate determination was mailed. The appeal request shall specify (1) the disputed items and (2) the name and address of the person to contact regarding the appeal.

(g) Effective July 1, 2000, medical assistance services provided under an individual education plan or an individual family service plan by local school districts shall not count against medical assistance authorization thresholds for that child.

(h) Nursing services as defined in section 148.171, subdivision 15, and provided as an individual education plan health-related service, are eligible for medical assistance payment if they are otherwise a covered service under the medical assistance program. Medical assistance covers the administration of prescription medications by a licensed nurse who is employed by or under contract with a school district when the administration of medications is identified in the child's individualized education plan. The simple administration of medications alone is not covered under medical assistance when administered by a provider other than a school district or when it is not identified in the child's individualized education plan.

Sec. 15. Laws 2009, chapter 79, article 5, section 60, is amended to read:

Sec. 60. Minnesota Statutes 2008, section 256L.05, is amended by adding a subdivision to read:

Subd. 1c. **Open enrollment and streamlined application and enrollment process.** (a) The commissioner and local agencies working in partnership must develop a streamlined and efficient application and enrollment process for medical assistance and MinnesotaCare enrollees that meets the criteria specified in this subdivision.

(b) The commissioners of human services and education shall provide recommendations to the legislature by January 15, 2010, on the creation of an open enrollment process for medical assistance and MinnesotaCare that is coordinated with the public education system. The recommendations must:

(1) be developed in consultation with medical assistance and MinnesotaCare enrollees and representatives from organizations that advocate on behalf of children and families, low-income persons and minority populations, counties, school administrators and nurses, health plans, and health care providers;

(2) be based on enrollment and renewal procedures best practices, including express lane eligibility as required under subdivision 1d;

(3) simplify the enrollment and renewal processes wherever possible; and

(4) establish a process:

(i) to disseminate information on medical assistance and MinnesotaCare to all children in the public education system, including prekindergarten programs; and

(ii) for the commissioner of human services to enroll children and other household members who are eligible.

The commissioner of human services in coordination with the commissioner of education shall implement an open enrollment process by August 1, 2010, to be effective beginning with the 2010-2011 school year.



(c) The commissioner and local agencies shall develop an online application process for medical assistance and MinnesotaCare.

(d) The commissioner shall develop an application that is easily understandable and does not exceed four pages in length.

(e) The commissioner of human services shall present to the legislature, by January 15, 2010, an implementation plan for the open enrollment period and online application process.

(f) To ensure parity between all providers of medical services in the ability to seek reimbursement from MinnesotaCare or medical assistance, the commissioner of human services, in consultation with the commissioner of education, shall include on new or revised enrollment forms consent authorization language for all providers of medical services to the parent's child or children, including schools, by incorporating language on the enrollment form that is consistent with federal data practices laws requiring consent before a school may release information from individual educational records. The consent language shall include a statement that the medical services providers may share with the commissioner of human services medical or other information in the possession of the provider that is necessary for the provider to be reimbursed by MinnesotaCare or medical assistance. The consent language also shall state that information may be shared from a child's individual educational records and that the parent may revoke the consent for schools to share information from educational records at any time. The commissioner shall include substantially similar consent authorization language on each of its other enrollment forms as they are scheduled for review, revision, or replacement.

**EFFECTIVE DATE.** This section is effective July 1, 2010, or upon federal approval, which must be requested by the commissioner, whichever is later.

Sec. 16. **SPECIAL EDUCATION REPORT.**

As the agency charged with administering and enforcing federal and state special education laws and making special education aid payments, the Department of Education must identify and report by February 15, 2011, to the committees of the house of representatives and senate with primary jurisdiction over kindergarten through grade 12 education the specific circumstances under which a school district or other entity, consistent with federal and state law, must provide special education and related services to a child with a disability and thereby receives payment for providing the special education and related services.

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

Sec. 17. **THIRD-PARTY BILLING.**

To allow the cost effective billing of medical assistance for covered services that are not reimbursed by other legally liable third parties, the commissioner of human services must:

- (1) summarize and document school district efforts to secure reimbursement from legally liable third parties; and
- (2) request permission from the Centers for Medicare and Medicaid Services to allow school districts to bill Medicaid alone, without first billing private payers, when:
  - (i) a child has both public and private coverage; and
  - (ii) documentation demonstrates that the private payer involved does not reimburse for individualized education program health-related services.

Sec. 18. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall substitute the term "individualized education program" or similar terms for "individual education plan" or similar terms wherever they appear in Minnesota Statutes and Minnesota Rules referring to the requirements relating to the federal Individuals with Disabilities Education Act. The revisor shall also make grammatical changes related to the changes in terms.

Sec. 19. **REPEALER.**

Minnesota Statutes 2008, section 125A.54, is repealed.

ARTICLE 4

FACILITIES AND TECHNOLOGY

Section 1. Minnesota Statutes 2008, section 123B.57, as amended by Laws 2009 chapter 96, article 4, section 2, is amended to read:

**123B.57 CAPITAL EXPENDITURE; HEALTH AND SAFETY.**

Subdivision 1. **Health and safety program revenue application.** (a) To receive health and safety revenue for any fiscal year a district must submit to the commissioner ~~an a capital expenditure health and safety revenue application for aid and levy~~ by the date determined by the commissioner. ~~The application may be for hazardous substance removal, fire and life safety code repairs, labor and industry regulated facility and equipment violations, and health, safety, and environmental management, including indoor air quality management.~~ The application must include a health and safety ~~program budget~~ adopted and confirmed by the school district board as being consistent with the district's health and safety policy under subdivision 2. The ~~program budget~~ must include the estimated cost, ~~per building,~~ of the program per Uniform Financial Accounting and Reporting Standards (UFARS) finance code, by fiscal year. Upon approval through the adoption of a resolution by each of an intermediate district's member school district boards and the approval of the Department of Education, a school district may include its proportionate share of the costs of health and safety projects for an intermediate district in its application.

(b) Health and safety projects with an estimated cost of \$500,000 or more per site are not eligible for health and safety revenue. Health and safety projects with an estimated cost of \$500,000 or more per site that meet all other requirements for health and safety funding, are eligible for alternative facilities bonding and levy revenue according to section 123B.59. A school board shall not separate portions of a single project into components to qualify for health and safety revenue, and shall not combine unrelated projects into a single project to qualify for alternative facilities bonding and levy revenue.

(c) The commissioner of education shall not make eligibility for health and safety revenue contingent on a district's compliance status, level of program development, or training. The commissioner shall not mandate additional performance criteria such as training, certifications, or compliance evaluations as a prerequisite for levy approval.

Subd. 2. ~~Contents of program~~ **Health and safety policy.** ~~To qualify for health and safety revenue, a district school board must adopt a health and safety program policy. The program policy must include plans, where applicable, for hazardous substance removal, fire and life safety code repairs, regulated facility and equipment violations, and provisions for implementing a health and safety program that complies with health, safety, and environmental management, regulations and best practices including indoor air quality management.~~

~~(a) A hazardous substance plan must contain provisions for the removal or encapsulation of asbestos from school buildings or property, asbestos related repairs, cleanup and disposal of polychlorinated biphenyls found in school buildings or property, and cleanup, removal, disposal, and repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel, oil, and special fuel, as defined in section 296A.01. If a district has already developed a plan for the removal or encapsulation of asbestos as required by the federal Asbestos Hazard Emergency Response Act of 1986, the district may use a summary of that plan, which includes a description and schedule of response actions, for purposes of this section. The plan must also contain provisions to make modifications to existing facilities and equipment necessary to limit personal exposure to hazardous substances, as regulated by the federal Occupational Safety and Health Administration under Code of Federal Regulations, title 29, part 1910, subpart Z; or is determined by the commissioner to present a significant risk to district staff or student health and safety as a result of foreseeable use, handling, accidental spill, exposure, or contamination.~~

~~(b) A fire and life safety plan must contain a description of the current fire and life safety code violations, a plan for the removal or repair of the fire and life safety hazard, and a description of safety preparation and awareness procedures to be followed until the hazard is fully corrected.~~

~~(c) A facilities and equipment violation plan must contain provisions to correct health and safety hazards as provided in Department of Labor and Industry standards pursuant to section 182.655.~~

~~(d) A health, safety, and environmental management plan must contain a description of training, record keeping, hazard assessment, and program management as defined in section 123B.56.~~

~~(e) A plan to test for and mitigate radon produced hazards.~~

~~(f) A plan to monitor and improve indoor air quality.~~

Subd. 3. **Health and safety revenue.** A district's health and safety revenue for a fiscal year equals the district's alternative facilities levy under section 123B.59, subdivision 5, paragraph (b), plus the greater of zero or:

(1) the sum of (a) the total approved cost of the district's hazardous substance plan for fiscal years 1985 through 1989, plus (b) the total approved cost of the district's health and safety program for fiscal year 1990 through the fiscal year to which the levy is attributable, excluding expenditures funded with bonds issued under section 123B.59 or 123B.62, or chapter 475; certificates of indebtedness or capital notes under section 123B.61; levies under section 123B.58, 123B.59, 123B.63, or 126C.40, subdivision 1 or 6; and other federal, state, or local revenues, minus

(2) the sum of (a) the district's total hazardous substance aid and levy for fiscal years 1985 through 1989 under sections 124.245 and 275.125, subdivision 11c, plus (b) the district's health and safety revenue under this subdivision, for years before the fiscal year to which the levy is attributable.

Subd. 4. **Health and safety levy.** To receive health and safety revenue, a district may levy an amount equal to the district's health and safety revenue as defined in subdivision 3 multiplied by the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity of the district for the year preceding the year the levy is certified by the adjusted marginal cost pupil units in the district for the school year to which the levy is attributable, to \$2,935.

Subd. 5. **Health and safety aid.** A district's health and safety aid is the difference between its health and safety revenue and its health and safety levy. If a district does not levy the entire amount permitted, health and safety aid must be reduced in proportion to the actual amount levied. Health and safety aid may not be reduced as a result of reducing a district's health and safety levy according to section 123B.79.

Subd. 6. **Uses of health and safety revenue.** ~~(a) Health and safety revenue may be used only for approved expenditures necessary to correct fire and life safety hazards, or for the design, purchase, installation, maintenance, and inspection of fire protection and alarm equipment; purchase or construction of appropriate facilities for the storage of combustible and flammable materials; inventories and facility modifications not related to a remodeling project to comply with lab safety requirements under section 121A.31; inspection, testing, repair, removal or encapsulation, and disposal of asbestos from school buildings or property owned or being acquired by the district, asbestos related repairs, asbestos-containing building materials; cleanup and disposal of polychlorinated biphenyls found in school buildings or property owned or being acquired by the district, or the; cleanup and disposal of hazardous and infectious wastes; cleanup, removal, disposal, and repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296A.01, Minnesota; correction of occupational safety and health administration regulated facility and equipment hazards; indoor air quality inspections, investigations, and testing; mold abatement; upgrades or replacement of mechanical ventilation systems to meet American Society of Heating, Refrigerating and Air Conditioning Engineers standards and State Mechanical Code; design, materials, and installation of local exhaust ventilation systems, including required make up air for controlling regulated hazardous substances; correction of Department of Health Food Code and violations; correction of swimming pool hazards excluding depth correction; playground safety inspections and the installation of impact surfacing materials; bleacher repair or rebuilding to comply with the order of a building code inspector under section 326B.112; testing and mitigation of elevated radon hazards; lead in water, paint, soil, and toys testing; copper in water testing; cleanup after major weather-related disasters or flooding; reduction of excessive organic and inorganic levels in wells and well capping of abandoned wells; installation and testing of boiler backflow valves to prevent contamination of potable water; vaccinations, titers, and preventative supplies for bloodborne pathogen compliance; costs to comply with the Janet B. Johnson Parents' Right To Know Act; and health, safety, and environmental management costs associated with implementing the district's health and safety program including costs to establish and operate safety committees, in school buildings or property owned or being acquired by the district. Testing and calibration activities are permitted for existing mechanical ventilation systems at intervals no less than every five years. Health and safety revenue must not be used to finance a lease purchase agreement, installment purchase agreement, or other deferred payments agreement. Health and safety revenue must not be used for the construction of new facilities or the purchase of portable classrooms, for interest or other financing expenses, or for energy efficiency projects under section 123B.65. The revenue may not be used for a building or property or part of a building or property used for postsecondary instruction or administration or for a purpose unrelated to elementary and secondary education.~~

Subd. 6a. **Restrictions on health and safety revenue.** ~~(b) Notwithstanding paragraph (a) subdivision 6, health and safety revenue must not be used to finance a lease purchase agreement, installment purchase agreement, or other deferred payments agreement, for the construction of new facilities, remodeling of existing facilities, or the purchase of portable classrooms, for interest or other financing expenses, or for energy efficiency projects under section 123B.65, for a building or property or part of a building or property used for postsecondary instruction or administration or for a purpose unrelated to elementary and secondary education, for replacement of building materials or facilities including roof, walls, windows, internal fixtures and flooring, nonhealth and safety costs associated with demolition of facilities, structural repair or replacement of facilities due to unsafe conditions, violence prevention and facility security, ergonomics, or for building and heating, ventilating and air conditioning supplies, maintenance, and cleaning activities. All assessments, investigations, inventories, and support equipment not leading to the engineering or construction of a project shall be included in the health, safety, and environmental management costs in subdivision 8, paragraph (a).~~

Subd. 6b. **Health and safety projects.** ~~(a) Health and safety revenue applications defined in subdivision 1 must be accompanied by a description of each project for which funding is being requested. Project descriptions must provide enough detail for an auditor to determine if the work qualifies for revenue. For projects other than fire and life safety projects, playground projects, and health, safety, and environmental management activities, a project description does not need to include itemized details such as material types, room locations, square feet, names, or license numbers. The commissioner shall approve only projects that comply with subdivisions 6 and 8, as defined by the Department of Education.~~

(b) Districts may request funding for allowable projects based on self-assessments, safety committee recommendations, insurance inspections, management assistance reports, fire marshal orders, or other mandates. Notwithstanding subdivision 1, paragraph (b), and subdivision 8, paragraph (b), for projects under \$500,000, individual project size for projects authorized by this subdivision is not limited and may include related work in multiple facilities. Health and safety management costs from subdivision 8 may be reported as a single project.

(c) All costs directly related to a project shall be reported in the appropriate Uniform Financial Accounting and Reporting Standards (UFARS) finance code.

(d) For fire and life safety egress and all other projects exceeding \$20,000, cited under Minnesota Fire Code, a fire marshal plan review is required.

(e) Districts shall update project estimates with actual expenditures for each fiscal year. If a project's final cost is significantly higher than originally approved, the commissioner may request additional supporting information.

Subd. 6c. **Appeals process.** In the event a district is denied funding approval for a project the district believes complies with subdivisions 6 and 8, and is not otherwise excluded, a district may appeal the decision. All such requests must be in writing. The commissioner shall respond in writing. A written request must contain the following: project number; description and amount; reason for denial; unresolved questions for consideration; reasons for reconsideration; and a specific statement of what action the district is requesting.

Subd. 7. **Proration.** In the event that the health and safety aid available for any year is prorated, a district having its aid prorated may levy an additional amount equal to the amount not paid by the state due to proration.

Subd. 8. **Health, safety, and environmental management cost.** (a) "Health, safety, and environmental management" is defined in section 123B.56.

(b) A district's cost for health, safety, and environmental management is limited to the lesser of:

(1) actual cost to implement their plan; or

(2) an amount determined by the commissioner, based on enrollment, building age, and size.

~~(b)~~ (c) The department may contract with regional service organizations, private contractors, Minnesota Safety Council, or state agencies to provide management assistance to school districts for health and safety capital projects. Management assistance is the development of written programs for the identification, recognition and control of hazards, and prioritization and scheduling of district health and safety capital projects. The ~~department~~ commissioner shall not mandate management assistance or exclude private contractors from the opportunity to provide any health and safety services to school districts.

~~(e) Notwithstanding paragraph (b), the department may approve revenue, up to the limit defined in paragraph (a) for districts having an approved health, safety, and environmental management plan that uses district staff to accomplish coordination and provided services.~~

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 2. **[126C.75] FIBER OPTIC INFRASTRUCTURE GRANT PROGRAM.**

Subdivision 1. **Creation of accounts.** Two public school fiber optic infrastructure accounts are created, one in the general fund and one in the bond proceeds fund. Money in these accounts may only be used for capital costs of fiber optic infrastructure for eligible public school projects.

Subd. 2. **Program purpose.** The fiber optic infrastructure grant program is established to provide the capital investment needed to bridge the gap between the federal Schools and Libraries Program of the Universal Service Fund, commonly known as "E-Rate," and the total cost of fiber optic infrastructure that will better public school buildings to support 21st century learning capacity at each district school.

Subd. 3. **General eligibility; state general obligation bond funds.** Article XI, section 5, clause (a), of the Minnesota Constitution requires that state general obligation bonds be issued to finance only the acquisition or betterment of public land, buildings, and other public improvements of a capital nature. The legislature has determined that many fiber optic infrastructure projects will constitute betterments and capital improvements within the meaning of the Minnesota Constitution and capital expenditures under generally accepted accounting principles, and will be financed more efficiently and economically under this section than by direct appropriations for specific projects.

Subd. 4. **Definitions.** For purposes of this section:

(1) "school district" means an independent, common, special, or intermediate school district or a charter school.

(2) "fiber optic infrastructure" means the land, buildings, fiber optic connection cable, and end point hardware, including routers and switches. It does not include computers, telephones, or cameras.

Subd. 5. **Grant program established.** The commissioner shall make grants to school districts for fiber optic infrastructure projects.

Subd. 6. **Eligible costs for grants.** (a) "Eligible cost" for use of state general obligation bond fund money means the acquisition of land or permanent easements; preparation of land on which the fiber optic infrastructure will be located, including demolition of structures and remediation of any hazardous conditions on the land; and predesign, design, acquisition, and installation of publicly owned fiber optic infrastructure in this state with a useful life of at least ten years that supports public school district facility operation, administration, and instruction; the unpaid principal on debt issued by the school district for a fiber optic infrastructure project, or the amount necessary to pay in a lump sum all lease payments due if payment results in the school district owning the fiber optic infrastructure. All uses under this paragraph must be for publicly owned property.

(b) "Eligible cost" for use of any other source of money will be determined by limitations imposed on that source, but may include the costs of leases and reimbursement of the costs of purchase and installation of fiber optic infrastructure.

Subd. 7. **Application.** The commissioner must develop forms and procedures for soliciting and reviewing applications for grants under this section. At a minimum, a school district must include the following information in its application:

(1) a resolution adopted by its school board certifying that the money required to be supplied by the school district to complete the project is available and committed;

(2) a detailed and specific description of the project and an estimate, along with necessary supporting evidence, of the total costs for the project;

(3) an assessment of the need for and benefits of the project;

(4) a timeline indicating the major milestones of the project and their anticipated completion dates; and

(5) any additional information or material the commissioner prescribes.

Subd. 8. **Criteria for grants.** The commissioner must develop the criteria that will be used to award grants if grant applications exceed available resources.

Subd. 9. **Cancellation of grant.** If, five years after execution of a grant agreement, the commissioner determines that the grantee has not proceeded in a timely manner with implementation of the project funded, the commissioner must cancel the grant and the grantee must repay to the commissioner all grant money paid to the grantee. Section 16A.642 applies to any appropriations made to the commissioner under this section that have not been awarded to grantees.

Subd. 10. **Report.** By January 15 of each year, the commissioner must submit to the commissioner of management and budget and the chairs of the legislative committees or divisions with jurisdiction over education policy, education finance, and capital investment, a list of the projects that have been funded with money under this program during the preceding calendar year, as well as a list of those priority projects for which state bond proceeds fund appropriations will be sought during that year's legislative session.

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

Sec. 3. **HEALTH AND SAFETY POLICY.**

Notwithstanding Minnesota Statutes, section 123B.57, subdivision 2, a school board that has not yet adopted a health and safety policy by September 30, 2010, may submit an application for health and safety revenue for taxes payable in 2011 in the form and manner specified by the commissioner of education.

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

ARTICLE 5

ACCOUNTING

Section 1. Minnesota Statutes 2009 Supplement, section 16A.152, subdivision 2, as amended by Laws 2010, chapter 215, article 11, section 15, is amended to read:

Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general fund revenues and expenditures, the commissioner of management and budget determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of management and budget must allocate money to the following accounts and purposes in priority order:

(1) the cash flow account established in subdivision 1 until that account reaches \$350,000,000;

(2) the budget reserve account established in subdivision 1a until that account reaches \$653,000,000;

(3) the amount necessary to increase the aid payment schedule for school district aids and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest tenth of a percent without exceeding the amount available and with any remaining funds deposited in the budget reserve;

(4) the amount necessary to restore all or a portion of the net aid reductions under section 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75, subdivision 5, ~~paragraph (b), and Laws 2003, First Special Session chapter 9, article 5, section 34, as amended by Laws 2003, First Special Session chapter 23, section 20,~~ by the same amount;

(5) to the state airports fund, the amount necessary to restore the amount transferred from the state airports fund under Laws 2008, chapter 363, article 11, section 3, subdivision 5; and

(6) to the fire safety account in the special revenue fund, the amount necessary to restore transfers from the account to the general fund made in Laws 2010.

(b) The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released or, in the case of transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations schedules otherwise established in statute.

(c) The commissioner of management and budget shall certify the total dollar amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The commissioner of education shall increase the aid payment percentage and reduce the property tax shift percentage by these amounts and apply those reductions to the current fiscal year and thereafter.

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

Sec. 2. Minnesota Statutes 2008, section 123B.12, is amended to read:

**123B.12 INSUFFICIENT FUNDS TO PAY ORDERS.**

(a) In the event that a district or a cooperative unit defined in section 123A.24, subdivision 2, has insufficient funds to pay its usual lawful current obligations, subject to section 471.69, the board may enter into agreements with banks or any person to take its orders. Any order drawn, after having been presented to the treasurer for payment and not paid for want of funds shall be endorsed by the treasurer by putting on the back thereof the words "not paid for want of funds," giving the date of endorsement and signed by the treasurer. A record of such presentment, nonpayment and endorsement shall be made by the treasurer. The treasurer shall serve a written notice upon the payee or the payee's assignee, personally, or by mail, when the treasurer is prepared to pay such orders. The notice may be directed to the payee or the payee's assignee at the address given in writing by such payee or assignee to such treasurer, at any time prior to the service of such notice. No order shall draw any interest if such address is not given when the same is unknown to the treasurer, and no order shall draw any interest after the service of such notice.

(b) A district may enter, subject to section 471.69, into ~~a~~ an unsecured line of credit agreement with a financial institution. The amount of credit available must not exceed ~~95~~ 380 percent of average expenditure per month of operating expenditures in the previous fiscal year. Any amount advanced must be repaid no later than ~~45~~ 120 days after the day of advancement.

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

Sec. 3. Minnesota Statutes 2008, section 123B.75, is amended by adding a subdivision to read:

Subd. 1a. **Definition.** For the purpose of this section, "school district tax settlement revenue" means the current, delinquent, and manufactured home property tax receipts collected by the county and distributed to the school district.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to fiscal years 2010 and later.



Sec. 4. Minnesota Statutes 2008, section 123B.75, subdivision 5, is amended to read:

Subd. 5. **Levy recognition.** (a) ~~"School district tax settlement revenue" means the current, delinquent, and manufactured home property tax receipts collected by the county and distributed to the school district.~~

~~(b) For fiscal year 2004 and later years 2009 and 2010, in June of each year, the school district must recognize as revenue, in the fund for which the levy was made, the lesser of:~~

~~(1) the sum of May, June, and July school district tax settlement revenue received in that calendar year, plus general education aid according to section 126C.13, subdivision 4, received in July and August of that calendar year; or~~

~~(2) the sum of:~~

~~(i) 31 percent of the referendum levy certified according to section 126C.17, in calendar year 2000; and~~

~~(ii) the entire amount of the levy certified in the prior calendar year according to section 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, paragraph (a), and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; 126C.457; and 126C.48, subdivision 6; plus~~

~~(iii) zero percent of the amount of the levy certified in the prior calendar year for the school district's general and community service funds, plus or minus auditor's adjustments, not including the levy portions that are assumed by the state, that remains after subtracting the referendum levy certified according to section 126C.17 and the amount recognized according to item (ii).~~

~~(b) For fiscal year 2011 and later years, in June of each year, the school district must recognize as revenue, in the fund for which the levy was made, the lesser of:~~

~~(1) the sum of May, June, and July school district tax settlement revenue received in that calendar year, plus general education aid according to section 126C.13, subdivision 4, received in July and August of that calendar year; or~~

~~(2) the sum of:~~

~~(i) the greater of 47.8 percent of the referendum levy certified according to section 126C.17, in the prior calendar year or 31 percent of the referendum levy certified according to section 126C.17, in calendar year 2000; plus~~

~~(ii) the entire amount of the levy certified in the prior calendar year according to section 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; 126C.457; and 126C.48, subdivision 6; plus~~

~~(iii) 47.8 percent of the amount of the levy certified in the prior calendar year for the school district's general and community service funds, plus or minus auditor's adjustments, not including the levy portions that are assumed by the state, that remains after subtracting the referendum levy certified according to section 126C.17 and the amount recognized according to clause (ii).~~

Sec. 5. Minnesota Statutes 2008, section 126C.54, is amended to read:

**126C.54 REPAYMENT; MATURITY DATE OF CERTIFICATES; INTEREST.**

(a) The proceeds of the current tax levies and future state aid receipts or other school funds which may become available must be applied to the extent necessary to repay such certificates and the full faith and credit of the district shall be pledged to payment of the certificates. Certificates issued in anticipation of receipt of aids shall mature not later than the anticipated date of receipt of the aids as estimated by the commissioner, but in no event later than three months after the close of the school year in which issued. Certificates issued in anticipation of receipt of taxes shall mature not later than the anticipated date of receipt in full of the taxes, but in no event later than three months after the close of the calendar year in which issued. The certificates must be sold at not less than par. The certificates must bear interest after maturity until paid at the rate they bore before maturity and any interest accruing before or after maturity must be paid from any available school funds.

(b) Notwithstanding any contrary provision in paragraph (a), if the certificates are issued as taxable obligations on which the interest is includable in gross income for federal income tax purposes, certificates issued in anticipation of receipt of aids shall mature not later than 12 months after the close of the school year in which issued and certificates issued in anticipation of receipt of taxes shall mature not later than 12 months after the close of the calendar year in which issued. Any certificate issued under this section with a maturity in excess of 12 months must be repaid with money from the general fund.

Sec. 6. Minnesota Statutes 2008, section 127A.42, subdivision 2, is amended to read:

Subd. 2. **Violations of law.** The commissioner may reduce or withhold the district's state aid for any school year whenever the board of the district authorizes or permits violations of law within the district by:

- (1) employing a teacher who does not hold a valid teaching license or permit in a public school;
- (2) noncompliance with a mandatory rule of general application promulgated by the commissioner in accordance with statute, unless special circumstances make enforcement inequitable, impose an extraordinary hardship on the district, or the rule is contrary to the district's best interests;
- (3) the district's continued performance of a contract made for the rental of rooms or buildings for school purposes or for the rental of any facility owned or operated by or under the direction of any private organization, if the contract has been disapproved, the time for review of the determination of disapproval has expired, and no proceeding for review is pending;
- (4) any practice which is a violation of sections 1 and 2 of article 13 of the Constitution of the state of Minnesota;
- (5) failure to reasonably provide for a resident pupil's school attendance under Minnesota Statutes;
- (6) noncompliance with state laws prohibiting discrimination because of race, color, creed, religion, national origin, sex, age, marital status, status with regard to public assistance or disability, as defined in sections 363A.08 to 363A.19 and 363A.28, subdivision 10; or
- (7) using funds contrary to the statutory purpose of the funds.

The reduction or withholding must be made in the amount and upon the procedure provided in this section, or, in the case of the violation stated in clause (1), upon the procedure provided in section 127A.43.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 7. Minnesota Statutes 2008, section 127A.43, is amended to read:

**127A.43 DISTRICT EMPLOYMENT OF UNLICENSED TEACHERS; AID REDUCTION.**

When a district employs one or more teachers who do not hold a valid teaching license, state aid shall be ~~withheld~~ reduced in the proportion that the number of such teachers is to the total number of teachers employed by the district, multiplied by 60 percent of the basic revenue, as defined in section 126C.10, subdivision 2, of the district for the year in which the employment occurred.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 8. Minnesota Statutes 2008, section 127A.441, is amended to read:

**127A.441 AID REDUCTION; LEVY REVENUE RECOGNITION CHANGE.**

Each year, the state aids payable to any school district for that fiscal year that are recognized as revenue in the school district's general and community service funds shall be adjusted by an amount equal to (1) the amount the district recognized as revenue for the prior fiscal year pursuant to section 123B.75, subdivision 5, paragraph (a) or (b), minus (2) the amount the district recognized as revenue for the current fiscal year pursuant to section 123B.75, subdivision 5, paragraph (a) or (b). For purposes of making the aid adjustments under this section, the amount the district recognizes as revenue for either the prior fiscal year or the current fiscal year pursuant to section 123B.75, subdivision 5, paragraph (b), shall not include any amount levied pursuant to section 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; 126C.457; and 126C.48, subdivision 6. Payment from the permanent school fund shall not be adjusted pursuant to this section. The school district shall be notified of the amount of the adjustment made to each payment pursuant to this section.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to fiscal years 2010 and later.

Sec. 9. Minnesota Statutes 2008, section 127A.45, subdivision 2, is amended to read:

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

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

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

(2) the sum of

(i) the current year aid payment percentage of the estimated aid and credit entitlements paid according to subdivision 13; plus

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

(iii) the other district receipts.

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

(d) The current year aid payment percentage equals ~~90~~ 73.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to fiscal years 2010 and later.

Sec. 10. Minnesota Statutes 2008, section 127A.45, subdivision 3, is amended to read:

Subd. 3. **Payment dates and percentages.** (a) ~~For fiscal year 2004 and later,~~ The commissioner shall pay to a district on the dates indicated an amount computed as follows: the cumulative amount guaranteed minus the sum of ~~(a)~~ (1) the district's other district receipts through the current payment, and ~~(b)~~ (2) the aid and credit payments through the immediately preceding payment. For purposes of this computation, the payment dates and the cumulative disbursement percentages are as follows:

	Payment date	Percentage
Payment 1	July 15:	5.5
Payment 2	July 30:	8.0
Payment 3	August 15:	17.5
Payment 4	August 30:	20.0
Payment 5	September 15:	22.5
Payment 6	September 30:	25.0
Payment 7	October 15:	27.0
Payment 8	October 30:	30.0
Payment 9	November 15:	32.5
Payment 10	November 30:	36.5
Payment 11	December 15:	42.0
Payment 12	December 30:	45.0
Payment 13	January 15:	50.0
Payment 14	January 30:	54.0
Payment 15	February 15:	58.0
Payment 16	February 28:	63.0
Payment 17	March 15:	68.0
Payment 18	March 30:	74.0
Payment 19	April 15:	78.0
Payment 20	April 30:	85.0
Payment 21	May 15:	90.0
Payment 22	May 30:	95.0
Payment 23	June 20:	100.0

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

~~Payment 3                      August 15: the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392~~

Payment 4	<del>August 30: one third of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits</del>
Payment 6	<del>September 30: one third of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits</del>
Payment 8	<del>October 30: one third of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits</del>

(e) (b) In addition to the amounts paid under paragraph (a), ~~for fiscal year 2005 and later~~, the commissioner shall pay to a district on the dates indicated an amount computed as follows:

Payment 3	August 15: the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392
Payment 4	August 30: 30 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits
Payment 6	September 30: 40 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits
Payment 8	October 30: 30 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to fiscal years 2010 and later.

Sec. 11. Minnesota Statutes 2008, section 127A.45, is amended by adding a subdivision to read:

Subd. 6a. **Cash flow adjustment.** The board of directors of any charter school serving fewer than 150 students where the percentage of students eligible for special education services equals 100 percent of the charter school's total enrollment may request that the commissioner of education accelerate the school's cash flow under this section. The commissioner must approve a properly submitted request within 30 days of its receipt. The commissioner must accelerate the school's regular special education aid payments according to the schedule in the school's request and modify the payments to the school under subdivision 3 accordingly. A school must not receive current payments of regular special education aid exceeding 90 percent of its estimated aid entitlement for the fiscal year. The commissioner must delay the special education aid payments to all other school districts and charter schools in proportion to each district or charter school's total share of regular special education aid such that the overall aid payment savings from the aid payment shift remains unchanged for any fiscal year.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to school district or charter school payments made on or after that date.

Sec. 12. Minnesota Statutes 2008, section 127A.45, is amended by adding a subdivision to read:

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

(1) the difference between 90 percent and the current year payment percentage in subdivision 2, paragraph (d), in the current fiscal year times the sum of the district or charter school's general education aid plus the aid adjustment in section 127A.50 for the current fiscal year; or

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

(b) The state total advance final payment under this subdivision for any year must not exceed \$7,500,000. If the amount request exceeds \$7,500,000, the advance final payment for each eligible district must be reduced proportionately.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to fiscal years 2010 and later.

Sec. 13. Minnesota Statutes 2008, section 127A.45, subdivision 13, is amended to read:

Subd. 13. **Aid payment percentage.** Except as provided in subdivisions 11, 12, 12a, and 14, each fiscal year, all education aids and credits in this chapter and chapters 120A, 120B, 121A, 122A, 123A, 123B, 124D, 125A, 125B, 126C, 134, and section 273.1392, shall be paid at the current year aid payment percentage of the estimated entitlement during the fiscal year of the entitlement. ~~For the purposes of this subdivision, a district's estimated entitlement for special education excess cost aid under section 125A.79 for fiscal year 2005 equals 70 percent of the district's entitlement for the second prior fiscal year.~~ For the purposes of this subdivision, a district's estimated entitlement for special education excess cost aid under section 125A.79 for fiscal year 2006 and later equals 74.0 percent of the district's entitlement for the current fiscal year. The final adjustment payment, according to subdivision 9, must be the amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement.

Sec. 14. Minnesota Statutes 2008, section 127A.45, is amended by adding a subdivision to read:

Subd. 17. **Payment to creditors.** Except where otherwise specifically authorized, state education aid payments shall be made only to the school district, charter school, or other education organization earning state aid revenues as a result of providing education services.

Sec. 15. **FUND TRANSFERS.**

Subdivision 1. **Fiscal years 2010 and 2011 only.** (a) Notwithstanding Minnesota Statutes, section 123B.80, subdivision 3, for fiscal years 2010 and 2011 only, the commissioner must approve a request for a fund transfer if the transfer does not increase state aid obligations to the district or result in additional property tax authority for the district. This section does not permit transfers from the community service fund.

(b) A school board may approve a fund transfer under paragraph (a) only after adopting a resolution stating the fund transfer will not diminish instructional opportunities for students.

Subd. 2. **Hayfield.** Notwithstanding Minnesota Statutes, section 123B.79 or 123B.80, on June 30, 2010, Independent School District No. 203, Hayfield, may permanently transfer up to \$75,000 from its reserved for operating capital account to its undesignated general fund balance.

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

Sec. 16. **REPEALER.**

Minnesota Statutes 2008, section 127A.46, is repealed.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

ARTICLE 6

STATE AGENCIES

Section 1. Minnesota Statutes 2008, section 3.303, is amended by adding a subdivision to read:

Subd. 11. **Permanent school fund land management analyst.** The commission shall undertake activities that are necessary to advise the legislature and to monitor the executive branch on issues related to the management of permanent school fund lands. The commission may hire a lead analyst and other staff as necessary for this purpose. The commission shall:

(1) monitor management of permanent school fund lands;

(2) analyze the benefits derived from the fund;

(3) actively participate in the work of the permanent school fund advisory committee under section 127A.30;

(4) provide oversight to ensure that the state fulfills its fiduciary responsibilities to the permanent school fund as specified by the Minnesota Constitution and Minnesota Statutes; and

(5) make effective recommendations to the permanent school fund advisory committee and the finance divisions and committees of the house of representatives and the senate.

The purpose of this function is to maximize the long-term economic returns to the school trust lands consistent with the goals of section 127A.31.

**EFFECTIVE DATE.** This section is effective July 1, 2011.

Sec. 2. Minnesota Statutes 2008, section 16A.125, subdivision 5, is amended to read:

Subd. 5. **Forest trust lands.** (a) The term "state forest trust fund lands" as used in this subdivision, means public land in trust under the Constitution set apart as "forest lands under the authority of the commissioner" of natural resources as defined by section 89.001, subdivision 13.

(b) The commissioner of management and budget shall credit the revenue from the forest trust fund lands to the forest suspense account. The account must specify the trust funds interested in the lands and the respective receipts of the lands.

(c) After a fiscal year, the commissioner of management and budget shall certify the total costs incurred for forestry during that year under appropriations for the protection, improvement, administration, and management of state forest trust fund lands and construction and improvement of forest roads to enhance the forest value of the lands. The certificate must specify the trust funds interested in the lands. The commissioner of natural resources shall supply the commissioner of management and budget with the information needed for the certificate.

(d) After a fiscal year, the commissioner shall distribute the receipts credited to the suspense account during that fiscal year as follows:

(1) the amount of the certified costs incurred by the state for forest management, forest improvement, and road improvement during the fiscal year shall be transferred to the forest management investment account established under section 89.039, including the costs associated with the Legislative Coordinating Commission's permanent school fund land management activities;

(2) the balance of the certified costs incurred by the state during the fiscal year shall be transferred to the general fund; and

(3) the balance of the receipts shall then be returned prorated to the trust funds in proportion to their respective interests in the lands which produced the receipts.

**EFFECTIVE DATE.** This section is effective July 1, 2011.

Sec. 3. Minnesota Statutes 2008, section 127A.30, subdivision 2, is amended to read:

Subd. 2. **Duties.** The advisory committee, in conjunction with the Legislative Coordinating Commission, shall review the policies of the Department of Natural Resources and current statutes on management of school trust fund lands at least annually and shall recommend necessary changes in statutes, policy, and implementation in order to ensure provident utilization of the permanent school fund lands. By January 15 of each year, the advisory committee shall submit a report to the legislature with recommendations for the oversight and management of school trust lands to secure long-term economic return for the permanent school fund, consistent with sections 92.121 and 127A.31. The committee's annual report may include recommendations to:

(1) manage the school trust lands efficiently;

(2) reduce the management expenditures of school trust lands and maximize the revenues deposited in the permanent school trust fund;

(3) manage the sale, exchange, and commercial leasing of school trust lands to maximize the revenues deposited in the permanent school trust fund and retain the value from the long-term appreciation of the school trust lands; and

(4) manage the school trust lands to maximize the long-term economic return for the permanent school trust fund while maintaining sound natural resource conservation and management principles.

**EFFECTIVE DATE.** This section is effective July 1, 2011.

Sec. 4. **DEPARTMENT OF EDUCATION; APPROPRIATIONS.**

(a) The appropriation to the Department of Education under Laws 2009, chapter 96, article 7, section 3, subdivision 2, is reduced by \$250,000 in fiscal year 2010 and by \$487,000 in fiscal year 2011.

(b) \$24,000 in fiscal year 2010 and \$23,000 in fiscal year 2011 are transferred from the department's special revenue fund to the general fund.

(c) The base appropriation for the Department of Education for fiscal year 2012 and later is \$18,983,000.



(d) The appropriations for fiscal year 2011 under Laws 2009, chapter 96, article 7, section 3, subdivision 2, paragraphs (b) and (g), are reduced by \$4,000 for the Minnesota Children's Museum and by \$1,000 for the Duluth Children's Museum respectively.

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

Sec. 5. **PERPICH CENTER FOR ARTS EDUCATION; APPROPRIATION.**

\$19,000 in fiscal year 2010 and \$11,000 in fiscal year 2011 are transferred from the Perpich Center's special revenue fund to the general fund.

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

ARTICLE 7

PUPIL TRANSPORTATION

Section 1. Minnesota Statutes 2008, section 123B.88, subdivision 13, is amended to read:

Subd. 13. **Area learning center pupils; transport between buildings.** Districts may provide bus transportation between buildings along school bus routes when space is available, for pupils attending programs at an area learning center. The transportation is ~~only~~ permitted between schools ~~and~~ if it does not increase the district's expenditures for transportation. The cost of these services shall be considered part of the authorized cost ~~for nonregular transportation~~ for the purpose of section 123B.92.

Sec. 2. Minnesota Statutes 2008, section 123B.90, subdivision 3, is amended to read:

Subd. 3. **Model training program.** The commissioner shall develop and maintain a comprehensive ~~model~~ list of school bus safety training ~~program~~ instructional materials for pupils who ride the bus that includes bus safety curriculum for both classroom and practical instruction ~~and age appropriate instructional materials.~~

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 3. Minnesota Statutes 2009 Supplement, section 123B.92, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For purposes of this section and section 125A.76, the terms defined in this subdivision have the meanings given to them.

(a) "Actual expenditure per pupil transported in the regular and excess transportation categories" means the quotient obtained by dividing:

(1) the sum of:

(i) all expenditures for transportation in the regular category, as defined in paragraph (b), clause (1), and the excess category, as defined in paragraph (b), clause (2), plus

(ii) an amount equal to one year's depreciation on the district's school bus fleet and mobile units computed on a straight line basis at the rate of 15 percent per year for districts operating a program under section 124D.128 for grades 1 to 12 for all students in the district and 12-1/2 percent per year for other districts of the cost of the fleet, plus

(iii) an amount equal to one year's depreciation on the district's type III vehicles, as defined in section 169.011, subdivision 71, which must be used a majority of the time for pupil transportation purposes, computed on a straight line basis at the rate of 20 percent per year of the cost of the type three school buses by:

(2) the number of pupils eligible for transportation in the regular category, as defined in paragraph (b), clause (1), and the excess category, as defined in paragraph (b), clause (2).

(b) "Transportation category" means a category of transportation service provided to pupils as follows:

(1) Regular transportation is:

(i) transportation to and from school during the regular school year for resident elementary pupils residing one mile or more from the public or nonpublic school they attend, and resident secondary pupils residing two miles or more from the public or nonpublic school they attend, excluding desegregation transportation and noon kindergarten transportation; but with respect to transportation of pupils to and from nonpublic schools, only to the extent permitted by sections 123B.84 to 123B.87;

(ii) transportation of resident pupils to and from language immersion programs;

(iii) transportation of a pupil who is a custodial parent and that pupil's child between the pupil's home and the child care provider and between the provider and the school, if the home and provider are within the attendance area of the school;

(iv) transportation to and from or board and lodging in another district, of resident pupils of a district without a secondary school; and

(v) transportation to and from school during the regular school year required under subdivision 3 for nonresident elementary pupils when the distance from the attendance area border to the public school is one mile or more, and for nonresident secondary pupils when the distance from the attendance area border to the public school is two miles or more, excluding desegregation transportation and noon kindergarten transportation.

For the purposes of this paragraph, a district may designate a licensed day care facility, school day care facility, respite care facility, the residence of a relative, ~~or~~ the residence of a person chosen by the pupil's parent or guardian, or an after-school program for children operated by a political subdivision of the state, as the home of a pupil for part or all of the day, if requested by the pupil's parent or guardian, and if that facility ~~or~~, residence, or program is within the attendance area of the school the pupil attends.

(2) Excess transportation is:

(i) transportation to and from school during the regular school year for resident secondary pupils residing at least one mile but less than two miles from the public or nonpublic school they attend, and transportation to and from school for resident pupils residing less than one mile from school who are transported because of extraordinary traffic, drug, or crime hazards; and

(ii) transportation to and from school during the regular school year required under subdivision 3 for nonresident secondary pupils when the distance from the attendance area border to the school is at least one mile but less than two miles from the public school they attend, and for nonresident pupils when the distance from the attendance area border to the school is less than one mile from the school and who are transported because of extraordinary traffic, drug, or crime hazards.

(3) Desegregation transportation is transportation within and outside of the district during the regular school year of pupils to and from schools located outside their normal attendance areas under a plan for desegregation mandated by the commissioner or under court order.

(4) "Transportation services for pupils with disabilities" is:

(i) transportation of pupils with disabilities who cannot be transported on a regular school bus between home or a respite care facility and school;

(ii) necessary transportation of pupils with disabilities from home or from school to other buildings, including centers such as developmental achievement centers, hospitals, and treatment centers where special instruction or services required by sections 125A.03 to 125A.24, 125A.26 to 125A.48, and 125A.65 are provided, within or outside the district where services are provided;

(iii) necessary transportation for resident pupils with disabilities required by sections 125A.12, and 125A.26 to 125A.48;

(iv) board and lodging for pupils with disabilities in a district maintaining special classes;

(v) transportation from one educational facility to another within the district for resident pupils enrolled on a shared-time basis in educational programs, and necessary transportation required by sections 125A.18, and 125A.26 to 125A.48, for resident pupils with disabilities who are provided special instruction and services on a shared-time basis or if resident pupils are not transported, the costs of necessary travel between public and private schools or neutral instructional sites by essential personnel employed by the district's program for children with a disability;

(vi) transportation for resident pupils with disabilities to and from board and lodging facilities when the pupil is boarded and lodged for educational purposes; ~~and~~

(vii) transportation of pupils for a curricular field trip activity on a school bus equipped with a power lift when the power lift is required by a student's disability or section 504 plan; and

(viii) services described in clauses (i) to ~~(vi)~~ (vii), when provided for pupils with disabilities in conjunction with a summer instructional program that relates to the pupil's individual education plan or in conjunction with a learning year program established under section 124D.128.

For purposes of computing special education initial aid under section 125A.76, subdivision 2, the cost of providing transportation for children with disabilities includes (A) the additional cost of transporting a homeless student from a temporary nonshelter home in another district to the school of origin, or a formerly homeless student from a permanent home in another district to the school of origin but only through the end of the academic year; and (B) depreciation on district-owned school buses purchased after July 1, 2005, and used primarily for transportation of pupils with disabilities, calculated according to paragraph (a), clauses (ii) and (iii). Depreciation costs included in the disabled transportation category must be excluded in calculating the actual expenditure per pupil transported in the regular and excess transportation categories according to paragraph (a).

(5) "Nonpublic nonregular transportation" is:

(i) transportation from one educational facility to another within the district for resident pupils enrolled on a shared-time basis in educational programs, excluding transportation for nonpublic pupils with disabilities under clause (4);

(ii) transportation within district boundaries between a nonpublic school and a public school or a neutral site for nonpublic school pupils who are provided pupil support services pursuant to section 123B.44; and

(iii) late transportation home from school or between schools within a district for nonpublic school pupils involved in after-school activities.

(c) "Mobile unit" means a vehicle or trailer designed to provide facilities for educational programs and services, including diagnostic testing, guidance and counseling services, and health services. A mobile unit located off nonpublic school premises is a neutral site as defined in section 123B.41, subdivision 13.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal years 2011 and later.

Sec. 4. Minnesota Statutes 2008, section 123B.92, subdivision 5, is amended to read:

Subd. 5. **District reports.** (a) Each district must report data to the department as required by the department to account for transportation expenditures.

(b) Salaries and fringe benefits of district employees whose primary duties are other than transportation, including central office administrators and staff, building administrators and staff, teachers, social workers, school nurses, and instructional aides, must not be included in a district's transportation expenditures, except that a district may include salaries and benefits according to paragraph (c) for (1) an employee designated as the district transportation director, (2) an employee providing direct support to the transportation director, or (3) an employee providing direct transportation services such as a bus driver or bus aide.

(c) Salaries and fringe benefits of the district employees listed in paragraph (b), clauses (1), (2), and (3), who work part time in transportation and part time in other areas must not be included in a district's transportation expenditures unless the district maintains documentation of the employee's time spent on pupil transportation matters in the form and manner prescribed by the department.

(d) Pupil transportation expenditures, excluding expenditures for capital outlay, leased buses, student board and lodging, crossing guards, and aides on buses, must be allocated among transportation categories based on cost-per-mile, cost-per-student, cost-per-hour, or cost-per-route, regardless of whether the transportation services are provided on district-owned or contractor-owned school buses. Expenditures for school bus driver salaries and fringe benefits may either be directly charged to the appropriate transportation category or may be allocated among transportation categories based on cost-per-mile, cost-per-student, cost-per-hour, or cost-per-route. Expenditures by private contractors or individuals who provide transportation exclusively in one transportation category must be charged directly to the appropriate transportation category. Transportation services provided by contractor-owned school bus companies incorporated under different names but owned by the same individual or group of individuals must be treated as the same company for cost allocation purposes.

(e) Notwithstanding paragraph (d), districts contracting for transportation services are exempt from the standard cost allocation method for authorized and nonauthorized transportation categories if: (1) the district bids its contracts separately for authorized and nonauthorized transportation categories and for special transportation separate from regular and excess transportation; (2) the district receives bids or quotes from more than one vendor for these transportation categories; and (3) the district's cost-per-mile, cost-per-hour, or cost-per-route does not vary more than ten percent among categories, excluding salaries and fringe benefits of bus aides. If the costs reported by the district for contractor-owned operations vary by more than ten percent among categories, the department shall require the district to reallocate its transportation costs, excluding salaries and fringe benefits of bus aides, among all categories.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal years 2011 and later.

Sec. 5. Minnesota Statutes 2008, section 169.447, subdivision 2a, is amended to read:

Subd. 2a. **Passenger lap and shoulder belts.** (a) In addition to the requirements in section 169.4501, subdivision 1~~;~~:

(1) a school bus may be equipped with an approved lap belt or an approved lap and shoulder belt installed for each passenger-seating position on the bus; and

(2) a school motor coach manufactured after July 1, 2012, must be equipped with an approved lap belt or an approved lap and shoulder belt installed for each passenger-seating position.

(b) The design and installation of lap belts and lap and shoulder belts required under ~~this~~ paragraph (a) must meet the standards of the commissioner established under this paragraph ~~(b)~~.

~~(b)~~ The commissioner shall consider all concerns necessary to properly integrate lap belts or lap and shoulder belts into the current compartmentalization safety system and prescribe standards for the design and installation of lap and shoulder belts required under paragraph (a). The standards are not subject to chapter 14 and are specifically not subject to section 14.386.

(c) This subdivision does not apply to specially equipped school buses under section 169.4504.

(d) A passenger on a school bus or school motor coach equipped with lap belts or lap and shoulder belts must use these lap belts or lap and shoulder belts unless the passenger, or if the passenger is a minor, the passenger's parent or guardian, has notified the school district in writing that the passenger does not intend to wear the lap belt or lap and shoulder belt.

(e) In an action for personal injury or wrongful death against a school district, a school bus or school motor coach operator under contract with a school district, or any agent or employee of a school district or operator, or against a volunteer, no such person or entity shall be held liable solely because the injured party was not wearing a safety belt; provided, however, that nothing contained herein shall be construed to grant immunity from liability for failure to:

(1) maintain in operating order any equipment required by statute, rule, or school district policy; or

(2) comply with an applicable statute, rule, or school district policy.

(f) In an action for personal injury or wrongful death, a school district, a school bus or school motor coach contract operator, any agent or employee of a school district or operator, or a volunteer is not liable for failing to assist any child with the adjustment, fastening, unfastening, or other use of the lap belt or lap and shoulder belt.

(g) For purposes of this subdivision, "school motor coach" means a bus that has an elevated passenger deck located over a baggage compartment, when the vehicle is used to transport pupils to or from school-related activities, by (1) the school or (2) someone under an agreement with the school or a school district, including operation under charter carrier authority.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 6. Minnesota Statutes 2008, section 169.4503, is amended by adding a subdivision to read:

Subd. 28. **Crossing control arm.** All buses manufactured for use in Minnesota after January 1, 2013, shall be equipped with a crossing control arm mounted at the right front corner of the bumper. The crossing control arm shall be automatically activated whenever the bus is stopped with the flashing red signals in use.

Sec. 7. Minnesota Statutes 2009 Supplement, section 171.02, subdivision 2b, is amended to read:

Subd. 2b. **Exception for type III vehicle drivers.** (a) Notwithstanding subdivision 2, the holder of a class A, B, C, or D driver's license, without a school bus endorsement, may operate a type III vehicle described in section 169.011, subdivision 71, paragraph (h), under the conditions in paragraphs (b) through (o).

(b) The operator is an employee of the entity that owns, leases, or contracts for the school bus.

(c) The operator's employer has adopted and implemented a policy that provides for annual training and certification of the operator in:

- (1) safe operation of a type III vehicle;
- (2) understanding student behavior, including issues relating to students with disabilities;
- (3) encouraging orderly conduct of students on the bus and handling incidents of misconduct appropriately;
- (4) knowing and understanding relevant laws, rules of the road, and local school bus safety policies;
- (5) handling emergency situations;
- (6) proper use of seat belts and child safety restraints;
- (7) performance of pretrip vehicle inspections;
- (8) safe loading and unloading of students, including, but not limited to:

(i) utilizing a safe location for loading and unloading students at the curb, on the nontraffic side of the roadway, or at off-street loading areas, driveways, yards, and other areas to enable the student to avoid hazardous conditions;

(ii) refraining from loading and unloading students in a vehicular traffic lane, on the shoulder, in a designated turn lane, or a lane adjacent to a designated turn lane;

(iii) avoiding a loading or unloading location that would require a pupil to cross a road, or ensuring that the driver or an aide personally escort the pupil across the road if it is not reasonably feasible to avoid such a location; ~~and~~

(iv) placing the type III vehicle in "park" during loading and unloading; and

(v) escorting a pupil across the road under clause (iii) only after the motor is stopped, the ignition key is removed, the brakes are set, and the vehicle is otherwise rendered immobile; and

(9) compliance with paragraph (k), concerning reporting certain convictions to the employer within ten days of the date of conviction.

(d) A background check or background investigation of the operator has been conducted that meets the requirements under section 122A.18, subdivision 8, or 123B.03 for school district employees; section 144.057 or chapter 245C for day care employees; or section 171.321, subdivision 3, for all other persons operating a ~~type A or~~ type III vehicle under this subdivision.

(e) Operators shall submit to a physical examination as required by section 171.321, subdivision 2.

(f) The operator's employer requires preemployment drug ~~and alcohol~~ testing of applicants for operator positions. Current operators must comply with the employer's policy under section 181.951, subdivisions 2, 4, and 5. Notwithstanding any law to the contrary, the operator's employer may use a Breathalyzer or similar device to fulfill random or reasonable suspicion alcohol testing requirements.

(g) The operator's driver's license is verified annually by the entity that owns, leases, or contracts for the ~~school bus~~ type III vehicle as required under section 171.321, subdivision 5.

(h) A person who sustains a conviction, as defined under section 609.02, of violating section 169A.25, 169A.26, 169A.27, or 169A.31, or whose driver's license is revoked under sections 169A.50 to 169A.53 of the implied consent law, or who is convicted of violating or whose driver's license is revoked under a similar statute or ordinance of another state, is precluded from operating a type III vehicle for five years from the date of conviction.

(i) A person who has ever been convicted of a disqualifying offense as defined in section 171.3215, subdivision 1, paragraph (c), may not operate a type III vehicle under this subdivision.

(j) A person who sustains a conviction, as defined under section 609.02, of a moving offense in violation of chapter 169 within three years of the first of three other moving offenses is precluded from operating a type III vehicle for one year from the date of the last conviction.

(k) An operator who sustains a conviction as described in paragraph (h), (i), or (j) while employed by the entity that owns, leases, or contracts for the school bus, shall report the conviction to the employer within ten days of the date of the conviction.

(l) Students riding the type III vehicle must have training required under section 123B.90, subdivision 2.

(m) Documentation of meeting the requirements listed in this subdivision must be maintained under separate file at the business location for each type III vehicle operator. The business manager, school board, governing body of a nonpublic school, or any other entity that owns, leases, or contracts for the type III vehicle operating under this subdivision is responsible for maintaining these files for inspection.

(n) The type III vehicle must bear a current certificate of inspection issued under section 169.451.

(o) An employee of a school or of a school district, who is not employed for the sole purpose of operating a type III vehicle, is exempt from paragraphs (e) and (f).

(p) Notwithstanding any law to the contrary, any person who conducts testing under paragraph (f) is exempt from section 181.953, subdivisions 9 and 10, paragraph (b).

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 8. Minnesota Statutes 2008, section 171.321, subdivision 2, is amended to read:

Subd. 2. **Rules.** (a) The commissioner of public safety shall prescribe rules governing (1) the physical qualifications of school bus drivers and tests required to obtain a school bus endorsement and (2) the physical qualifications of type III vehicle drivers. The rules for physical qualifications of type III vehicle drivers are not subject to chapter 14 and section 14.386 does not apply.

(b) The rules under paragraph (a) must provide that an applicant for a school bus endorsement or renewal is exempt from the physical qualifications and medical examination required to operate a school bus upon providing evidence of being medically examined and certified within the preceding 24 months as physically qualified to operate a commercial motor vehicle, pursuant to Code of Federal Regulations, title 49, part 391, subpart E, or rules of the commissioner of transportation incorporating those federal regulations. The commissioner shall accept physical examinations for school bus drivers conducted by medical examiners authorized as provided by Code of Federal Regulations, title 49, chapter 3, part 391, subpart E.

~~(b)~~ (c) The commissioner of public safety, in conjunction with the commissioner of education, shall adopt rules prescribing a training program for Head Start bus drivers. The program must provide for initial classroom and behind-the-wheel training, and annual in-service training. The program must provide training in defensive driving, human relations, emergency and accident procedures, vehicle maintenance, traffic laws, and use of safety equipment. The program must provide that the training will be conducted by the contract operator for a Head Start agency, the Head Start grantee, a licensed driver training school, or by another person or entity approved by both commissioners.

(d) The commissioner may exempt a type III vehicle driver from the physical qualifications required to operate a type III vehicle upon receiving evidence of the driver having been medically examined and certified within the preceding 24 months as physically qualified to operate a commercial motor vehicle as provided for applicants for a school bus endorsement under paragraph (b).

## ARTICLE 8

### EDUCATION FINANCE REFORM

Section 1. Minnesota Statutes 2008, section 123B.53, subdivision 5, is amended to read:

Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a district equals the sum of the first tier equalized debt service levy and the second tier equalized debt service levy.

(b) A district's first tier equalized debt service levy equals the district's first tier debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

(2) ~~\$3,200~~ 100 percent of the statewide adjusted net tax capacity equalizing factor.

(c) A district's second tier equalized debt service levy equals the district's second tier debt service equalization revenue times the lesser of one or the ratio of:



(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

(2) ~~\$8,000~~ 200 percent of the statewide adjusted net tax capacity equalizing factor.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and later.

Sec. 2. **[123B.555] SCHOOL BOND AGRICULTURAL CREDIT.**

Subdivision 1. **Eligibility.** All class 2a, 2b, and 2c property under section 273.13, subdivision 23, except for property consisting of the house, garage, and immediately surrounding one acre of land of an agricultural homestead, is eligible to receive the credit under this section.

Subd. 2. **Credit amount.** For each qualifying property, the school bond agricultural credit is equal to 66 percent of the property's eligible net tax capacity multiplied by the school debt tax rate determined under section 275.08, subdivision 1b.

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under this section within the county for each taxes payable year and shall certify that amount to the commissioner of revenue as a part of the abstracts of tax lists submitted under section 275.29. Any prior year adjustments shall also be certified on the abstracts of tax lists. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credit under this section must be used to reduce the school district net tax capacity-based property tax as provided in section 273.1393.

Subd. 4. **Payment.** 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 education, who shall pay the reimbursement amounts to each school district as provided in section 273.1392.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and later.

Sec. 3. Minnesota Statutes 2008, section 124D.4531, as amended by Laws 2009, chapter 88, article 2, section 1, is amended to read:

**124D.4531 CAREER AND TECHNICAL LEVY AID.**

Subdivision 1. **Career and technical levy aid.** (a) A district with a career and technical program approved under this section ~~for the fiscal year in which the levy is certified may levy an amount~~ is eligible for aid equal to the lesser of:

(1) ~~\$80~~ \$240 times the district's average daily membership in grades 10 through 12 for the current fiscal year ~~in which the levy is certified~~; or

(2) 25 percent of approved expenditures in the previous fiscal year ~~in which the levy is certified~~ for the following:

(i) salaries paid to essential, licensed personnel providing direct instructional services to students in that fiscal year for services rendered in the district's approved career and technical education programs;

(ii) contracted services provided by a public or private agency other than a Minnesota school district or cooperative center under subdivision 7;

(iii) necessary travel between instructional sites by licensed career and technical education personnel;

(iv) necessary travel by licensed career and technical education personnel for vocational student organization activities held within the state for instructional purposes;

(v) curriculum development activities that are part of a five-year plan for improvement based on program assessment;

(vi) necessary travel by licensed career and technical education personnel for noncollegiate credit-bearing professional development; and

(vii) specialized vocational instructional supplies.

(b) Up to ten percent of a district's career and technical ~~levy aid~~ may be spent on equipment purchases. Districts using the career and technical ~~levy aid~~ for equipment purchases must report to the department on the improved learning opportunities for students that result from the investment in equipment.

~~(c) The district must recognize the full amount of this levy as revenue for the fiscal year in which it is certified.~~

Subd. 2. **Allocation from cooperative centers and intermediate districts.** For purposes of this section, a cooperative center or an intermediate district must allocate its approved expenditures for career and technical education programs among participating districts.

Subd. 3. **Levy Aid guarantee.** Notwithstanding subdivision 1, the career and technical education ~~levy aid~~ for a district is not less than the lesser of:

(1) the district's career and technical education ~~levy authority~~ revenue for the previous fiscal year; or

(2) 100 percent of the approved expenditures for career and technical programs included in subdivision 1, paragraph (b), for the prior fiscal year ~~in which the levy is certified.~~

Subd. 4. **District reports.** Each district or cooperative center must report data to the department for all career and technical education programs as required by the department ~~to implement the career and technical levy formula.~~

Subd. 5. **Allocation from districts participating in agreements for secondary education or interdistrict cooperation.** For purposes of this section, a district with a career and technical program approved under this section that participates in an agreement under section 123A.30 or 123A.32 must allocate its levy authority under this section among participating districts.

**EFFECTIVE DATE.** This section is effective for aid payments for fiscal year 2014 and thereafter.

Sec. 4. Minnesota Statutes 2008, section 124D.59, subdivision 2, is amended to read:

Subd. 2. **Pupil of limited English proficiency.** (a) "Pupil of limited English proficiency" means a pupil in kindergarten through grade 12 who meets the following requirements:

(1) the pupil, as declared by a parent or guardian first learned a language other than English, comes from a home where the language usually spoken is other than English, or usually speaks a language other than English; and

(2) the pupil is determined by developmentally appropriate measures, which might include observations, teacher judgment, parent recommendations, or developmentally appropriate assessment instruments, to lack the necessary English skills to participate fully in classes taught in English.

(b) Notwithstanding paragraph (a), a pupil in grades 4 through 12 who was enrolled in a Minnesota public school on the dates during the previous school year when a commissioner provided assessment that measures the pupil's emerging academic English was administered, shall not be counted as a pupil of limited English proficiency in calculating limited English proficiency pupil units under section 126C.05, subdivision 17, and shall not generate state limited English proficiency aid under section 124D.65, subdivision 5, unless the pupil scored below the state cutoff score on an assessment measuring emerging academic English provided by the commissioner during the previous school year.

(c) Notwithstanding paragraphs (a) and (b), a pupil in kindergarten through grade 12 shall not be counted as a pupil of limited English proficiency in calculating limited English proficiency pupil units under section 126C.05, subdivision 17, and shall not generate state limited English proficiency aid under section 124D.65, subdivision 5, if:

(4) the pupil is not enrolled during the current fiscal year in an educational program for pupils of limited English proficiency in accordance with sections 124D.58 to 124D.64; ~~or~~

~~(2) the pupil has generated five or more years of average daily membership in Minnesota public schools since July 1, 1996.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 5. Minnesota Statutes 2008, section 124D.65, subdivision 5, is amended to read:

Subd. 5. **School district LEP revenue.** (a) A district's limited English proficiency programs revenue equals the product of: ~~(1) \$700 in fiscal year 2004 and later times .2;~~ (2) the basic formula allowance for that year; and (3) the greater of 20 or the adjusted marginal cost average daily membership of eligible pupils of limited English proficiency enrolled in the district during the current fiscal year.

(b) A pupil ceases to generate state limited English proficiency aid in the school year following the school year in which the pupil attains the state cutoff score on a commissioner-provided assessment that measures the pupil's emerging academic English.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 6. Minnesota Statutes 2008, section 125A.76, subdivision 5, is amended to read:

Subd. 5. **School district special education aid.** A school district's special education aid ~~for fiscal year 2008 and later equals the state total special education aid times the ratio of the district's its initial special education aid to the state total initial special education aid.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 7. Minnesota Statutes 2008, section 125A.79, subdivision 7, is amended to read:

Subd. 7. **District special education excess cost aid.** A district's special education excess cost aid ~~for fiscal year 2002 and later equals the state total special education excess cost aid times the ratio of the district's its initial excess cost aid to the state total initial excess cost aid.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 8. Minnesota Statutes 2008, section 126C.01, is amended by adding a subdivision to read:

Subd. 2a. **Adjusted net tax capacity equalizing factor.** The adjusted net tax capacity equalizing factor equals the quotient derived by dividing the total adjusted net tax capacity of all school districts in the state for the year before the year the levy is certified by the total number of adjusted pupil units in the state for the current school year.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and later.

Sec. 9. Minnesota Statutes 2008, section 126C.01, is amended by adding a subdivision to read:

Subd. 3a. **Referendum market value equalizing factor.** The referendum market value equalizing factor equals the quotient derived by dividing the total referendum market value of all school districts in the state for the year before the year the levy is certified by the total number of resident pupil units in the state for the current school year.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2013.

Sec. 10. Minnesota Statutes 2008, section 126C.01, is amended by adding a subdivision to read:

Subd. 5a. **Location equity index.** (a) A school district's location equity index equals each district's composite wage level divided by the statewide average wage for the same period. The composite wage level for a school district equals the sum of 50 percent of the district's county wage level and 50 percent of the district's economic development region composite wage level. The composite wage level is computed by using the most recent three-year weighted wage data.

(b) A school district's location equity index must not be less than .9 or greater than 1.05.

(c) The commissioner of education annually must recalculate the indexes in this section. For purposes of this subdivision, the commissioner must locate a school district with boundaries that cross county borders in the county that generates the highest location equity index for that district.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 11. Minnesota Statutes 2008, section 126C.05, subdivision 1, is amended to read:

Subdivision 1. **Pupil unit.** Pupil units for each Minnesota resident pupil under the age of 21 or who meets the requirements of section 120A.20, subdivision 1, paragraph (c), in average daily membership enrolled in the district of residence, in another district under sections 123A.05 to 123A.08, 124D.03, 124D.08, or 124D.68; in a charter school under section 124D.10; or for whom the resident district pays tuition under section 123A.18, 123A.22, 123A.30, 123A.32, 123A.44, 123A.488, 123B.88, subdivision 4, 124D.04, 124D.05, 125A.03 to 125A.24, 125A.51, or 125A.65, shall be counted according to this subdivision.

(a) A prekindergarten pupil with a disability who is enrolled in a program approved by the commissioner and has an individual education plan is counted as the ratio of the number of hours of assessment and education service to 825 times 1.25 with a minimum average daily membership of 0.28, but not more than 1.25 pupil units.

(b) A prekindergarten pupil who is assessed but determined not to be disabled is counted as the ratio of the number of hours of assessment service to 825 times 1.25.

(c) A kindergarten pupil with a disability who is enrolled in a program approved by the commissioner is counted as the ratio of the number of hours of assessment and education services required in the fiscal year by the pupil's individual education program plan to 875, but not more than one.

- (d) A kindergarten pupil who is not included in paragraph (c) is counted as ~~1.2~~ 1.0 pupil units.
- (e) A pupil who is in any of grades 1 to 3 is counted as ~~1.15~~ 1.0 pupil units for fiscal year 2000 and thereafter.
- (f) A pupil who is any of grades 4 to 6 is counted as ~~1.06~~ 1.0 pupil units for fiscal year 1995 and thereafter.
- (g) A pupil who is in any of grades 7 to 12 is counted as ~~1.3~~ 1.0 pupil units.
- (h) A pupil who is in the postsecondary enrollment options program is counted as ~~1.3~~ 1.0 pupil units.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 12. Minnesota Statutes 2008, section 126C.05, subdivision 3, is amended to read:

Subd. 3. **Compensation revenue pupil units.** Compensation revenue pupil units ~~for fiscal year 1998 and thereafter~~ must be computed according to this subdivision.

(a) The compensation revenue concentration percentage for each ~~building in a~~ district equals the product of 100 times the ratio of:

(1) ~~the sum of~~ the number of pupils enrolled in the building district eligible to receive free lunch ~~plus one half of the pupils eligible to receive reduced priced or reduced-price~~ lunch on October 1 of the previous fiscal year; to

(2) the number of pupils enrolled in the building district on October 1 of the previous fiscal year.

(b) The compensation revenue pupil weighting factor ~~for a building~~ equals the ~~lesser of one or the quotient obtained by dividing the building's compensation revenue concentration percentage by 80.0.~~

(c) The compensation revenue pupil units for a building district equals the product of:

(1) ~~the sum of~~ the number of pupils enrolled in the building district eligible to receive free lunch ~~and one half of the pupils eligible to receive reduced priced or reduced-price~~ lunch on October 1 of the previous fiscal year; times

(2) the compensation revenue pupil weighting factor for the ~~building; times~~

~~(3) .60 district.~~

(d) Notwithstanding paragraphs (a) to (c), for charter schools and contracted alternative programs in the first year of operation, compensation revenue pupil units shall be computed using data for the current fiscal year. If the charter school or contracted alternative program begins operation after October 1, compensatory revenue pupil units shall be computed based on pupils enrolled on an alternate date determined by the commissioner, and the compensation revenue pupil units shall be prorated based on the ratio of the number of days of student instruction to 170 days.

(e) The percentages in this subdivision must be based on the count of individual pupils and not on a building average or minimum.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 13. Minnesota Statutes 2008, section 126C.05, subdivision 5, is amended to read:

Subd. 5. **Adjusted pupil units.** ~~(a)~~ Adjusted pupil units for a district or charter school means the sum of:

(1) the number of pupil units served, according to subdivision 7, plus

(2) pupil units according to subdivision 1 for whom the district or charter school pays tuition under section 123A.18, 123A.22, 123A.30, 123A.32, 123A.44, 123A.488, 123B.88, subdivision 4, 124D.04, 124D.05, 125A.03 to 125A.24, 125A.51, or 125A.65, minus

(3) pupil units according to subdivision 1 for whom the district or charter school receives tuition under section 123A.18, 123A.22, 123A.30, 123A.32, 123A.44, 123A.488, 123B.88, subdivision 4, 124D.04, 124D.05, 125A.03 to 125A.24, 125A.51, or 125A.65.

~~(b) Adjusted marginal cost pupil units means the greater of:~~

~~(1) the sum of .77 times the pupil units defined in paragraph (a) for the current school year and .23 times the pupil units defined in paragraph (a) for the previous school year; or~~

~~(2) the number of adjusted pupil units defined in paragraph (a) for the current school year.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 14. Minnesota Statutes 2008, section 126C.05, subdivision 6, is amended to read:

Subd. 6. **Resident pupil units.** ~~(a)~~ Resident pupil units for a district means the number of pupil units according to subdivision 1 residing in the district.

~~(b) Resident marginal cost pupil units means the greater of:~~

~~(1) the sum of .77 times the pupil units defined in paragraph (a) for the current year and .23 times the pupil units defined in paragraph (a) for the previous school year; or~~

~~(2) the number of resident pupil units defined in paragraph (a) for the current school year.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 15. Minnesota Statutes 2008, section 126C.05, subdivision 8, is amended to read:

Subd. 8. **Average daily membership.** (a) Membership for pupils in grades kindergarten through 12 and for prekindergarten pupils with disabilities shall mean the number of pupils on the current roll of the school, counted from the date of entry until withdrawal. The date of withdrawal shall mean the day the pupil permanently leaves the school or the date it is officially known that the pupil has left or has been legally excused. However, a pupil, regardless of age, who has been absent from school for 15 consecutive school days during the regular school year or for five consecutive school days during summer school or intersession classes of flexible school year programs without receiving instruction in the home or hospital shall be dropped from the roll and classified as withdrawn. Nothing in this section shall be construed as waiving the compulsory attendance provisions cited in section 120A.22. Average daily membership equals the sum for all pupils of the number of days of the school year each pupil is enrolled in the district's schools divided by the number of days the schools are in session. Days of summer school or intersession classes of flexible school year programs are only included in the computation of membership for pupils with a disability not appropriately served primarily in the regular classroom. A student must not be counted as more

than 1.2 pupils in average daily membership under this section. When the initial total average daily membership exceeds 1.2 for a pupil enrolled in more than one school district during the fiscal year, each district's average daily membership must be reduced proportionately.

(b) A student must not be counted as more than one pupil in average daily membership except for purposes of section 126C.10, subdivision 2a.

(c) For purposes of section 126C.10, subdivision 2a, only, a pupil's average daily membership is counted as 1.0 once a kindergarten or elementary pupil has received 960 hours of instruction during the school year and as 1.0 once a secondary student has received 1,050 hours of instruction during the school year.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 16. Minnesota Statutes 2008, section 126C.05, subdivision 16, is amended to read:

Subd. 16. **Free and reduced-price lunches.** The commissioner shall determine the number of children eligible to receive either a free or reduced-price lunch on October 1 each year. Children enrolled ~~in a building~~ on October 1 and determined to be eligible to receive free or reduced-price lunch by December 15 of that school year shall be counted as eligible on October 1 for purposes of subdivision 3. The commissioner may use federal definitions for these purposes and may adjust these definitions as appropriate. The commissioner may adopt reporting guidelines to assure accuracy of data counts and eligibility. Districts shall use any guidelines adopted by the commissioner.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 17. Minnesota Statutes 2008, section 126C.05, subdivision 17, is amended to read:

Subd. 17. **LEP pupil units.** (a) Limited English proficiency pupil units ~~for fiscal year 2004 and thereafter shall be determined according to this subdivision.~~

~~(b) The limited English proficiency concentration percentage for a district equals the product of 100 times the ratio of:~~

~~(1) means the number of eligible pupils of limited English proficiency in average daily membership enrolled in the district during the current fiscal year; to~~

~~(2) the number of pupils in average daily membership enrolled in the district.~~

~~(c) The limited English proficiency pupil units for each eligible pupil of limited English proficiency in average daily membership equals the lesser of one or the quotient obtained by dividing the limited English proficiency concentration percentage for the pupil's district of enrollment by 11.5.~~

~~(d)~~ (b) Limited English proficiency pupil units shall be counted by the district of enrollment.

~~(e)~~ (c) Notwithstanding paragraph ~~(d)~~ (b), for the purposes of this subdivision, pupils enrolled in a cooperative or intermediate school district shall be counted by the district of residence.

~~(f)~~ (d) For the purposes of this subdivision, the terms defined in section 124D.59 have the same meaning.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 18. **[126C.09] EDUCATION FUNDING FRAMEWORK.**

Subdivision 1. **Basic formula framework; general classroom funding.** The general classroom funding for each school district equals the sum of the district's general education basic revenue, extended time revenue, compensatory revenue, LEP revenue, referendum replacement revenue, and special education revenue.

Subd. 2. **District instructional services.** A school district's instructional services revenue equals the sum of its operating sparsity revenue, location equity revenue, and declining enrollment revenue.

Subd. 3. **District support services.** A school district's support services revenue equals the sum of its operating capital revenue, alternative facilities revenue, integration revenue, and transportation revenue.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 19. Minnesota Statutes 2008, section 126C.10, subdivision 1, is amended to read:

Subdivision 1. **General education revenue.** (a) For fiscal year 2006 ~~and later~~ through 2013, the general education revenue for each district equals the sum of the district's basic revenue, extended time revenue, gifted and talented revenue, basic skills revenue, training and experience revenue, secondary sparsity revenue, elementary sparsity revenue, transportation sparsity revenue, total operating capital revenue, equity revenue, alternative teacher compensation revenue, and transition revenue.

(b) For fiscal years 2014 and later, a school district's general education revenue equals the sum of its basic revenue, extended time revenue, declining enrollment revenue, basic skills revenue, location equity revenue, referendum replacement revenue, secondary sparsity revenue, elementary sparsity revenue, transportation revenue, and total operating capital revenue.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 20. Minnesota Statutes 2008, section 126C.10, subdivision 2, is amended to read:

Subd. 2. **Basic revenue.** (a) The basic revenue for each district equals the formula allowance times the adjusted ~~marginal cost~~ pupil units for the school year.

(b) The formula allowance for fiscal year 2007 is \$4,974. The formula allowance for fiscal year 2008 is \$5,074 and the formula allowance for fiscal year 2009 ~~and subsequent years~~ is \$5,124.

(c) The formula allowance for fiscal year 2014 is \$7,500. The formula allowance for fiscal year 2015 and later equals the formula allowance for the previous year times the sum of 1.0 and the greater of zero or the ratio of implicit price deflator, as defined in section 275.70, subdivision 2, for the most recent year to the implicit price deflator for the previous year.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 21. Minnesota Statutes 2008, section 126C.10, subdivision 2a, is amended to read:

Subd. 2a. **Extended time revenue.** (a) A school district's extended time revenue is equal to the product of ~~\$4,601~~ the formula allowance for that year and the sum of the adjusted ~~marginal cost~~ pupil units of the district for each pupil in average daily membership in excess of 1.0 and less than 1.2 according to section 126C.05, subdivision 8.



(b) A school district's extended time revenue may be used for extended day programs, extended week programs, summer school, and other programming authorized under the learning year program.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 22. Minnesota Statutes 2008, section 126C.10, is amended by adding a subdivision to read:

**Subd. 2c. Declining enrollment revenue.** A school district's declining enrollment revenue equals the greater of zero or the product of: (1) the basic formula allowance for that year; and (2) the difference between the mean average adjusted pupil units for the three preceding years and the adjusted pupil units for the current year.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 23. Minnesota Statutes 2008, section 126C.10, is amended by adding a subdivision to read:

**Subd. 2d. Location equity revenue.** A school district's location equity revenue equals the product of:

(1) .50;

(2) the basic formula allowance for that year;

(3) the district's adjusted pupil units for that year; and

(4) the district's location equity index minus .9.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 24. Minnesota Statutes 2008, section 126C.10, is amended by adding a subdivision to read:

**Subd. 2e. Referendum replacement revenue.** A school district's referendum replacement revenue equals \$500 times the district's adjusted pupil units for that year.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 25. Minnesota Statutes 2008, section 126C.10, subdivision 3, is amended to read:

**Subd. 3. Compensatory education revenue.** (a) The compensatory education revenue for each ~~building in the~~ district equals the greater of: (1) \$2,500 times the district's enrollment of students eligible for free or reduced-price meals under section 126C.05, subdivision 3, paragraph (a), clause (1); or (2) 40 percent of the formula allowance minus \$415 times the compensation revenue pupil units computed according to section 126C.05, subdivision 3. Revenue shall be paid to the district and must be allocated according to section 126C.15, subdivision 2.

(b) When the district contracting with an alternative program under section 124D.69 changes prior to the start of a school year, the compensatory revenue generated by pupils attending the program shall be paid to the district contracting with the alternative program for the current school year, and shall not be paid to the district contracting with the alternative program for the prior school year.

(c) When the fiscal agent district for an area learning center changes prior to the start of a school year, the compensatory revenue shall be paid to the fiscal agent district for the current school year, and shall not be paid to the fiscal agent district for the prior school year.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 26. Minnesota Statutes 2008, section 126C.10, subdivision 4, is amended to read:

Subd. 4. **Basic skills revenue.** A school district's basic skills revenue equals the sum of:

(1) compensatory revenue under subdivision 3; plus

(2) limited English proficiency revenue under section 124D.65, subdivision 5; ~~plus,~~

~~(3) \$250 times the limited English proficiency pupil units under section 126C.05, subdivision 17.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 27. Minnesota Statutes 2008, section 126C.10, subdivision 6, is amended to read:

Subd. 6. **Definitions.** The definitions in this subdivision apply only to subdivisions 7 and 8.

(a) "High school" means a public secondary school, except a charter school under section 124D.10, that has pupils enrolled in at least the 10th, 11th, and 12th grades. If there is no high school in the district and the school is at least ~~49~~ 15 miles from the next nearest school, the commissioner must designate one school in the district as a high school for the purposes of this section.

(b) "Secondary average daily membership" means, for a district that has only one high school, the average daily membership of pupils served in grades 7 through 12. For a district that has more than one high school, "secondary average daily membership" for each high school means the product of the average daily membership of pupils served in grades 7 through 12 in the high school, times the ratio of six to the number of grades in the high school.

(c) "Attendance area" means the total surface area of the district, in square miles, divided by the number of high schools in the district. For a district that does not operate a high school and is less than ~~49~~ 15 miles from the nearest operating high school, the attendance area equals zero.

(d) "Isolation index" for a high school means the square root of 55 percent of the attendance area plus the distance in miles, according to the usually traveled routes, between the high school and the nearest high school. For a district in which there is located land defined in section 84A.01, 84A.20, or 84A.31, the distance in miles is the sum of:

(1) the square root of one-half of the attendance area; and

(2) the distance from the border of the district to the nearest high school.

(e) "Qualifying high school" means a high school that has an isolation index greater than 23 and that has secondary average daily membership of less than 400.

(f) "Qualifying elementary school" means a public elementary school, except a charter school under section 124D.10, that is located ~~49~~ 15 miles or more from the nearest elementary school or from the nearest elementary school within the district and, in either case, has an elementary average daily membership of an average of 20 or fewer per grade.

(g) "Elementary average daily membership" means, for a district that has only one elementary school, the average daily membership of pupils served in kindergarten through grade 6. For a district that has more than one elementary school, "average daily membership" for each school means the average daily membership of pupils served in kindergarten through grade 6 multiplied by the ratio of seven to the number of grades in the elementary school.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 28. Minnesota Statutes 2008, section 126C.10, subdivision 13, is amended to read:

Subd. 13. **Total operating capital and technology revenue.** (a) Total operating capital revenue for a district equals: (1) \$50 times the adjusted pupil units for the school year for technology purposes; (2) for any district not participating in the alternative facilities program under section 123B.59, \$600 times the adjusted pupil units for deferred maintenance and health and safety purposes under sections 123B.57 and 123B.59; (3) the amount determined under paragraph (b) or (c), ~~plus \$73~~; and (4) \$100 times the adjusted ~~marginal cost~~ pupil units for the school year. The revenue must be placed in a reserved account in the general fund and may only be used according to subdivision 14.

(b) Capital revenue for a district equals \$100 times the district's maintenance cost index times its adjusted ~~marginal cost~~ pupil units for the school year.

(c) The revenue for a district that operates a program under section 124D.128, is increased by an amount equal to \$30 times the number of ~~marginal cost~~ adjusted pupil units served at the site where the program is implemented.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 29. Minnesota Statutes 2008, section 126C.10, subdivision 14, is amended to read:

Subd. 14. **Uses of total operating capital revenue.** Technology revenue may only be used for purposes in clauses (18), (19), (21), (23), and (24). Total operating capital revenue may be used only for the following purposes:

- (1) to acquire land for school purposes;
- (2) to acquire or construct buildings for school purposes;
- (3) to rent or lease buildings, including the costs of building repair or improvement that are part of a lease agreement;
- (4) to improve and repair school sites and buildings, and equip or reequip school buildings with permanent attached fixtures, including library media centers;
- (5) for a surplus school building that is used substantially for a public nonschool purpose;
- (6) to eliminate barriers or increase access to school buildings by individuals with a disability;
- (7) to bring school buildings into compliance with the State Fire Code adopted according to chapter 299F;
- (8) to remove asbestos from school buildings, encapsulate asbestos, or make asbestos-related repairs;
- (9) to clean up and dispose of polychlorinated biphenyls found in school buildings;
- (10) to clean up, remove, dispose of, and make repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296A.01;
- (11) for energy audits for school buildings and to modify buildings if the audit indicates the cost of the modification can be recovered within ten years;
- (12) to improve buildings that are leased according to section 123B.51, subdivision 4;

(13) to pay special assessments levied against school property but not to pay assessments for service charges;

(14) to pay principal and interest on state loans for energy conservation according to section 216C.37 or loans made under the Douglas J. Johnson Economic Protection Trust Fund Act according to sections 298.292 to 298.298;

(15) to purchase or lease interactive telecommunications equipment;

(16) by board resolution, to transfer money into the debt redemption fund to: (i) pay the amounts needed to meet, when due, principal and interest payments on certain obligations issued according to chapter 475; or (ii) pay principal and interest on debt service loans or capital loans according to section 126C.70;

(17) to pay operating capital-related assessments of any entity formed under a cooperative agreement between two or more districts;

(18) to purchase or lease computers and related materials, copying machines, telecommunications equipment, and other noninstructional equipment;

(19) to purchase or lease assistive technology or equipment for instructional programs;

(20) to purchase textbooks;

(21) to purchase new and replacement library media resources or technology;

(22) to purchase vehicles;

(23) to purchase or lease telecommunications equipment, computers, and related equipment for integrated information management systems for:

(i) managing and reporting learner outcome information for all students under a results-oriented graduation rule;

(ii) managing student assessment, services, and achievement information required for students with individual education plans; and

(iii) other classroom information management needs; and

(24) to pay personnel costs directly related to the acquisition, operation, and maintenance of telecommunications systems, computers, related equipment, and network and applications software.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014.

Sec. 30. Minnesota Statutes 2008, section 126C.10, subdivision 18, is amended to read:

Subd. 18. **Transportation sparsity revenue allowance.** ~~(a)~~ A district's transportation sparsity allowance equals the greater of zero or the result of the following computation:

(i) Multiply the formula allowance according to subdivision 2, by .1469.

(ii) Multiply the result in clause (i) by the district's sparsity index raised to the 26/100 power.

(iii) Multiply the result in clause (ii) by the district's density index raised to the 13/100 power.

(iv) Multiply the formula allowance according to subdivision 2, by .0485.

(v) Subtract the result in clause (iv) from the result in clause (iii).

~~(b) Transportation sparsity revenue is equal to the transportation sparsity allowance times the adjusted marginal cost pupil units.~~

**EFFECTIVE DATE.** This section is effective for fiscal year 2014 and later.

Sec. 31. Minnesota Statutes 2008, section 126C.10, is amended by adding a subdivision to read:

Subd. 18a. **Transportation revenue.** (a) A school district's transportation revenue equals the sum of its transportation sparsity revenue, hazardous transportation revenue, and bus purchase revenue.

(b) A school district's transportation sparsity revenue equals its transportation sparsity allowance times its adjusted pupil units for that year.

(c) A school district's hazardous transportation aid equals the amount necessary to provide transportation services to students facing hazardous transportation conditions. A district's hazardous transportation aid must not exceed 20 percent of the district's total regular to and from school transportation costs for that year. For any year, a school district may receive aid under this paragraph only after the school board has considered the comprehensive plan for hazardous transportation submitted by the district's pupil transportation safety committee at a regularly scheduled meeting of the school board. The comprehensive plan may not be adopted until after the board has allowed the public reasonable time to testify on the plan.

(d) A school district's bus purchase revenue equals five percent of the district's spending on transportation services for the previous fiscal year.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 32. **[126C.115] INNOVATION REVENUE.**

(a) A school district must use its innovation revenue to implement evidence-based innovation premised on research-based curriculum and instruction and other education programs and practices, including best teaching practices, that are known to improve academic performance for diverse groups of students. If a school district demonstrates low growth and needs to improve students' current achievement and educational growth, as measured by a growth-based value-added system under section 120B.35, the school district must submit a plan to the commissioner, developed in consultation with interested parents, that describes how the district proposes to use its innovation revenue to supplement state reading requirements under section 120B.12, subdivision 1, and state math and science requirements under section 120B.023, subdivision 2, paragraphs (b) and (d), and improve student outcomes. The plan must:

(1) identify specific education goals, consistent with this section, and the indicators to demonstrate progress toward achieving those goals, which may include a value-added assessment model under sections 120B.35 and 120B.362;

(2) supplement current district initiatives that may transform district programs, practices, and processes sufficient to significantly improve student outcomes, which may include, among other initiatives, an organizational assessment and performance improvement process under section 120B.3625; and

(3) demonstrate how innovation revenue helps narrow and eliminate differences in student academic achievement in reading, math, and science based on student measures of mobility, attendance, race and ethnicity, gender, English language learner status, eligibility for free or reduced price lunch, and special education, among other outcomes.

(b) After transmitting its plan to the commissioner, a district must spend its innovation revenue effectively and efficiently, consistent with its plan. A school district that submits an innovation revenue plan under paragraph (a) must report annually by June 30 to the commissioner and post on the district's official Web site reliable and accessible information and supporting longitudinal data showing the amount of progress the district made in the immediately preceding school year and previous school years in realizing its innovation revenue goals. The commissioner must analyze the data from the annual district reports and post the analysis on the department's official Web site.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 33. Minnesota Statutes 2008, section 126C.13, subdivision 4, is amended to read:

Subd. 4. **General education aid.** ~~For fiscal years 2007 and later, A district's general education aid is the sum of the following amounts equals its:~~

(1) general education revenue, ~~excluding equity revenue, total operating capital revenue, alternative teacher compensation revenue, and transition revenue;~~

~~(2) operating capital aid under section 126C.10, subdivision 13b;~~

~~(3) equity aid under section 126C.10, subdivision 30;~~

~~(4) alternative teacher compensation aid under section 126C.10, subdivision 36;~~

~~(5) transition aid under section 126C.10, subdivision 33 for that year;~~

~~(6) (2) shared time aid under section 126C.01, subdivision 7;~~

~~(7) (3) referendum aid under section 126C.17, subdivisions 7 and 7a; and~~

~~(8) (4) online learning aid according to section 124D.096.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 34. Minnesota Statutes 2008, section 126C.13, subdivision 5, is amended to read:

Subd. 5. **Uses of revenue.** ~~Except as provided in sections 126C.10, subdivision 14; 126C.12; and 126C.15, (a) General education revenue may be used during the regular school year and the summer for general and special school purposes and for prekindergarten programs except as limited by paragraph (b).~~

(b) General education revenue set-asides include:

(1) 1.0 percent of basic revenue must be used only for gifted and talented activities consistent with section 120B.15;

(2) 5.0 percent of basic revenue must be used only to implement a district's innovative revenue program activities under section 126C.115;

(3) basic skills revenue must be used according to section 126C.15; and

(4) operating capital revenue must be spent according to section 126C.10, subdivision 14.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 35. Minnesota Statutes 2008, section 126C.17, subdivision 1, is amended to read:

Subdivision 1. **Referendum allowance.** ~~(a) For fiscal year 2003 and later, a district's initial referendum revenue allowance equals the sum of the allowance under section 126C.16, subdivision 2, plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 before May 1, 2001, for fiscal year 2002 and later, plus the referendum conversion allowance approved under subdivision 13, minus \$415. For districts with more than one referendum authority, the reduction must be computed separately for each authority. The reduction must be applied first to the referendum conversion allowance and next to the authority with the earliest expiration date. A district's initial referendum revenue allowance may not be less than zero.~~

~~(b) For fiscal year 2003, a district's referendum revenue allowance equals the initial referendum allowance plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 between April 30, 2001, and December 30, 2001, for fiscal year 2003 and later.~~

~~(c) For fiscal year 2004 and later, A district's referendum revenue allowance equals the sum of:~~

~~(1) the product of (i) the ratio of the resident marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002, section 126C.05, to the district's resident marginal cost pupil units for fiscal year 2004, times (ii) the greater of zero or the district's initial referendum allowance plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 between April 30, 2001, and May 30, 2003, for fiscal year 2003 and later 2014 less \$500, plus~~

~~(2) any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 after May 30, 2003 2012, for fiscal year 2005 2014 and later.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 36. Minnesota Statutes 2008, section 126C.17, subdivision 5, is amended to read:

Subd. 5. **Referendum equalization revenue.** ~~(a) For fiscal year 2003 and later, A district's referendum equalization revenue equals the sum of the first tier referendum equalization revenue and the second tier referendum equalization revenue.~~

~~(b) A district's first tier referendum equalization revenue equals the district's first tier referendum equalization allowance times the district's resident marginal cost pupil units for that year.~~

~~(c) For fiscal year 2006, a district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$500. For fiscal year 2007, a district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$600.~~

~~For fiscal year 2008 and later, (b) A district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$700.~~

~~(d)~~ (c) A district's second tier referendum equalization revenue equals the district's second tier referendum equalization allowance times the district's resident marginal cost pupil units for that year.

~~(e)~~ For fiscal year 2006, a district's second tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or 18.6 percent of the formula allowance, minus the district's first tier referendum equalization allowance. For fiscal year 2007 and later, (d) A district's second tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or 26 percent of the formula allowance, minus the district's first tier referendum equalization allowance.

~~(f)~~ (e) Notwithstanding paragraph ~~(e)~~ (d), the second tier referendum allowance for a district qualifying for secondary sparsity revenue under section 126C.10, subdivision 7, or elementary sparsity revenue under section 126C.10, subdivision 8, equals the district's referendum allowance under subdivision 1 minus the district's first tier referendum equalization allowance.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014.

Sec. 37. Minnesota Statutes 2008, section 126C.17, subdivision 6, is amended to read:

Subd. 6. **Referendum equalization levy.** ~~(a) For fiscal year 2003 and later,~~ A district's referendum equalization levy equals the sum of the first tier referendum equalization levy and the second tier referendum equalization levy.

(b) A district's first tier referendum equalization levy equals the district's first tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to ~~\$476,000~~ 100 percent of the statewide referendum market value equalizing factor.

(c) A district's second tier referendum equalization levy equals the district's second tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to ~~\$270,000~~ 60 percent of the statewide referendum market value equalizing factor.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014.

Sec. 38. Minnesota Statutes 2008, section 126C.20, is amended to read:

**126C.20 ANNUAL GENERAL EDUCATION AID APPROPRIATION.**

There is annually appropriated from the general fund to the department the ~~amount~~ amounts necessary for: (1) general education aid; (2) special education aid; (3) debt service aid; and (4) the school bond agricultural credit. ~~This amount.~~ These amounts must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 39. Minnesota Statutes 2008, section 126C.40, subdivision 1, is amended to read:

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



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

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

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

(e) The total levy under this subdivision for a district for any year must not exceed \$150 times the resident pupil units for the fiscal year to which the levy is attributable.

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

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

(1) the school district has been experiencing pupil enrollment growth in the preceding five years;

(2) the purpose of the increased levy is in the long-term public interest;

(3) the purpose of the increased levy promotes colocation of government services; and

(4) the purpose of the increased levy is in the long-term interest of the district by avoiding over construction of school facilities.

(h) A school district that is a member of an intermediate school district may include in its authority under this section the costs associated with leases of administrative and classroom space for intermediate school district programs. This authority must not exceed ~~\$43~~ \$50 times the adjusted marginal cost pupil units of the member districts. This authority is in addition to any other authority authorized under this section.

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

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 40. Minnesota Statutes 2008, section 127A.51, is amended to read:

**127A.51 STATEWIDE AVERAGE REVENUE.**

By October 1 of each year the commissioner must estimate the statewide average adjusted general revenue per adjusted marginal cost pupil unit and the disparity in adjusted general revenue among pupils and districts by computing the ratio of the 95th percentile to the fifth percentile of adjusted general revenue. The commissioner must provide that information to all districts.

If the disparity in adjusted general revenue as measured by the ratio of the 95th percentile to the fifth percentile increases in any year, the commissioner shall recommend to the legislature options for change in the general education formula that will limit the disparity in adjusted general revenue to no more than the disparity for the previous school year. The commissioner must submit the recommended options to the education committees of the legislature by January 15.

For purposes of this section and section 126C.10, adjusted general revenue means:

(1) for fiscal year 2002, the sum of basic revenue under section 126C.10, subdivision 2; supplemental revenue under section 126C.10, subdivisions 9 and 12; transition revenue under section 126C.10, subdivision 20; referendum revenue under section 126C.17; and equity revenue under section 126C.10, subdivisions 24a and 24b; ~~and~~

(2) for fiscal year 2003 ~~and later~~ through 2013, the sum of basic revenue under section 126C.10, subdivision 2; referendum revenue under section 126C.17; and equity revenue under section 126C.10, subdivisions 24a and 24b; and

(3) for fiscal year 2014 and later, the sum of basic revenue under section 126C.10, subdivision 2, and referendum revenue under section 126C.17.

**EFFECTIVE DATE.** This section is effective for fiscal year 2014 and later.

Sec. 41. **PHASE-IN.**

Subdivision 1. **Baseline revenue.** A school district's baseline revenue equals the revenue amounts for the aid appropriations calculated under Minnesota Statutes, section 126C.20, calculated using the current year's data and the revenue formulas in place in Minnesota Statutes 2008.

Subd. 2. **New revenue.** A school district's new revenue equals the revenue amounts for the aid appropriations calculated under Minnesota Statutes, section 126C.20, calculated using the current year's data and the revenue formulas in place under this act.

Subd. 3. **Phase-in schedule.** A school district's revenue amounts for the revenue formulas listed in subdivisions 1 and 2 equals the district's baseline revenue plus the percent of the difference specified in subdivision 6 multiplied by the number of years of the phase in specified in subdivision 7.

Subd. 4. **Aid.** A school district's aid entitlement for the formulas listed under this act equals the district's baseline aid plus the phase-in percentage times the new aid amounts calculated under this act.

Subd. 5. **Levy.** A school district levy for the formulas listed in this act equals the levy for the same formulas calculated under Minnesota Statutes 2008, and the phase-in percentage times the new revenue amounts for the levy calculated under this act.

Subd. 6. **Percentage.** The phase-in percentage equals 25 percent.

Subd. 7. **Years of phase-in.** The new revenue under this section is phased in over four years.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 42. **REVISOR'S INSTRUCTION.**

In the year 2014 and subsequent editions of Minnesota Statutes, the revisor of statutes shall change all references to "adjusted marginal cost pupil units" to "adjusted pupil units" and all references to "resident marginal cost pupil units" to "resident pupil units."

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 43. **REPEALER.**

Minnesota Statutes 2008, sections 123B.54; 123B.57, subdivisions 3, 4, and 5; 123B.591; 125A.76, subdivision 4; 125A.79, subdivision 6; 126C.10, subdivisions 2b, 13a, 13b, 24, 25, 26, 27, 28, 29, 30, 31, 31a, 31b, 32, 33, 34, 35, and 36; 126C.12; 126C.126; and 127A.50, are repealed.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014.

## ARTICLE 9

### FORECAST ADJUSTMENTS

Section 1. Minnesota Statutes 2009 Supplement, section 123B.54, is amended to read:

#### **123B.54 DEBT SERVICE APPROPRIATION.**

(a) ~~\$9,109,000 in fiscal year 2009, \$7,948,000~~ \$6,608,000 in fiscal year 2010, ~~\$9,275,000~~ \$8,465,000 in fiscal year 2011, ~~\$9,574,000~~ \$16,900,000 in fiscal year 2012, and ~~\$8,904,000~~ \$19,175,000 in fiscal year 2013 and later are appropriated from the general fund to the commissioner of education for payment of debt service equalization aid under section 123B.53.

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

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

Sec. 2. Laws 2009, chapter 96, article 4, section 12, subdivision 3, is amended to read:

Subd. 3. **Debt service equalization.** For debt service aid according to Minnesota Statutes, section 123B.53, subdivision 6:

\$ <del>7,948,000</del> <u>6,608,000</u>	.....	2010
\$ <del>9,275,000</del> <u>8,465,000</u>	.....	2011

The 2010 appropriation includes \$851,000 for 2009 and ~~\$7,097,000~~ \$5,757,000 for 2010.

The 2011 appropriation includes ~~\$788,000~~ \$2,128,000 for 2010 and ~~\$8,487,000~~ \$6,337,000 for 2011.

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

Sec. 3. Laws 2009, chapter 96, article 5, section 13, subdivision 4, is amended to read:

Subd. 4. **Kindergarten milk.** For kindergarten milk aid under Minnesota Statutes, section 124D.118:

\$ <del>1,098,000</del> <u>1,104,000</u>	.....	2010
\$ <del>1,120,000</del> <u>1,126,000</u>	.....	2011

## ARTICLE 10

### EARLY CHILDHOOD EDUCATION, PREVENTION, SELF-SUFFICIENCY, AND LIFELONG LEARNING

Section 1. Minnesota Statutes 2008, section 121A.16, is amended to read:

#### **121A.16 EARLY CHILDHOOD HEALTH AND DEVELOPMENT SCREENING; PURPOSE.**

The legislature finds that early detection of children's health and developmental problems can reduce their later need for costly care, minimize their physical and educational disabilities, and aid in their rehabilitation. The purpose of sections 121A.16 to 121A.19 is to assist parents and communities in improving the health of Minnesota children and in planning educational and health programs. Charter schools that elect to provide a screening program must comply with the requirements of sections 121A.16 to 121A.19.

Sec. 2. Minnesota Statutes 2008, section 121A.17, subdivision 5, is amended to read:

Subd. 5. **Developmental screening program information.** The board must inform each resident family with a child eligible to participate in the developmental screening program, and a charter school that provides screening must inform families that apply for admission to the charter school, about the availability of the program and the state's requirement that a child receive a developmental screening or provide health records indicating that the child received a comparable developmental screening from a public or private health care organization or individual health care provider not later than 30 days after the first day of attending kindergarten in a public school. A school district must inform all resident families with eligible children under age seven, and a charter school that provides screening must inform families that apply for admission to the charter school, that their children may receive a developmental screening conducted either by the school district or by a public or private health care organization or individual health care provider and that the screening is not required if a statement signed by the child's parent or guardian is submitted to the administrator or other person having general control and supervision of the school that the child has not been screened.

Sec. 3. Minnesota Statutes 2009 Supplement, section 124D.10, subdivision 8, is amended to read:

Subd. 8. **Federal, state, and local requirements.** (a) A charter school shall meet all federal, state, and local health and safety requirements applicable to school districts.

(b) A school must comply with statewide accountability requirements governing standards and assessments in chapter 120B.

(c) A school sponsored by a school board may be located in any district, unless the school board of the district of the proposed location disapproves by written resolution.

(d) A charter school must be nonsectarian in its programs, admission policies, employment practices, and all other operations. A sponsor may not authorize a charter school or program that is affiliated with a nonpublic sectarian school or a religious institution. A charter school student must be released for religious instruction, consistent with section 120A.22, subdivision 12, clause (3).

(e) Charter schools must not be used as a method of providing education or generating revenue for students who are being home-schooled.

(f) The primary focus of a charter school must be to provide a comprehensive program of instruction for at least one grade or age group from five through 18 years of age. Instruction may be provided to people younger than five years and older than 18 years of age.

(g) A charter school may not charge tuition.

(h) A charter school is subject to and must comply with chapter 363A and section 121A.04.

(i) A charter school is subject to and must comply with the Pupil Fair Dismissal Act, sections 121A.40 to 121A.56, and the Minnesota Public School Fee Law, sections 123B.34 to 123B.39.

(j) A charter school is subject to the same financial audits, audit procedures, and audit requirements as a district. Audits must be conducted in compliance with generally accepted governmental auditing standards, the Federal Single Audit Act, if applicable, and section 6.65. A charter school is subject to and must comply with sections 15.054; 118A.01; 118A.02; 118A.03; 118A.04; 118A.05; 118A.06; 471.38; 471.391; 471.392; and 471.425. The audit must comply with the requirements of sections 123B.75 to 123B.83, except to the extent deviations are necessary because of the program at the school. Deviations must be approved by the commissioner and authorizer. The Department of Education, state auditor, legislative auditor, or authorizer may conduct financial, program, or compliance audits. A charter school determined to be in statutory operating debt under sections 123B.81 to 123B.83 must submit a plan under section 123B.81, subdivision 4.

(k) A charter school is a district for the purposes of tort liability under chapter 466.

(l) A charter school must comply with chapters 13 and 13D; and sections 120A.22, subdivision 7; 121A.75; and 260B.171, subdivisions 3 and 5.

(m) A charter school is subject to the Pledge of Allegiance requirement under section 121A.11, subdivision 3.

(n) A charter school offering online courses or programs must comply with section 124D.095.

(o) A charter school and charter school board of directors are subject to chapter 181.

(p) A charter school must comply with section 120A.22, subdivision 7, governing the transfer of students' educational records and sections 138.163 and 138.17 governing the management of local records.

(q) A charter school that provides early childhood health and developmental screening must comply with sections 121A.16 to 121A.19.

Sec. 4. Minnesota Statutes 2008, section 124D.141, subdivision 1, is amended to read:

Subdivision 1. **Membership; duties.** Two members of the house of representatives, one appointed by the speaker and one appointed by the minority leader; and two members of the senate appointed by the Subcommittee on Committees of the Committee on Rules and Administration, including one member of the minority; the commissioner of health or the commissioner's designee; and two parents with a child under age six, shall be added to the membership of the State Advisory Council on Early Education and Care. The council must fulfill the duties required under the federal Improving Head Start for School Readiness Act of 2007 as provided in Public Law 110-134.

Sec. 5. Minnesota Statutes 2008, section 124D.141, subdivision 2, is amended to read:

Subd. 2. **Additional duties.** The following duties are added to those assigned to the council under federal law:

(1) make recommendations on the most efficient and effective way to leverage state and federal funding streams for early childhood and child care programs;

(2) make recommendations on how to coordinate or colocate early childhood and child care programs in one state Office of Early Learning; The council shall establish a task force to develop these recommendations. The task force shall include two nonexecutive branch or nonlegislative branch representatives from the council; six representatives from the early childhood caucus; two representatives each from the Departments of Education, Human Services, and Health; one representative each from a local public health agency, a local county human services agency, and a school district; and two representatives from the private nonprofit organizations that support early childhood programs in Minnesota. In developing recommendations in coordination with existing efforts of the council, the task force shall consider how to:

(i) consolidate and coordinate resources and public funding streams for early childhood education and child care, and ensure the accountability and coordinated development of all early childhood education and child care services to children from birth to kindergarten entrance;

(ii) create a seamless transition from early childhood programs to kindergarten;

(iii) encourage family choice by ensuring a mixed system of high-quality public and private programs, with local points of entry, staffed by well-qualified professionals;

(iv) ensure parents a decisive role in the planning, operation, and evaluation of programs that aid families in the care of children;

(v) provide consumer education and accessibility to early childhood education and child care resources;

(vi) advance the quality of early childhood education and child care programs in order to support the healthy development of children and preparation for their success in school;

(vii) develop a seamless service delivery system with local points of entry for early childhood education and child care programs administered by local, state, and federal agencies;

(viii) ensure effective collaboration between state and local child welfare programs and early childhood mental health programs and the Office of Early Learning;

(ix) develop and manage an effective data collection system to support the necessary functions of a coordinated system of early childhood education and child care in order to enable accurate evaluation of its impact;

(x) respect and be sensitive to family values and cultural heritage; and

(xi) establish the administrative framework for and promote the development of early childhood education and child care services in order to provide that these services, staffed by well-qualified professionals, are available in every community for all families that express a need for them.

In addition, the task force must consider the following responsibilities for transfer to the Office of Early Learning:

(A) responsibilities of the commissioner of education for early childhood education programs and financing under sections 119A.50 to 119A.535, 121A.16 to 121A.19, and 124D.129 to 124D.2211;

(B) responsibilities of the commissioner of human services for child care assistance, child care development, and early childhood learning and child protection facilities programs and financing under chapter 119B and section 256E.37; and

(C) responsibilities of the commissioner of health for family home visiting programs and financing under section 145A.17.

Any costs incurred by the council in making these recommendations will be paid from private funds. If no private funds are received, the council will not proceed in making these recommendations. The council will report its recommendations to the governor and the legislature by January 15, 2011;

(3) review program evaluations regarding high-quality early childhood programs; ~~and~~

(4) make recommendations to the governor and legislature, including proposed legislation on how to most effectively create a high-quality early childhood system in Minnesota in order to improve the educational outcomes of children so that all children are school-ready by 2020;

(5) make recommendations to the governor and the legislature by March 1, 2011, on the creation and implementation of a statewide school readiness report card to monitor progress toward the goal of having all children ready for kindergarten by the year 2020. The recommendations shall include what should be measured including both children and system indicators, what benchmarks should be established to measure state progress toward the goal, and how frequently the report card should be published. In making their recommendations, the council shall consider the indicators and strategies for Minnesota's early childhood system report, the Minnesota school readiness study, developmental assessment at kindergarten entrance, and the work of the council's accountability committee. Any costs incurred by the council in making these recommendations will be paid from private funds. If no private funds are received, the council will not proceed in making these recommendations; and

(6) make recommendations to the governor and the legislature on how to screen earlier and comprehensively assess children for school readiness in order to provide increased early interventions and increase the number of children ready for kindergarten. In formulating their recommendations, the council shall consider:

(i) ways to interface with parents of children who are not participating in early childhood education or care programs;

(ii) ways to interface with family child care providers, child care centers, and school-based early childhood and Head Start programs;

(iii) if there are age-appropriate and culturally sensitive screening and assessment tools for three-, four-, and five-year-olds;

(iv) the role of the medical community in screening;

(v) incentives for parents to have children screened at an earlier age;

(vi) incentives for early education and care providers to comprehensively assess children in order to improve instructional practice;

(vii) how to phase in increases in screening and assessment over time;

(viii) how the screening and assessment data will be collected and used and who will have access to the data;

(ix) how to monitor progress toward the goal of having 50 percent of three-year-old children screened and 50 percent of five-year-old children assessed for school readiness by 2015 and 100 percent of three-year-old children screened and five-year-old children assessed for school readiness by 2020; and

(x) costs to meet these benchmarks.

The council shall consider the screening instruments and comprehensive assessment tools used in Minnesota early childhood education and care programs and kindergarten. The council may survey early childhood education and care programs in the state to determine the screening and assessment tools being used or rely on previously collected survey data, if available. For purposes of this subdivision, "school readiness" is defined as the child's skills, knowledge, and behaviors at kindergarten entrance in these areas of child development: social; self-regulation; cognitive, including language, literacy, and mathematical thinking; and physical. For purposes of this subdivision, "screening" is defined as the activities used to identify a child who may need further evaluation to determine delay in development or disability. For purposes of this subdivision, "assessment" is defined as the activities used to determine a child's level of performance in order to promote the child's learning and development. Any costs incurred by the council in making these recommendations will be paid from private funds. If no private funds are received, the council will not proceed in making these recommendations. The council will report its recommendations to the governor and legislature by January 15, 2012, with an interim report on February 15, 2011.

Sec. 6. Minnesota Statutes 2009 Supplement, section 124D.15, subdivision 3, is amended to read:

Subd. 3. **Program requirements.** A school readiness program provider must:

(1) assess each child's cognitive skills with a comprehensive child assessment instrument when the child enters and again before the child leaves the program to inform program planning and parents and promote kindergarten readiness;

(2) provide comprehensive program content and intentional instructional practice aligned with the state early childhood learning guidelines and kindergarten standards and based on early childhood research and professional practice that is focused on children's cognitive, social, emotional, and physical skills and development and prepares children for the transition to kindergarten, including early literacy skills;

(3) coordinate appropriate kindergarten transition with parents and kindergarten teachers;



- ~~(4) arrange for early childhood screening and appropriate referral;~~
- ~~(5) (4) involve parents in program planning and decision making;~~
- ~~(6) (5) coordinate with relevant community-based services;~~
- ~~(7) (6) cooperate with adult basic education programs and other adult literacy programs;~~
- ~~(8) (7) ensure staff-child ratios of one-to-ten and maximum group size of 20 children with the first staff required to be a teacher; and~~
- ~~(9) (8) have teachers knowledgeable in early childhood curriculum content, assessment, and instruction.~~

Sec. 7. Minnesota Statutes 2008, section 124D.15, subdivision 12, is amended to read:

Subd. 12. **Program fees.** A district must adopt a sliding fee schedule based on a family's income but must waive a fee for a participant unable to pay. School districts must use school readiness aid for eligible children. Children who do not meet the eligibility requirements in subdivision 15 may participate on a fee-for-service basis.

Sec. 8. Minnesota Statutes 2008, section 124D.15, is amended by adding a subdivision to read:

Subd. 15. **Eligibility.** A child is eligible to participate in a school readiness program if the child:

- (1) is at least three years old on September 1;
- (2) has completed health and developmental screening within 90 days of program enrollment under sections 121A.16 to 121A.19; and
- (3) has one or more of the following risk factors:
  - (i) qualifies for free or reduced-price lunch;
  - (ii) is an English language learning child;
  - (iii) is homeless;
  - (iv) has an individualized education program (IEP) or an individual interagency intervention plan (IIP);
  - (v) is identified, through health and developmental screenings under sections 121A.16 to 121A.19, with a potential risk factor that may influence learning; or
  - (vi) is defined as at risk by the school district.

Sec. 9. Minnesota Statutes 2008, section 124D.20, subdivision 8, is amended to read:

Subd. 8. **Uses of general revenue.** (a) General community education revenue may be used for:

- (1) nonvocational, recreational, and leisure time activities and programs;
- (2) programs for adults with disabilities, if the programs and budgets are approved by the department;

- (3) adult basic education programs, according to section 124D.52;
- (4) summer programs for elementary and secondary pupils;
- (5) implementation of a youth development plan;
- (6) implementation of a youth service program;
- (7) early childhood family education programs, according to section 124D.13; ~~and~~
- (8) school readiness programs, according to section 124D.15; and
- (9) extended day programs, according to section 124D.19, subdivision 11.

~~(9)~~ (b) In addition to money from other sources, a district may use up to ten percent of its community education revenue for equipment that is used exclusively in community education programs. This revenue may be used only for the following purposes:

- ~~(i)~~ (1) to purchase or lease computers and related materials;
- ~~(ii)~~ (2) to purchase or lease equipment for instructional programs; and
- ~~(iii)~~ (3) to purchase textbooks and library books.

~~(b)~~ (c) General community education revenue must not be used to subsidize the direct activity costs for adult enrichment programs. Direct activity costs include, but are not limited to, the cost of the activity leader or instructor, cost of materials, or transportation costs."

Delete the title and insert:

"A bill for an act relating to education; providing for policy and funding for early childhood through grade 12 education including general education, education excellence, special programs, facilities and technology, accounting, state agencies, pupil transportation, education finance reform, forecast adjustments, early childhood education, prevention, self-sufficiency, and lifelong learning; authorizing rulemaking; requiring reports; appropriating money; amending Minnesota Statutes 2008, sections 3.303, by adding a subdivision; 11A.16, subdivision 5; 16A.125, subdivision 5; 120A.41; 120B.021, subdivision 1; 120B.07; 120B.15; 121A.16; 121A.17, subdivision 5; 122A.16; 122A.18, subdivisions 1, 2; 122A.23, subdivision 2; 123B.12; 123B.147, subdivision 3; 123B.53, subdivision 5; 123B.57, as amended; 123B.63, subdivision 3; 123B.75, subdivision 5, by adding a subdivision; 123B.88, subdivision 13; 123B.90, subdivision 3; 123B.92, subdivision 5; 124D.09, subdivision 20; 124D.141, subdivisions 1, 2; 124D.15, subdivision 12, by adding a subdivision; 124D.20, subdivision 8; 124D.4531, as amended; 124D.59, subdivision 2; 124D.65, subdivision 5; 125A.03; 125A.21, subdivisions 2, 3, 5, 7; 125A.515, by adding a subdivision; 125A.69, subdivision 1; 125A.76, subdivision 5; 125A.79, subdivisions 1, 7; 126C.01, by adding subdivisions; 126C.05, subdivisions 1, 3, 5, 6, 8, 16, 17; 126C.10, subdivisions 1, 2, 2a, 3, 4, 6, 13, 13a, 14, 18, by adding subdivisions; 126C.126; 126C.13, subdivisions 4, 5; 126C.17, subdivisions 1, 5, 6, by adding a subdivision; 126C.20; 126C.40, subdivision 1; 126C.54; 127A.30, subdivision 2; 127A.42, subdivision 2; 127A.43; 127A.441; 127A.45, subdivisions 2, 3, 13, by adding subdivisions; 127A.51; 169.447, subdivision 2a; 169.4503, by adding a subdivision; 171.321, subdivision 2; Minnesota Statutes 2009 Supplement, sections 16A.152, subdivision 2, as amended; 120B.023, subdivision 2; 120B.30, subdivisions 1, 1a, 3, 4, by adding a subdivision; 120B.35, subdivision 3; 120B.36, subdivision 1; 122A.09, subdivision 4; 122A.40, subdivision 8; 122A.41, subdivision 5; 123B.143, subdivision 1; 123B.54; 123B.92, subdivision 1; 124D.10, subdivisions 3, 4, 4a, 6a, 8, 11, 23; 124D.15, subdivision 3; 125A.02, subdivision 1; 125A.091, subdivision 7; 125A.63, subdivisions 2, 4, 5; 126C.41,

subdivision 2; 126C.44; 171.02, subdivision 2b; 256B.0625, subdivision 26; Laws 2009, chapter 79, article 5, section 60; Laws 2009, chapter 96, article 2, sections 64; 67, subdivisions 14, 17; article 4, section 12, subdivision 3; article 5, section 13, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 120B; 121A; 122A; 123A; 123B; 124D; 125A; 126C; repealing Minnesota Statutes 2008, sections 122A.24; 123B.54; 123B.57, subdivisions 3, 4, 5; 123B.591; 125A.54; 125A.76, subdivision 4; 125A.79, subdivision 6; 126C.10, subdivisions 2b, 13a, 13b, 24, 25, 26, 27, 28, 29, 30, 31, 31a, 31b, 32, 33, 34, 35, 36; 126C.12; 126C.126; 127A.46; 127A.50."

With the recommendation that when so amended the bill pass and be re-referred to the Committee on Taxes.

The report was adopted.

Solberg from the Committee on Ways and Means to which was referred:

H. F. No. 3281, A bill for an act relating to retirement; various retirement plans; increasing certain contribution rates; suspending certain post-retirement adjustments; reducing certain postretirement adjustment increase rates; reducing interest rates on refunds; reducing deferred annuity augmentation rates; eliminating interest on reemployed annuitant earnings limitation deferred accounts; increasing certain vesting requirements; increasing certain early retirement reduction rates; reducing certain benefit accrual rates; extending certain amortization periods; making changes of an administrative nature for retirement plans administered by the Minnesota State Retirement Association; revising insurance withholding for certain retired public employees; authorizing state patrol plan service credit for leave procedures; addressing plan coverage errors and omitted contributions; revising unlawful discharge annuity repayment requirements; requiring employment unit accommodation of daily valuation of investment accounts; eliminating administrative fee maximum for the unclassified state employees retirement program; making changes of an administrative nature in the general employees retirement plan of the Public Employees Retirement Association, the public employees police and fire retirement plan, and the defined contribution retirement plan; making various administrative modifications in the voluntary statewide lump-sum volunteer firefighter retirement plan of the Public Employees Retirement Association; revising purchase of salary credit procedures in certain partial salary situations; adding new partial salary credit purchase authority for partial paid medical leaves and budgetary leaves; redefining TRA allowable service credit; defining annual base salary; requiring base salary reporting by TRA-covered employing units; making changes of an administrative nature in the Minnesota State Colleges and Universities System individual retirement account plan; setting deadline dates for actuarial reporting; extending and revising an early retirement incentive program; permitting the court-ordered revocation of an optional annuity election in certain marriage dissolutions; transfer of the administrative functions of the Minneapolis Employees Retirement Fund to the Public Employees Retirement Association; creation of MERF consolidation account within the Public Employees Retirement Association; making various technical corrections relating to volunteer fire relief associations; revising break-in-service return to firefighting authorizations; authorizing Minnesota deferred compensation plan service pension transfers; revising payout defaults in survivor benefits; authorizing corrections of certain special fund deposits; requiring a retirement fund investment authority study; authorizing certain bylaw amendments; making technical changes; appropriating money; amending Minnesota Statutes 2008, sections 3A.02, subdivision 4; 3A.07; 11A.04; 11A.23, subdivision 4; 13D.01, subdivision 1; 43A.17, subdivision 9; 43A.316, subdivision 8; 69.021, subdivision 10; 69.051, subdivision 3; 126C.41, subdivision 3; 256D.21; 352.01, subdivision 2a; 352.03, subdivision 4; 352.04, subdivision 9; 352.113, subdivision 1; 352.115, subdivisions 1, 10; 352.12, subdivision 2; 352.22, subdivisions 2, 3; 352.72, subdivisions 1, 2; 352.91, by adding a subdivision; 352.93, subdivisions 1, 2a, 3a; 352.931, subdivision 1; 352.965, subdivisions 1, 2, 6; 352B.02, as amended; 352B.08, subdivisions 1, 2a; 352B.11, subdivision 2b; 352B.30, subdivisions 1, 2; 352D.015, subdivisions 4, 9, by adding a subdivision; 352D.02, subdivisions 1, 1c, 2, 3; 352D.03; 352D.04, subdivisions 1, 2; 352D.05, subdivisions 3, 4; 352D.06, subdivision 3; 352D.065, subdivision 3; 352D.09, subdivisions 3, 7; 352F.07; 353.01, subdivisions 2b, 2d, by adding subdivisions; 353.0161, subdivision 2; 353.03, subdivision 1; 353.05;

353.27, as amended; 353.29, subdivision 1; 353.30, subdivision 1c; 353.32, subdivisions 1, 1a; 353.34, subdivisions 1, 2, 3, 6; 353.37, subdivisions 1, 2, 3, 3a, 4, 5; 353.46, subdivisions 2, 6; 353.64, subdivision 7; 353.651, subdivisions 1, 4; 353.657, subdivisions 1, 2a; 353.71, subdivisions 1, 2, 4; 353.86, subdivisions 1, 2; 353.87, subdivisions 1, 2; 353.88; 353D.01, subdivision 2; 353D.03, subdivision 1; 353D.04, subdivisions 1, 2; 353E.04, subdivisions 1, 4; 353E.07, subdivisions 1, 2; 353F.025, subdivisions 1, 2; 353F.03; 354.05, by adding a subdivision; 354.07, subdivision 5; 354.091; 354.42, subdivisions 3, 7, by adding subdivisions; 354.52, subdivision 6, by adding a subdivision; 354.66, subdivision 3; 354.71; 354A.011, subdivision 27; 354A.12, subdivisions 1, 3c, by adding a subdivision; 354A.27, subdivisions 5, 6, by adding a subdivision; 354A.31, subdivision 1; 354A.35, subdivision 1; 354A.37, subdivisions 2, 3, 4; 354A.39; 354B.25, subdivisions 1, 3; 354C.14; 355.095, subdivision 1; 356.214, subdivision 1; 356.215, subdivisions 3, 8; 356.216; 356.24, subdivision 1; 356.30, subdivisions 1, 3; 356.302, subdivisions 1, 3, 4, 5, 7; 356.303, subdivisions 2, 4; 356.315, subdivision 5; 356.351, subdivision 1; 356.407, subdivision 2; 356.431, subdivision 1; 356.465, subdivision 3; 356.47, subdivision 3; 356.50, subdivision 4; 356.64; 356.65, subdivision 2; 356.91; 356.96, subdivisions 2, 3, 7, 8; 356A.06, subdivision 8; 422A.101, subdivision 3; 422A.26; 473.511, subdivision 3; 473.606, subdivision 5; 475.52, subdivision 6; 490.123, by adding a subdivision; 518.58, subdivisions 3, 4; Minnesota Statutes 2009 Supplement, sections 6.67; 69.011, subdivision 1; 69.031, subdivision 5; 69.772, subdivision 6; 69.773, subdivision 6; 352.01, subdivision 2b; 352.75, subdivision 4; 352.95, subdivision 2; 352B.011, subdivision 3; 353.01, subdivisions 2, 2a, 16; 353.06; 353.27, subdivisions 2, 3, 7; 353.33, subdivision 1; 353.371, subdivision 4; 353.65, subdivisions 2, 3; 353F.02, subdivision 4; 353G.05, subdivision 2; 353G.06, subdivision 1; 353G.08; 353G.09, subdivision 3; 353G.11, subdivision 1, by adding a subdivision; 354.42, subdivision 2; 354.47, subdivision 1; 354.49, subdivision 2; 354.52, subdivision 4b; 354.55, subdivision 11; 354A.12, subdivision 2a; 356.20, subdivision 2; 356.215, subdivision 11; 356.32, subdivision 2; 356.351, subdivision 2; 356.401, subdivision 3; 356.415, subdivisions 1, 2, by adding subdivisions; 356.96, subdivisions 1, 5; 423A.02, subdivision 3; 424A.01, subdivisions 1, 6; 424A.015, by adding a subdivision; 424A.016, subdivisions 4, 7; 424A.02, subdivisions 9, 10; 424A.05, subdivision 3, by adding a subdivision; 424A.08; 480.181, subdivision 2; Laws 2006, chapter 271, article 3, section 43, as amended; Laws 2009, chapter 169, article 4, section 49; article 5, section 2; article 7, section 4; proposing coding for new law in Minnesota Statutes, chapters 352B; 353; 353G; 356; repealing Minnesota Statutes 2008, sections 13.63, subdivision 1; 69.011, subdivision 2a; 352.91, subdivision 5; 353.01, subdivision 40; 353.46, subdivision 1a; 353.88; 353D.03, subdivision 2; 353D.12; 354A.27, subdivision 1; 354C.15; 356.43; 422A.01, subdivisions 1, 2, 3, 4, 4a, 5, 6, 7, 8, 9, 10, 11, 12, 13a, 17, 18; 422A.02; 422A.03; 422A.04; 422A.05, subdivisions 1, 2a, 2b, 2c, 2d, 2e, 2f, 5, 6, 8; 422A.06, subdivisions 1, 2, 3, 5, 6, 7; 422A.08, subdivision 1; 422A.09; 422A.10; 422A.101, subdivisions 1, 1a, 2, 2a; 422A.11; 422A.12; 422A.13; 422A.14, subdivision 1; 422A.15; 422A.151; 422A.155; 422A.156; 422A.16, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10; 422A.17; 422A.18, subdivisions 1, 2, 3, 4, 5, 7; 422A.19; 422A.20; 422A.21; 422A.22, subdivisions 1, 3, 4, 6; 422A.23, subdivisions 1, 2, 5, 6, 7, 8, 9, 10, 11, 12; 422A.231; 422A.24; 422A.25; Minnesota Statutes 2009 Supplement, sections 422A.06, subdivision 8; 422A.08, subdivision 5; 424A.001, subdivision 6; Laws 2009, chapter 169, article 10, section 32.

Reported the same back with the following amendments:

Page 172, line 4, after "\$27,000,000" insert "but the total supplemental contribution amount plus the contributions under paragraphs (c) and (d) may not exceed \$34,000,000"

Page 236, after line 23, insert:

"Section 1. **[352.016] UNIVERSITY OF MINNESOTA EMPLOYEES; FURLOUGH SERVICE AND SALARY CREDIT.**

A furloughed employee of the University of Minnesota who is a member of the general state employees retirement plan of the Minnesota State Retirement System may obtain allowable service credit and salary credit for the furlough period. The allowable service and salary credit authorization under this section is a leave of absence authorization for purposes of section 352.017 and the purchase payment procedure of section 352.017, subdivision 2, applies.

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

Sec. 2. **[353.012] UNIVERSITY OF MINNESOTA EMPLOYEES; FURLOUGH SERVICE AND SALARY CREDIT.**

A furloughed employee of the University of Minnesota who is a member of the public employees police and fire plan may obtain allowable service and salary credit for the furlough period. The allowable service and salary credit authorization is a leave of absence authorization for purposes of section 353.0161 and the purchase payment procedure of section 353.0161, subdivision 2, applies.

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

Renumber the sections in sequence and correct the internal references

Correct the title numbers accordingly

With the recommendation that when so amended the bill pass.

The report was adopted.

Lenczewski from the Committee on Taxes to which was referred:

H. F. No. 3729, A bill for an act relating to the financing of state and local government; making technical, policy, administrative, enforcement, and clarifying changes to individual income, corporate franchise, estate, sales and use, lodging, gross receipts, cigarette, tobacco, insurance, property, credits, payments, minerals, petroleum, local taxes, local government aid, job opportunity building zones, emergency debt certificates, and various taxes and tax-related provisions; clarifying nexus standards for sales and income taxes; specifying duties of assessors; tax increment financing; tax-forfeited lands; increasing watershed district borrowing authority; amending Minnesota Statutes 2008, sections 60A.209, subdivision 1; 82B.035, subdivision 2; 103D.335, subdivision 17; 270.41, subdivision 5; 270C.34, subdivision 1; 270C.52, subdivision 2; 270C.87; 270C.94, subdivision 3; 272.02, subdivision 42; 272.025, subdivisions 1, 3; 272.029, subdivisions 4, 7; 273.061, subdivisions 7, 8; 273.113, subdivision 3; 273.1392; 275.71, subdivision 5; 279.01, subdivision 3; 279.37, subdivision 1; 282.01, subdivisions 1, 1a, 1b, 1c, 1d, 2, 3, 4, 7, 7a, by adding subdivisions; 289A.08, subdivision 7; 289A.09, subdivision 2; 289A.10, subdivision 1; 289A.12, subdivision 14; 289A.30, subdivision 2; 289A.50, subdivisions 2, 4; 289A.60, subdivision 7; 290.014, subdivision 2; 290.067, subdivision 1; 290.0921, subdivision 3; 290.17, subdivision 2; 295.55, subdivisions 2, 3; 297A.61, subdivisions 3, 7, by adding subdivisions; 297A.62, as amended; 297A.66, by adding a subdivision; 297A.665; 297A.68, subdivision 39, by adding a subdivision; 297A.70, subdivision 13; 297A.995, subdivisions 10, 11; 297F.01, subdivision 22a; 297F.04, by adding a subdivision; 297F.07, subdivision 4; 297F.25, subdivision 1; 297I.01, subdivision 9; 297I.05, subdivision 7; 297I.30, subdivisions 1, 2, 7, 8; 297I.40, subdivisions 1, 5; 297I.65, by adding a subdivision; 298.282, subdivision 1; 469.319, subdivision 5; 469.3193; Minnesota Statutes 2009 Supplement, sections 134.34, subdivision 4; 273.111, subdivision 9; 273.114, subdivision 2; 273.124, subdivision 3a; 273.13, subdivision 25; 275.065, subdivision 3; 275.70, subdivision 5; 289A.18, subdivision 1; 290.01, subdivisions 19a, 19b, 19d; 290.06, subdivision 2c; 290.0671, subdivision 1; 290.091, subdivision 2; 291.005, subdivision 1; 297I.35, subdivision 2; 469.174, subdivision 22; 475.755; 477A.013, subdivision 8; Laws 2001, First Special Session chapter 5, article 3, section 50, as amended; Laws 2009, chapter 88, article 4, section 5; proposing coding for new law in Minnesota Statutes, chapters 270C; 296A; 645; repealing Minnesota Statutes 2008, sections 282.01, subdivisions 9, 10, 11; 297I.30, subdivisions 4, 5, 6; 383A.76; Laws 2009, chapter 88, article 12, section 21.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1

PROPERTY TAXES

Section 1. Minnesota Statutes 2008, section 82B.035, subdivision 2, is amended to read:

Subd. 2. **Assessors.** Nothing in this chapter shall be construed as requiring the licensing of persons employed and acting in their capacity as assessors for political subdivisions of the state and performing duties enumerated in section 273.061, subdivision 7 or 8.

**EFFECTIVE DATE.** This section is effective the day following final enactment for testimony offered and opinions or reports prepared in cases or proceedings that have not been finally resolved.

Sec. 2. Minnesota Statutes 2008, section 270.075, subdivision 1, is amended to read:

Subdivision 1. **Rate of tax.** The commissioner shall determine the rate of tax to be levied and collected against the net tax capacity as determined pursuant to section 270.074, subdivision ~~2~~ 3, to generate revenues sufficient to fund the airflight property tax portion of each year's state airport fund appropriation, as certified to the commissioner by the commissioner of transportation. The certification shall be presented to the commissioner prior to December 31 of each year. The property tax portion of the state airport fund appropriation is the difference between the total fund appropriation and the estimated total fund revenues from other sources for the state fiscal year in which the tax is payable and may include a portion of the balance in the state airports fund as determined to be available by the commissioner of transportation. ~~If a levy amount has not been certified by September 1 of a levy year, the commissioner shall use the last previous certified amount to determine the rate of tax.~~ The certification by the commissioner of transportation to the commissioner shall state the total fund appropriation and shall list individually the estimated fund revenues including the account carryover balance in the airport fund. The difference of these amounts shall be shown as the property tax portion of the state airport fund appropriation.

If a levy amount has not been certified by December 31 of a levy year, the commissioner shall use the last previous certified amount to determine the rate of tax, and shall notify the chairs and the ranking minority members of the committees of the house of representatives and senate having jurisdiction over the Department of Transportation that a certification was not made under this subdivision.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and thereafter.

Sec. 3. Minnesota Statutes 2008, section 270.075, subdivision 2, is amended to read:

Subd. 2. **Notice of taxes; payment.** As soon as practicable and not later than ~~December~~ March 1 next following the levy of the tax, the commissioner shall give actual notice to the airline company of the net tax capacity and of the tax. The taxes imposed under sections 270.071 to 270.079 shall become due and payable on ~~January~~ April 1 following the levy thereof. If any tax is not paid on the due date or, if an appeal is made pursuant to section 270.076, within 60 days after notice of an increased tax, a late payment penalty of five percent of the unpaid tax shall be assessed. If the tax remains unpaid for more than 30 days, an additional penalty of five percent of the unpaid tax is imposed for each additional 30 days or fraction of 30 days that the tax remains unpaid. The penalty imposed under this section must not exceed the lesser of \$25,000 or 25 percent of the unpaid tax. The unpaid tax and penalty shall bear interest at the rate specified in section 270C.40 from the time such tax should have been paid until paid. All interest and penalties shall be added to the tax and collected as a part thereof.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and thereafter.

Sec. 4. Minnesota Statutes 2008, section 270.41, subdivision 5, is amended to read:

Subd. 5. **Prohibited activity.** A licensed assessor or other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes is prohibited from making appraisals or analyses, accepting an appraisal assignment, or preparing an appraisal report as defined in section 82B.02, subdivisions 2 to 5, on any property within the assessment jurisdiction where the individual is employed or performing the duties of the assessor under contract. Violation of this prohibition shall result in immediate revocation of the individual's license to assess property for property tax purposes. This prohibition must not be construed to prohibit an individual from carrying out any duties required for the proper assessment of property for property tax purposes or performing duties enumerated in section 273.061, subdivision 7 or 8. If a formal resolution has been adopted by the governing body of a governmental unit, which specifies the purposes for which such work will be done, this prohibition does not apply to appraisal activities undertaken on behalf of and at the request of the governmental unit that has employed or contracted with the individual. The resolution may only allow appraisal activities which are related to condemnations, right-of-way acquisitions, or special assessments.

**EFFECTIVE DATE.** This section is effective the day following final enactment for testimony offered and opinions or reports prepared in cases or proceedings that have not been finally resolved.

Sec. 5. Minnesota Statutes 2008, section 272.0213, is amended to read:

**272.0213 LEASED SEASONAL-RECREATIONAL LAND.**

(a) A county board may elect, by resolution, to exempt from taxation, including the tax under section 273.19, qualified lands. "Qualified lands" for purposes of this section means property that:

(1) is owned by a county, city, town, or the state, ~~or the federal governments;~~

(2) is rented by the entity for noncommercial seasonal-recreational or noncommercial seasonal-recreational residential use; and

(3) was rented for the purposes specified in clause (2) and was exempt from taxation for property taxes payable in 2008.

(b) Lands owned by the federal government and rented for noncommercial seasonal-recreational or noncommercial seasonal-recreational residential use is exempt from taxation, including the tax under section 273.19.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2011.

Sec. 6. Minnesota Statutes 2008, section 273.061, subdivision 7, is amended to read:

Subd. 7. **Division of duties between local and county assessor.** The duty of the duly appointed local assessor shall be to view and appraise the value of all property as provided by law, but all the book work shall be done by the county assessor, or the assessor's assistants, and the value of all property subject to assessment and taxation shall be determined by the county assessor, except as otherwise hereinafter provided. If directed by the county assessor, the local assessor shall perform the duties enumerated in subdivision 8, paragraph (16).

Sec. 7. Minnesota Statutes 2008, section 273.061, subdivision 8, is amended to read:

Subd. 8. **Powers and duties.** The county assessor shall have the following powers and duties:

(1) To call upon and confer with the township and city assessors in the county, and advise and give them the necessary instructions and directions as to their duties under the laws of this state, to the end that a uniform assessment of all real property in the county will be attained.

(2) To assist and instruct the local assessors in the preparation and proper use of land maps and record cards, in the property classification of real and personal property, and in the determination of proper standards of value.

(3) To keep the local assessors in the county advised of all changes in assessment laws and all instructions which the assessor receives from the commissioner of revenue relating to their duties.

(4) To have authority to require the attendance of groups of local assessors at sectional meetings called by the assessor for the purpose of giving them further assistance and instruction as to their duties.

(5) To immediately commence the preparation of a large scale topographical land map of the county, in such form as may be prescribed by the commissioner of revenue, showing thereon the location of all railroads, highways and roads, bridges, rivers and lakes, swamp areas, wooded tracts, stony ridges and other features which might affect the value of the land. Appropriate symbols shall be used to indicate the best, the fair, and the poor land of the county. For use in connection with the topographical land map, the assessor shall prepare and keep available in the assessor's office tables showing fair average minimum and maximum market values per acre of cultivated, meadow, pasture, cutover, timber and waste lands of each township. The assessor shall keep the map and tables available in the office for the guidance of town assessors, boards of review, and the county board of equalization.

(6) To also prepare and keep available in the office for the guidance of town assessors, boards of review and the county board of equalization, a land valuation map of the county, in such form as may be prescribed by the commissioner of revenue. This map, which shall include the bordering tier of townships of each county adjoining, shall show the average market value per acre, both with and without improvements, as finally equalized in the last assessment of real estate, of all land in each town or unorganized township which lies outside the corporate limits of cities.

(7) To regularly examine all conveyances of land outside the corporate limits of cities of the first and second class, filed with the county recorder of the county, and keep a file, by descriptions, of the considerations shown thereon. From the information obtained by comparing the considerations shown with the market values assessed, the assessor shall make recommendations to the county board of equalization of necessary changes in individual assessments or aggregate valuations.

(8) To become familiar with the values of the different items of personal property so as to be in a position when called upon to advise the boards of review and the county board of equalization concerning property, market values thereof.

(9) While the county board of equalization is in session, to give it every possible assistance to enable it to perform its duties. The assessor shall furnish the board with all necessary charts, tables, comparisons, and data which it requires in its deliberations, and shall make whatever investigations the board may desire.

(10) At the request of either the board of county commissioners or the commissioner of revenue, to investigate applications for reductions of valuation and abatements and settlements of taxes, examine the real or personal property involved, and submit written reports and recommendations with respect to the applications, in such form as may be prescribed by the board of county commissioners and commissioner of revenue.

(11) To make diligent search each year for real and personal property which has been omitted from assessment in the county, and report all such omissions to the county auditor.



(12) To regularly confer with county assessors in all adjacent counties about the assessment of property in order to uniformly assess and equalize the value of similar properties and classes of property located in adjacent counties. The conference shall emphasize the assessment of agricultural and commercial and industrial property or other properties that may have an inadequate number of sales in a single county.

(13) To render such other services pertaining to the assessment of real and personal property in the county as are not inconsistent with the duties set forth in this section, and as may be required by the board of county commissioners or by the commissioner of revenue.

(14) To maintain a record, in conjunction with other county offices, of all transfers of property to assist in determining the proper classification of property, including but not limited to, transferring homestead property and name changes on homestead property.

(15) To determine if a homestead application is required due to the transfer of homestead property or an owner's name change on homestead property.

(16) To perform appraisals of property, review the original assessment and determine the accuracy of the original assessment, prepare an appraisal or appraisal report, and testify before any court or other body as an expert or otherwise on behalf of the assessor's jurisdiction with respect to properties in that jurisdiction.

**EFFECTIVE DATE.** This section is effective the day following final enactment for testimony offered and opinions or reports prepared in cases or proceedings that have not been finally resolved.

Sec. 8. Minnesota Statutes 2008, section 273.1231, subdivision 1, is amended to read:

Subdivision 1. **Applicability.** For purposes of sections 273.1231 to ~~273.1235~~ 273.1236, the following words, terms, and phrases have the meanings given them in this section unless the language or context clearly indicates that a different meaning is intended.

**EFFECTIVE DATE.** This section is effective for assessment year 2010 and thereafter.

Sec. 9. Minnesota Statutes 2008, section 273.1232, subdivision 1, is amended to read:

Subdivision 1. **Reassessments required.** For the purposes of sections 273.1231 to ~~273.1235~~ 273.1236, the county assessor must reassess all damaged property in a disaster or emergency area, except that the commissioner of revenue shall reassess all property for which an application is submitted to the commissioner under section 273.1233 or 273.1235. As soon as practical, the assessor or commissioner of revenue must report the reassessed value to the county auditor.

**EFFECTIVE DATE.** This section is effective for assessment year 2010 and thereafter.

Sec. 10. **[273.1236] DISASTER-DAMAGED HOMES; PARTIAL VALUATION EXCLUSION.**

(a) A homestead property that (1) sustained physical damage from a disaster or emergency resulting in a reassessed market value that is at least \$15,000 less than the market value of the property established for the January 2 assessment in the year in which the damage occurred, (2) has been substantially restored or rebuilt by the end of the year following the year in which the damage occurred, (3) has a gross living area after reconstruction that does not exceed 130 percent of the gross living area prior to the disaster or emergency, and (4) has an estimated market value for the assessment year following the year in which the restoration or reconstruction was substantially completed that exceeds its estimated market value established for the January 2 assessment in the year in which the damage occurred by at least \$25,000 due to the restoration or reconstruction, is eligible for a valuation exclusion under this section for the two assessment years immediately following the year in which the restoration or reconstruction was completed.

(b) The assessor shall determine the difference between the estimated market value established for the January 2 assessment in the year in which the damage occurred and the estimated market value established for the January 2 assessment in the year following the completion of the restoration or reconstruction.

(c) In the first assessment year following the restoration or reconstruction, all of the difference identified under paragraph (b) shall be excluded in determining taxable market value. In the second assessment year following the restoration or reconstruction, half of the difference identified under paragraph (b) shall be excluded in determining taxable market value.

(d) For the purposes of this section, "gross living area" includes only above-grade living area, and does not include any finished basement living area.

(e) Application for the valuation exclusion under this section must be filed by January 2 of the year following the year in which the restoration or reconstruction was substantially completed. The application must be filed with the assessor of the county in which the property is located on the form prescribed by the commissioner of revenue.

**EFFECTIVE DATE.** This section is effective for assessment year 2010 and thereafter. The application deadline in paragraph (e) is extended to June 30, 2010, for restoration or reconstruction substantially completed in 2009.

Sec. 11. Minnesota Statutes 2008, 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 held by a trustee under a trust is eligible for homestead classification if the 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, aunt, nephew, or niece. This relationship may be by blood or marriage. Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner 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 residential recreational 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). In the case of nonagricultural property, this paragraph only applies to applications approved before December 16, 2010.

(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, brother, sister, grandson, granddaughter, father, or mother of the owner of the agricultural property or a son, daughter, brother, sister, grandson, or granddaughter 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, boarding care facility, or an elderly assisted living facility property as defined in section 273.13, subdivision 25a, 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, boarding care facility, or an elderly assisted living facility property as defined in section 273.13, subdivision 25a, 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 co-owner, 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.

(i) If a single-family home, duplex, or triplex classified as either residential homestead or agricultural homestead is also used to provide licensed child care, the portion of the property used for licensed child care must be classified as a part of the homestead property.

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

Sec. 12. Minnesota Statutes 2009 Supplement, section 273.124, subdivision 3a, is amended to read:

Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or association is entitled to occupy a lot within the park, the corporation or association may claim homestead treatment for ~~each lot occupied by a shareholder~~ the park. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land ~~for each homestead~~.

(b) The manufactured home park shall be ~~valued and assessed as if it were homestead property within class 1~~ entitled to homestead treatment if all of the following criteria are met:

(1) ~~the occupant is using the property as a permanent residence;~~

(2) the occupant or the cooperative corporation or association is paying the ad valorem property taxes and any special assessments levied against the land and structure either directly, or indirectly through dues to the corporation or association; and

(3) ~~(2)~~ the corporation or association organized under chapter 308A or 308B is wholly owned by persons having a right to occupy a lot owned by the corporation or association.

(c) A charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, qualifies for homestead treatment with respect to ~~member residents of the~~ a manufactured home park ~~who if its members~~ hold residential participation warrants entitling them to occupy a lot in the manufactured home park.

(d) "Homestead treatment" under this subdivision means the class rate provided for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5), item (ii). The homestead market value credit under section 273.1384 does not apply and the property taxes assessed against the park shall not be included in the determination of taxes payable for rent paid under section 290A.03.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and thereafter.

Sec. 13. Minnesota Statutes 2008, section 273.124, subdivision 8, is amended to read:

Subd. 8. **Homestead owned by or leased to family farm corporation, joint farm venture, limited liability company, or partnership.** (a) Each family farm corporation; each joint family farm venture; and each limited liability company or partnership which operates 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, member, or partner thereof who is residing on the land, and actively engaged in farming of the land owned by the family farm corporation, joint family farm venture, limited liability company, or partnership. Homestead treatment applies even if legal title to the property is in the name of the family farm corporation, joint family farm venture, limited liability company, or partnership, and not in the name of the person residing on it.

"Family farm corporation," "family farm," and "partnership operating a family farm" have the meanings given in section 500.24, except that the number of allowable shareholders, members, or partners under this subdivision shall not exceed 12. "Limited liability company" has the meaning contained in sections 322B.03, subdivision 28, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means a cooperative agreement among two or more farm enterprises authorized to operate a family farm under section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by family farm corporations, joint family farm ventures, limited liability companies, or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by its shareholders, members, or partners who are actively engaged in farming on behalf of that corporation, joint farm venture, limited liability company, or partnership must also be assessed as class 2a property or as class 1b property under section 273.13.

(c) Agricultural property that is owned by a member, partner, or shareholder of a family farm corporation or joint family farm venture, limited liability company operating a family farm, or by a partnership operating a family farm and leased to the family farm corporation, limited liability company, partnership, or joint farm venture, as defined in paragraph (a), is eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually residing on the property, and is actually engaged in farming the land on behalf of that corporation, joint farm venture, limited liability company, or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation, joint family farm venture, limited liability company, or partnership under the lease.

(d) Agricultural property that (1) is owned by a family farm corporation, joint farm venture, limited liability company, or partnership and (2) is contiguous to a class 2a homestead under section 273.13, subdivision 23, or if noncontiguous, is located in the same township or city, or not farther than four townships or cities, or combination thereof from a class 2a homestead, and the class 2a homestead is owned by one of the shareholders, members, or partners; is entitled to receive the first tier homestead class rate up to the first tier maximum market value on any remaining market value not received on the shareholder's, member's, or partner's homestead class 2a property. The owner must notify the county assessor by July 1 that a portion of the market value under this subdivision may be eligible for homestead classification for the current assessment year, for taxes payable in the following year.

**EFFECTIVE DATE.** This section is effective for assessment year 2010 and thereafter, for taxes payable in 2011 and thereafter.

Sec. 14. Minnesota Statutes 2008, 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)(i) Agricultural property shall be classified as the owner's homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the property consists of at least 40 acres including undivided government lots and correctional 40's;

(2) the owner, the owner's spouse, the son or daughter of the owner or owner's spouse, the brother or sister of the owner or owner's spouse, or the grandson or granddaughter of the owner or the owner's spouse, is actively farming the agricultural property, either on the person's own behalf as an individual or on behalf of a partnership operating a family farm, family farm corporation, joint family farm venture, or limited liability company of which the person is a partner, shareholder, or member;

(3) both the owner of the agricultural property and the person who is actively farming the agricultural property under clause (2), are Minnesota residents;

(4) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

(5) neither the owner nor the person actively farming the property lives farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, except that if the owner or the owner's spouse is required to live in employer-provided housing, the owner or owner's spouse, whichever is actively farming the agricultural property, may live more than four townships or cities, or combination of four townships or cities from the agricultural property.

The relationship under this paragraph may be either by blood or marriage.

(ii) Real property held by a trustee under a trust is eligible for agricultural homestead classification under this paragraph if the qualifications in clause (i) are met, except that "owner" means the grantor of the trust.

(iii) Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.

(c) 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.

(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.

(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.

(g) Agricultural property of a family farm corporation, joint family farm venture, family farm limited liability company, or partnership operating a family farm as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the property consists of at least 40 acres including undivided government lots and correctional 40's;

(2) a shareholder, member, or partner of that entity is actively farming the agricultural property;

(3) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;

(4) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and

(5) that shareholder, member, or partner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

Homestead treatment applies under this paragraph for property leased to a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm if legal title to the property is in the name of an individual who is a member, shareholder, or partner in the entity.

(h) To be eligible for the special agricultural homestead under this subdivision, an initial full application must be submitted to the county assessor where the property is located. Owners and the persons who are actively farming the property shall be required to complete only a one-page abbreviated version of the application in each subsequent year provided that none of the following items have changed since the initial application:

(1) the day-to-day operation, administration, and financial risks remain the same;

(2) the owners and the persons actively farming the property continue to live within the four townships or city criteria and are Minnesota residents;

(3) the same operator of the agricultural property is listed with the Farm Service Agency;

(4) a Schedule F or equivalent income tax form was filed for the most recent year;

(5) the property's acreage is unchanged; and

(6) none of the property's acres have been enrolled in a federal or state farm program since the initial application.

The owners and any persons who are actively farming the property must include the appropriate Social Security numbers, and sign and date the application. If any of the specified information has changed since the full application was filed, the owner must notify the assessor, and must complete a new application to determine if the property continues to qualify for the special agricultural homestead. The commissioner of revenue shall prepare a standard reapplication form for use by the assessors.



(i) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2007 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 the August 2007 floods;

(2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele, Wabasha, or Winona;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2007 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 the August 2007 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the owner must notify the assessor by December 1, 2008. 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.

(j) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2008 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 March 2009 floods;

(2) the property is located in the county of Marshall;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2008 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota 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 the 2009 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.

**EFFECTIVE DATE.** This section is effective for assessment years 2010 and 2011, for taxes payable in 2011 and 2012.

Sec. 15. Minnesota Statutes 2009 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class 2a land under the same ownership. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a or 1b property under subdivision 22. The value of the remaining land including improvements up to the first tier valuation limit of agricultural homestead property has a net class rate of 0.5 percent of market value. The remaining property over the first tier has a class rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2a agricultural land consists of parcels of property, or portions thereof, that are agricultural land and buildings. Class 2a property has a net class rate of one percent of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a property must also include any property that would otherwise be classified as 2b, but is interspersed with class 2a property, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement, and other similar land that is impractical for the assessor to value separately from the rest of the property or that is unlikely to be able to be sold separately from the rest of the property.

An assessor may classify the part of a parcel described in this subdivision that is used for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

(c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that are unplatted real estate, rural in character and not used for agricultural purposes, including land used for growing trees for timber, lumber, and wood and wood products, that is not improved with a structure. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph. Any parcel of 20 acres or more improved with a structure that is not a minor, ancillary nonresidential structure must be split-classified, and ten acres must be assigned to the split parcel containing the structure. Class 2b property has a net class rate of one percent of market value unless it is part of an agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

(d) Class 2c managed forest land consists of no less than 20 and no more than 1,920 acres statewide per taxpayer that is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program. It has a class rate of .65 percent, provided that the owner of the property must apply to the assessor in order for the property to initially qualify for the reduced rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate. If the assessor receives the application and information before May 1 in an assessment year, the property qualifies beginning with that assessment year. If the assessor receives the application and information after April 30 in an assessment year, the property may not qualify until the next assessment year. The commissioner of natural resources must concur that the land is qualified. The commissioner of natural resources shall annually provide county assessors verification information on a timely basis. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph.

(e) 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, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in support of agricultural production by the same farm entity. For a property to be classified as agricultural based only on the drying or storage of agricultural products, the products being dried or stored must have been produced by the same farm entity as the entity operating the drying or storage facility. "Agricultural purposes" also includes 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 99-198 or a similar state or federal conservation program if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment. Agricultural classification shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(f) Real estate of less than ten acres, which is exclusively or intensively used for raising or cultivating agricultural products, shall be considered as agricultural land. To qualify under this paragraph, property that includes a residential structure must be used intensively for one of the following purposes:

(i) for drying or storage of grain or storage of machinery or equipment used to support agricultural activities on other parcels of property operated by the same farming entity;

(ii) as a nursery, provided that only those acres used to produce nursery stock are considered agricultural land;

(iii) for livestock or poultry confinement, provided that land that is used only for pasturing and grazing does not qualify; ~~or~~

(iv) for market farming; for purposes of this paragraph, "market farming" means the cultivation of one or more fruits or vegetables or production of animal or other agricultural products for sale to local markets by the farmer or an organization with which the farmer is affiliated; ~~or~~

(v) the commercial processing of milk into cheese products from milk produced on the property.

(g) 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.

(h) 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.

(i) 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, 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, which may include related horse training and riding instruction, if the boarding is done ~~in conjunction with~~ on property that is also used for raising pasture to graze horses or raising or cultivating other agricultural products as defined in clause (1);

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing;

(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;

(7) trees, grown for sale as a crop, including short rotation woody crops, and not sold for timber, lumber, wood, or wood products; ~~and~~

(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor; ~~and~~

(9) the commercial processing of milk into cheese products from milk produced on the property, provided the property is also the homestead of the property owner.

(j) 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.

(k) 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.

(l) Class 2d airport landing area consists of a landing area or public access area of a privately owned public use airport. It has a class rate of one percent of market value. To qualify for classification under this paragraph, a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of this paragraph, "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 this paragraph 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 this paragraph. For purposes of this paragraph, "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.

(m) Class 2e consists of land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, provided that the land is not located in a county that has elected to opt-out of the aggregate preservation program as provided in section 273.1115, subdivision 6. It has a class rate of one percent of market value. To qualify for classification under this paragraph, the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;

(3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and

(4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

For purposes of this section and section 273.1115, "commercial aggregate deposit" means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate; and "actively mined" means the removal of top soil and overburden in preparation for excavation or excavation of a commercial deposit.

(n) When any portion of the property under this subdivision or subdivision 22 begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

(o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in section 14.386 concerning exempt rules do not apply.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and thereafter.

Sec. 16. Minnesota Statutes 2009 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a class rate of 1.25 percent.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a class rate of 1.25 percent.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property; 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 property has the same class rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes, including real and personal 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. Class 4c property under this clause must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 4c property under this clause must provide recreational activities such as renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. A camping pad offered for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c under this clause regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified as class 4c, seasonal residential recreational for commercial purposes under this clause, (i) 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)~~ (A) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or ~~(ii)~~ (B) 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; or (ii) the property contains 20 or fewer rental units, is devoted to temporary residential occupancy for no more than 250 days in the year, is located in a township or a city with a population of 2,500 or less, that is located outside the metropolitan area as defined under section 473.121, subdivision 2, and that contains a portion of a state trail administered by the Department of Natural Resources. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c property classified under this clause also includes commercial use real property used exclusively for recreational purposes in conjunction with other class 4c property classified under this clause and devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Owners of real and personal 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 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 must be designated class 4c under this clause as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4c property under this clause must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of three acres of land owned and used by a nonprofit community service oriented organization and not used for residential purposes on either a temporary or permanent basis, provided that:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause,

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

(B) "property taxes" excludes the state general tax;

(C) a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal Revenue Code; and

(D) "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

(4) postsecondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding manufactured home parks described in section 273.124, subdivision 3a, and (ii) manufactured home parks as defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision 3a;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22;

(10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (A) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (B) is either devoted to commercial purposes for not more than 250 consecutive days, or receives



at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under subitem (B). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year; and

(11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide evidence to the assessor that it provides services, including lake or river access to the public. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of seasonal residential recreational property not used for commercial purposes has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5), item (i), have the same class rate as class 4b property, and the market value of manufactured home parks assessed under clause (5), item (ii), has the same class rate as class 4d property, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), has a class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of 0.75 percent.

**EFFECTIVE DATE.** This section is effective for assessment year 2010, for taxes payable in 2011 and thereafter.

Sec. 17. Minnesota Statutes 2008, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of disabled veteran.** (a) All or a portion of the market value of property owned by a veteran or by the veteran and the veteran's spouse qualifying for homestead classification under subdivision 22 or 23 is excluded in determining the property's taxable market value if it serves as the homestead of a military veteran, as defined in section 197.447, who has a service-connected disability of 70 percent or more. To qualify for the exclusion under this subdivision paragraphs (a) and (b), the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers, and must be certified by the United States Veterans Administration as having a service-connected disability.

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

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

(c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse for ~~one~~ four additional assessment ~~year~~ years or until such time as the spouse sells, transfers, or otherwise disposes of the property, whichever comes first.

(d) If the spouse of a military service person who dies due to a service-connected cause while in active service, as defined in section 190.05, subdivision 5, holds the legal or beneficial title to a homestead and permanently resides there at the time of the service person's death, the spouse shall be eligible for a market value exclusion of \$300,000 for five years following the death of the service person, or until such time as the spouse sells, transfers, or otherwise disposes of the property, whichever comes first. To qualify for exclusion under this paragraph, the surviving spouse must apply to the assessor and show proof of the service member's death while in active service in any branch or unit of the United States armed forces, as indicated on United States Government Form DD1300 or DD2064. If the application is received prior to July 1 of a given year, the exclusion first applies for taxes payable in the following year. If the application is received after June 30 of a given year, the exclusion first applies for taxes payable in the second year following receipt of the application.

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

~~(e)~~ (f) A property qualifying for a valuation exclusion under this subdivision is not eligible for the credit under section 273.1384, subdivision 1, or classification under subdivision 22, paragraph (b).

~~(f)~~ (g) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by July 1 of each assessment year, except that an annual reapplication is not required once a property has been accepted for a valuation exclusion under paragraph (b), clause (2), or paragraph (d), and the property continues to qualify until there is a change in ownership.

**EFFECTIVE DATE.** The change made to paragraph (c) is effective for taxes payable in 2011 and thereafter, and applies to the surviving spouse of any disabled veteran who had previously been assessed under paragraph (c). Paragraph (d) is effective for deaths occurring the day following final enactment and thereafter.

Sec. 18. Minnesota Statutes 2009 Supplement, section 275.065, subdivision 3, is amended to read:

Subd. 3. **Notice of proposed property taxes.** (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes. Upon written request by the taxpayer, the treasurer may send the notice in electronic form or by electronic mail instead of on paper or by ordinary mail.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state general tax, the final tax amount will be its proposed tax. The notice must clearly state for each city, county, school district, regional library authority established under section 134.201, and metropolitan taxing districts as defined in paragraph (i), the time and place of the taxing authorities' regularly scheduled meetings in which the budget and levy will be discussed and the final budget and levy determined, which must occur after November 24. The taxing authorities must provide the county auditor with the information to be included in the notice on or before the time it certifies its

proposed levy under subdivision 1. The public must be allowed to speak at the meetings and the meetings shall not be held before 6:00 p.m. It must provide a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice and an address where comments will be received by mail, except that no notice required under this section shall be interpreted as requiring the printing of a personal telephone number or address as the contact information for a taxing authority. If a taxing authority does not maintain public offices where telephone calls can be received by the authority, the authority may inform the county of the lack of a public telephone number and the county shall not list a telephone number for that taxing authority.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on November 1 of the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, and state general tax, net of the residential and agricultural homestead credit under section 273.1384, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

(i) the actual tax for taxes payable in the current year; and

(ii) the proposed tax amount.

If the county levy under clause (2) includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount.

In the case of a town or the state general tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for Minneapolis Park and Recreation shall be listed separately from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for the St. Paul Library Agency must be listed separately from the remaining amount of the city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be listed separately from the remaining amount of the county's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda and school district levy referenda;

(3) a levy limit increase approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;

(4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(5) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(6) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision and subdivision 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

(2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and

(3) Metropolitan Mosquito Control Commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy.

(j) The governing body of a county, city, or school district may, with the consent of the county board, include supplemental information with the statement of proposed property taxes about the impact of state aid increases or decreases on property tax increases or decreases and on the level of services provided in the affected jurisdiction. This supplemental information may include information for the following year, the current year, and for as many consecutive preceding years as deemed appropriate by the governing body of the county, city, or school district. It may include only information regarding:

(1) the impact of inflation as measured by the implicit price deflator for state and local government purchases;

(2) population growth and decline;

(3) state or federal government action; and

(4) other financial factors that affect the level of property taxation and local services that the governing body of the county, city, or school district may deem appropriate to include.

The information may be presented using tables, written narrative, and graphic representations and may contain instruction toward further sources of information or opportunity for comment.

**EFFECTIVE DATE.** This section is effective for notices prepared in 2010, for taxes payable in 2011 and thereafter.

Sec. 19. Minnesota Statutes 2009 Supplement, section 275.70, subdivision 5, as amended by Laws 2010, chapter 215, article 13, section 3, is amended to read:

Subd. 5. **Special levies.** "Special levies" means those portions of ad valorem taxes levied by a local governmental unit for the following purposes or in the following manner:

(1) to pay the costs of the principal and interest on bonded indebtedness or to reimburse for the amount of liquor store revenues used to pay the principal and interest due on municipal liquor store bonds in the year preceding the year for which the levy limit is calculated;

(2) to pay the costs of principal and interest on certificates of indebtedness issued for any corporate purpose except for the following:

(i) tax anticipation or aid anticipation certificates of indebtedness;

(ii) certificates of indebtedness issued under sections 298.28 and 298.282;

(iii) certificates of indebtedness used to fund current expenses or to pay the costs of extraordinary expenditures that result from a public emergency; or

(iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an insufficiency in other revenue sources;

(3) to provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(4) to fund payments made to the Minnesota State Armory Building Commission under section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(5) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;

(6) to fund matching requirements needed to qualify for federal or state grants or programs to the extent that either (i) the matching requirement exceeds the matching requirement in calendar year 2001, or (ii) it is a new matching requirement that did not exist prior to 2002;

(7) to pay the expenses reasonably and necessarily incurred in preparing for or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes, in accordance with standards formulated by the Emergency Services Division of the state Department of Public Safety, as allowed by the commissioner of revenue under section 275.74, subdivision 2;

(8) pay amounts required to correct an error in the levy certified to the county auditor by a city or county in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.70 to 275.74 in the preceding levy year;

(9) to pay an abatement under section 469.1815;

(10) to pay any costs attributable to increases in the employer contribution rates under chapter 353, or locally administered pension plans, that are effective after June 30, 2001;

(11) to pay the operating or maintenance costs of a county jail as authorized in section 641.01 or 641.262, or of a correctional facility as defined in section 241.021, subdivision 1, paragraph (f), to the extent that the county can demonstrate to the commissioner of revenue that the amount has been included in the county budget as a direct result of a rule, minimum requirement, minimum standard, or directive of the Department of Corrections, or to pay the operating or maintenance costs of a regional jail as authorized in section 641.262. For purposes of this clause, a district court order is not a rule, minimum requirement, minimum standard, or directive of the Department of Corrections. If the county utilizes this special levy, except to pay operating or maintenance costs of a new regional jail facility under sections 641.262 to 641.264 which will not replace an existing jail facility, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71, shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(12) to pay for operation of a lake improvement district, as authorized under section 103B.555. If the county utilizes this special levy, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71 shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(13) to repay a state or federal loan used to fund the direct or indirect required spending by the local government due to a state or federal transportation project or other state or federal capital project. This authority may only be used if the project is not a local government initiative;

(14) to pay for court administration costs as required under section 273.1398, subdivision 4b, less the (i) county's share of transferred fines and fees collected by the district courts in the county for calendar year 2001 and (ii) the aid amount certified to be paid to the county in 2004 under section 273.1398, subdivision 4c; however, for taxes levied to pay for these costs in the year in which the court financing is transferred to the state, the amount under this clause is limited to the amount of aid the county is certified to receive under section 273.1398, subdivision 4a;

(15) to fund a police or firefighters relief association as required under section 69.77 to the extent that the required amount exceeds the amount levied for this purpose in 2001;

(16) for purposes of a storm sewer improvement district under section 444.20;

(17) to pay for the maintenance and support of a city or county society for the prevention of cruelty to animals under section 343.11, but not to exceed in any year \$4,800 or the sum of \$1 per capita based on the county's or city's population as of the most recent federal census, whichever is greater. If the city or county uses this special levy, any amount levied by the city or county in the previous levy year for the purposes specified in this clause and included in the city's or county's previous year's levy limit computed under section 275.71, must be deducted from the levy limit base under section 275.71, subdivision 2, in determining the city's or county's current year levy limit;

(18) for counties, to pay for the increase in their share of health and human service costs caused by reductions in federal health and human services grants effective after September 30, 2007;

(19) for a city, for the costs reasonably and necessarily incurred for securing, maintaining, or demolishing foreclosed or abandoned residential properties, as allowed by the commissioner of revenue under section 275.74, subdivision 2. A city must have either (i) a foreclosure rate of at least 1.4 percent in 2007, or (ii) a foreclosure rate in 2007 in the city or in a zip code area of the city that is at least 50 percent higher than the average foreclosure rate in the metropolitan area, as defined in section 473.121, subdivision 2, to use this special levy. For purposes of this paragraph, "foreclosure rate" means the number of foreclosures, as indicated by sheriff sales records, divided by the number of households in the city in 2007;

(20) for a city, for the unreimbursed costs of redeployed traffic-control agents and lost traffic citation revenue due to the collapse of the Interstate 35W bridge, as certified to the Federal Highway Administration;

(21) to pay costs attributable to wages and benefits for sheriff, police, and fire personnel. If a local governmental unit did not use this special levy in the previous year its levy limit base under section 275.71 shall be reduced by the amount equal to the amount it levied for the purposes specified in this clause in the previous year;

(22) an amount equal to any reductions in the certified aids or credits payable under sections 477A.011 to 477A.014, and section 273.1384, due to unallotment under section 16A.152 or reductions under another provision of law. The amount of the levy allowed under this clause is equal to the amount unallotted or reduced in the calendar year in which the tax is levied unless the unallotment or reduction amount is not known by September 1 of the levy year, and the local government has not adjusted its levy under section 275.065, subdivision 6, or 275.07, subdivision 6, in which case the unallotment or reduction amount may be levied in the following year;

(23) to pay for the difference between one-half of the costs of confining sex offenders undergoing the civil commitment process and any state payments for this purpose pursuant to section 253B.185, subdivision 5;

(24) for a county to pay the costs of the first year of maintaining and operating a new facility or new expansion, either of which contains courts, corrections, dispatch, criminal investigation labs, or other public safety facilities and for which all or a portion of the funding for the site acquisition, building design, site preparation, construction, and related equipment was issued or authorized prior to the imposition of levy limits in 2008. The levy limit base shall then be increased by an amount equal to the new facility's first full year's operating costs as described in this clause; ~~and~~

(25) for the estimated amount of reduction to market value credit reimbursements under section 273.1384 for credits payable in the year in which the levy is payable; and

(26) to pay the estimated costs of all salaries and expenses of county veteran service officers, as provided under section 197.60, subdivision 4.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and thereafter.

Sec. 20. Minnesota Statutes 2008, section 275.71, subdivision 4, is amended to read:

Subd. 4. **Adjusted levy limit base.** For taxes levied in 2008 through 2010, the adjusted levy limit base is equal to the levy limit base computed under subdivision 2 or section 275.72, multiplied by:

(1) one plus ~~the lesser of 3.9 percent or~~ the percentage growth in the implicit price deflator, but the percentage shall not be less than zero or exceed 3.9 percent;

(2) one plus a percentage equal to 50 percent of the percentage increase in the number of households, if any, for the most recent 12-month period for which data is available; and

(3) one plus a percentage equal to 50 percent of the percentage increase in the taxable market value of the jurisdiction due to new construction of class 3 property, as defined in section 273.13, subdivision 4, except for state-assessed utility and railroad property, for the most recent year for which data is available.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2010 and thereafter.

Sec. 21. Minnesota Statutes 2008, section 276.02, is amended to read:

#### **276.02 TREASURER TO BE COLLECTOR.**

The county treasurer shall collect all taxes extended on the tax lists of the county and the fines, forfeitures, or penalties received by any person or officer for the use of the county. The treasurer shall collect the taxes according to law and credit them to the proper funds. This section does not apply to fines and penalties accruing to municipal corporations for the violation of their ordinances that are recoverable before a city justice. Taxes, fines, interest, and penalties must be paid with United States currency or by check ~~or~~ money order, or electronic payments, including, but not limited to, automated clearing house transactions and federal wires drawn on a bank or other financial institution in the United States. The county board may by resolution authorize the treasurer to impose a charge for any dishonored checks or electronic payments. The charges for dishonored payment of property taxes may be added to the tax, shall constitute a lien on the property, and when collected shall be distributed to the county.

The county board may, by resolution, authorize the treasurer and/or other designees to accept payments of real property taxes by credit card provided that a fee is charged for its use. The fee charged must be commensurate with the costs assessed by the card issuer. If a credit card transaction under this section is subsequently voided or otherwise reversed, the lien of real property taxes under section 272.31 is revived and attaches in the manner and time provided in that section as though the credit card transaction had never occurred, and the voided or reversed credit card transaction shall not impair the right of a lienholder under section 272.31 to enforce the lien in its favor.

**EFFECTIVE DATE.** This section is effective for property taxes payable in 2011 and thereafter.

Sec. 22. Minnesota Statutes 2009 Supplement, section 276.04, subdivision 2, is amended to read:

Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The tax statement must not state or imply that property tax credits are paid by the state of Minnesota. The statement must contain a tabulated statement of the dollar amount due to each taxing authority and the amount of the state tax from the parcel



of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and ~~the total of the metropolitan each special taxing districts~~ district as defined in section 275.065, subdivision 3, paragraph (i) 275.066, must be separately stated. ~~The amounts due all other special taxing districts, if any, may be aggregated except that any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly under the appropriate county's levy.~~ If the county levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey County, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose may be separated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

- (1) the property's estimated market value under section 273.11, subdivision 1;
- (2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;
- (3) the property's gross tax, before credits;
- (4) for homestead residential and agricultural properties, the credits under section 273.1384;
- (5) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and
- (6) the net tax payable in the manner required in paragraph (a).

(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current year, and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decides to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

**EFFECTIVE DATE.** This section is effective for tax statements relating to taxes payable in 2012 and thereafter.

Sec. 23. Minnesota Statutes 2009 Supplement, section 279.01, subdivision 1, is amended to read:

Subdivision 1. **Due dates; penalties.** Except as provided in subdivision 3 or 4, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty accrues and thereafter is charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The penalty is at a rate of two percent on homestead property until May 31 and four percent on June 1. The penalty on nonhomestead property is at a rate of four percent until May 31 and eight percent on June 1. This penalty does not accrue until June 1 of each year, or 21 days after the postmark date on the envelope containing the property tax statements, whichever is later, on commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. In order for the first half of the tax due on class 3a property to be paid after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, without penalty, the owner of the property must attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the first day of each month beginning July 1, up to and including October 1 following, an additional penalty of one percent for each month accrues and is charged on all such unpaid taxes provided that if the due date was extended beyond May 15 as the result of any delay in mailing property tax statements no additional penalty shall accrue if the tax is paid by the extended due date. If the tax is not paid by the extended due date, then all penalties that would have accrued if the due date had been May 15 shall be charged. When the taxes against any tract or lot exceed ~~\$250~~ \$100, one-half thereof may be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later; and, if so paid, no penalty attaches; the remaining one-half may be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent accrues thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the first day of November an additional penalty of four percent accrues and on the first day of December following, an additional penalty of two percent accrues and is charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month accrues and is charged on all such unpaid taxes. If one-half of such taxes are not paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty attaches to the remaining one-half until October 16 following.

This section applies to payment of personal property taxes assessed against improvements to leased property, except as provided by section 277.01, subdivision 3.

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding ~~\$250~~ \$100, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. Payments must be applied first to the oldest installment that is due but which has not been fully paid. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year or the installment being paid. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and thereafter.

Sec. 24. Minnesota Statutes 2008, section 279.025, is amended to read:

**279.025 PAYMENT OF DELINQUENT PROPERTY TAXES, SPECIAL ASSESSMENTS.**

Payment of delinquent property tax and related interest and penalties and special assessments shall be paid with United States currency or by check ~~or~~, money order, or electronic means, including, but not limited to, automated clearing house transactions and federal wires drawn on a bank or other financial institution in the United States.

**EFFECTIVE DATE.** This section is effective for property taxes payable in 2011 and thereafter.

Sec. 25. Minnesota Statutes 2009 Supplement, 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, at least one 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, and the other spouse must be at least 62 years of age;

(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 ~~\$60,000~~ \$75,000;

(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 state or federal tax liens or judgment liens on the homesteaded property;

(5) 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 (6); and

(6) the total unpaid balances of debts secured by mortgages and other liens on the property, including unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year, does not exceed 75 percent of the assessor's estimated market value for the year.

**EFFECTIVE DATE.** This section is effective July 1, 2010, and thereafter.

Sec. 26. Minnesota Statutes 2008, section 290B.03, is amended by adding a subdivision to read:

Subd. 1a. **Special program qualifications; spouse of service member who died while in active service or deceased disabled veteran.** (a) Notwithstanding the requirements of subdivision 1, clauses (1) and (3), but subject to all the other requirements of subdivision 1, homestead property owned and occupied by the spouse of either a service member who died while in active service, or a deceased disabled veteran, is eligible to participate in the program established under this chapter. For purposes of this subdivision, "service member who died while in active service" means a person serving in any branch or unit of the United States armed forces who has died from a service-connected cause while serving in active service, as defined in section 190.05, subdivision 5, as indicated on United States Government Form DD1300 or DD2064. For purposes of this subdivision, "deceased disabled veteran" means a deceased disabled veteran who was honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers, and certified by the United States Veterans Administration as having a total (100 percent) and permanent service-connected disability prior to the veteran's death.

(b) Applications under this subdivision are exempt from the age requirements under the application process in section 290B.04, subdivision 1. The commissioner may require certifications as are necessary to ensure eligibility under this subdivision.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and thereafter.

Sec. 27. Minnesota Statutes 2008, 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 ~~\$60,000~~ \$75,000. 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.

**EFFECTIVE DATE.** This section is effective July 1, 2010, and thereafter.

Sec. 28. Minnesota Statutes 2008, 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 ~~\$60,000~~ \$75,000 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 ~~\$60,000~~ \$75,000 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.

**EFFECTIVE DATE.** This section is effective July 1, 2010, and thereafter.

Sec. 29. Minnesota Statutes 2008, 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 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 ~~\$60,000~~ \$75,000. 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 and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year.

**EFFECTIVE DATE.** This section is effective July 1, 2010, and thereafter.

Sec. 30. Minnesota Statutes 2008, section 428A.12, is amended to read:

**428A.12 PETITION REQUIRED.**

No action may be taken under sections 428A.13 and 428A.14 unless owners of ~~25~~ 50 percent or more of the housing units that would be subject to fees in the proposed housing improvement area file a petition requesting a public hearing on the proposed action with the city clerk. No action may be taken under section 428A.14 to impose a fee unless owners of ~~25~~ 50 percent or more of the housing units subject to the proposed fee file a petition requesting a public hearing on the proposed fee with the city clerk or other appropriate official.

**EFFECTIVE DATE.** This section is effective for petitions filed beginning July 1, 2010.

Sec. 31. Minnesota Statutes 2008, section 428A.18, subdivision 2, is amended to read:

Subd. 2. **Requirements for veto.** If residents of ~~35~~ 45 percent or more of the housing units in the area subject to the fee file an objection to the ordinance adopted by the city under section 428A.13 with the city clerk before the effective date of the ordinance, the ordinance does not become effective. If owners of ~~35~~ 45 percent or more of the housing units' tax capacity subject to the fee under section 428A.14 file an objection with the city clerk before the effective date of the resolution, the resolution does not become effective.

**EFFECTIVE DATE.** This section is effective beginning July 1, 2010.

Sec. 32. Minnesota Statutes 2008, section 473H.05, subdivision 1, is amended to read:

Subdivision 1. **Before ~~March~~ June 1 for next year's taxes.** An owner or owners of certified long-term agricultural land may apply to the authority with jurisdiction over the land on forms provided by the commissioner of agriculture for the creation of an agricultural preserve at any time. Land for which application is received prior to ~~March~~ June 1 of any year shall be assessed pursuant to section 473H.10 for taxes payable in the following year. Land for which application is received on or after ~~March~~ June 1 of any year shall be assessed pursuant to section 473H.10 in the following year. The application shall be executed and acknowledged in the manner required by law to execute and acknowledge a deed and shall contain at least the following information and such other information as the commissioner deems necessary:

(a) Legal description of the area proposed to be designated and parcel identification numbers if so designated by the county auditor and the certificate of title number if the land is registered;

(b) Name and address of owner;

(c) An affidavit by the authority evidencing that the land is certified long-term agricultural land at the date of application;

(d) A statement by the owner covenanting that the land shall be kept in agricultural use, and shall be used in accordance with the provisions of sections 473H.02 to 473H.17 which exist on the date of application and providing that the restrictive covenant shall be binding on the owner or the owner's successor or assignee, and shall run with the land.

**EFFECTIVE DATE.** This section is effective the day following final enactment, except that in 2010 the application date in this section shall be extended to August 1.

Sec. 33. Minnesota Statutes 2009 Supplement, section 477A.011, subdivision 36, as amended by Laws 2010, chapter 215, article 13, section 4, is amended to read:

Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

(1) the city has a population in 1998 that is greater than 200 but less than 500;

(2) the city's revenue need used in calculating aids payable in 2000 was greater than \$200 per capita;

(3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than \$200 per capita;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$65 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(i) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

(1) the city had a population in 1998 that is greater than 200 but less than 500;

(2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;

(3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$15 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(j) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by an additional \$50,000 in calendar years 2002 to 2011, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar year 2001 only, and by \$50,000 in calendar year 2002 only, provided that:

(1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than \$810 per capita;

(2) the population of the city declined more than two percent between 1988 and 1998;

(3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than \$240 per capita; and

(4) the city received less than \$36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.

(k) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to the lesser of:

(1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

(2) \$2,500,000.

(l) The city aid base is increased by \$50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

(1) the city is located in the seven-county metropolitan area;

(2) its population in 2000 is between 10,000 and 20,000; and

(3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

(m) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 and by an additional \$75,000 in calendar years 2009 to 2014 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2002 only and by \$75,000 in calendar year 2009 only, provided that:

(1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

(2) its home county is located within the seven-county metropolitan area;



(3) its pre-1940 housing percentage is less than 15 percent; and

(4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900 per capita.

(n) The city aid base for a city is increased by \$200,000 beginning in calendar year 2003 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 2003 only, provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.

(o) The city aid base for a city is increased by \$200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.

(p) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.

(q) The city aid base for a city is increased by \$30,000 in 2009 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total geographic area included within the city boundaries in 2000.

(r) The city aid base for a city is increased by \$80,000 in 2009 and thereafter and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$80,000 in calendar year 2009 only, if:

(1) as of May 1, 2006, at least 25 percent of the tax capacity of the city is proposed to be placed in trust status as tax-exempt Indian land;

(2) the placement of the land is being challenged administratively or in court; and

(3) due to the challenge, the land proposed to be placed in trust is still on the tax rolls as of May 1, 2006.

(s) The city aid base for a city is increased by \$100,000 in 2007 and thereafter and the minimum and maximum total amount of aid it may receive under this section is also increased in calendar year 2007 only, provided that:

(1) the city has a 2004 estimated population greater than 200 but less than 2,000;

(2) its city net tax capacity for aids payable in 2006 was less than \$300 per capita;

(3) the ratio of its pay 2005 tax levy compared to its city net tax capacity for aids payable in 2006 was greater than 110 percent; and

(4) it is located in a county where at least 15,000 acres of land are classified as tax-exempt Indian reservations according to the 2004 abstract of tax-exempt property.

(t) The city aid base for a city is increased by \$30,000 in 2009 only, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$30,000 in calendar year 2009, only if the city had a population in 2005 of less than 3,000 and the city's boundaries as of 2007 were formed by the consolidation of two cities and one township in 2002.

(u) The city aid base for a city is increased by \$100,000 in 2009 and thereafter, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$100,000 in calendar year 2009 only, if the city had a city net tax capacity for aids payable in 2007 of less than \$150 per capita and the city experienced flooding on March 14, 2007, that resulted in evacuation of at least 40 homes.

(v) The city aid base for a city is increased by \$100,000 in 2009 to 2013, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$100,000 in calendar year 2009 only, if the city:

- (1) is located outside of the Minneapolis-St. Paul standard metropolitan statistical area;
- (2) has a 2005 population greater than 7,000 but less than 8,000; and
- (3) has a 2005 net tax capacity per capita of less than \$500.

(w) The city aid base is increased by \$25,000 in calendar years 2009 to 2013 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is increased by \$25,000 in calendar year 2009 only, provided that:

- (1) the city is located in the seven-county metropolitan area;
- (2) its population in 2006 is less than 200; and
- (3) the percentage of its housing stock built before 1940, according to the 2000 United States Census, is greater than 40 percent.

(x) The city aid base is increased by \$90,000 in calendar year 2009 only and the minimum and maximum total amount of aid it may receive under section 477A.013, subdivision 9, is also increased by \$90,000 in calendar year 2009 only, provided that the city is located in the seven-county metropolitan area, has a 2006 population between 5,000 and 7,000 and has a 1997 population of over 7,000.

(y) In calendar year 2010 only, the city aid base for a city is increased by \$225,000 if it was eligible for a \$450,000 payment in calendar year 2008 under Minnesota Statutes 2006, section 477A.011, subdivision 36, paragraph (e), and the second half of the payment under that paragraph in December 2008 was canceled due to the governor's unallotment. The payment under this paragraph is not subject to any aid reductions under section 477A.0133 or any future unallotment of the city aid under section 16A.152.

(z) The city aid base and the maximum total aid the city may receive under section 477A.013, subdivision 9, is increased by \$25,000 in calendar year 2010 only if:

- (1) the city is a first class city in the seven-county metropolitan area with a population below 300,000; and
- (2) the city has made an equivalent grant to its local growers' association to reimburse up to \$1,000 each for membership fees and retail leases for members of the association who farm in and around Dakota County and who incurred crop damage as a result of the hail storm in that area on July 10, 2008.

The payment under this paragraph is not subject to any aid reductions under section 477A.0133 or any future unallotment of the city aid under section 16A.152.

(aa) The city aid base for a city is increased by \$106,964 in 2011 only and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$106,964 in calendar year 2011 only, if the city had a population as defined in Minnesota Statutes, section 477A.011, subdivision 3, that was in excess of 1,000 in 2007 and that was less than 1,000 in 2008.

(bb) The city aid base for a city is increased by \$50,000 in 2011 and 2012 only, and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$50,000 in calendar year 2011 only, if the city is:

(1) located outside of the seven-county metropolitan area;

(2) has a 2008 population between 3,000 and 4,000;

(3) has a commercial industrial percentage as defined in subdivision 32, for aids payable in 2008 of less than ten percent; and

(4) experienced the loss of a major manufacturing facility in the city due to a fire in April 2009.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2011 and thereafter.

Sec. 34. Laws 2009, chapter 88, article 2, section 49, is amended to read:

Sec. 49. **TAX ABATEMENT; NEWLY CONSTRUCTED RESIDENTIAL STRUCTURES IN FLOOD-DAMAGED CITIES.**

Subdivision 1. **Eligibility.** A residential structure qualifies for a tax abatement under this section if:

(1) the structure is located in a city that is eligible to designate a development zone under Minnesota Statutes, section 469.1731;

(2) the structure is located in a county designated as an emergency area under presidential declaration FEMA-3304-EM;

(3) the structure is located on property classified as class 1a, 1b, 2a, 4a, 4b, 4bb, or 4d under Minnesota Statutes, section 273.13;

(4) no part of the structure was in existence prior to January 1, 2009, unless (i) the structure is located on property classified as 1a, 1b, 2a, 4b, or 4bb; (ii) a building permit was issued and construction commenced in 2008; and (iii) as of March 26, 2009, the property was owned by the original builder, was not subject to any form of purchase contract or agreement, and had never been occupied; and

(5) construction of the structure is commenced prior to December 31, ~~2010~~ 2011. For the purposes of this clause, construction is deemed to have been commenced if a proper building permit has been issued and the mandatory footing or foundation inspection has been completed.

Subd. 2. **Application.** Application for the abatement authorized under this section must be filed by January 2 of the year following the year in which construction began, except that those qualifying structures for which construction commenced in 2008 must file an application no later than January 2, 2010, for assessment years 2010 and 2011. The application must be filed with the assessor of the county or city in which the property is located on a form prescribed by the commissioner of revenue.

Subd. 3. **Tax abated.** (a) For a property qualifying under subdivision 1 and classified as either 1a, 1b, 2a, 4b, or 4bb, the tax attributable to (1) \$200,000 of market value, or (2) the entire market value of the structure, whichever is less, shall be abated. For a property qualifying under subdivision 1 and classified as class 4a or 4d, the tax attributable to (1) \$20,000 of market value per residential unit, or (2) the entire market value of the structure, whichever is less, shall be abated.

(b) The abatement under paragraph (a) shall be in effect for two taxes payable years, corresponding to the two assessment years after construction has begun. The abatement shall not apply to any special assessments that have been levied against the property.

Subd. 4. **Reimbursement.** By May 1 of each taxes payable year in which an abatement has been authorized under this section, the auditor shall report the amount of taxes abated for each jurisdiction within the county to the commissioner of revenue, on a form prescribed by the commissioner. On or before September 1 of each taxes payable year in which an abatement has been authorized under this section, the commissioner of revenue shall reimburse each local jurisdiction for the amount of taxes abated for the year under this section.

Subd. 5. **Appropriation.** The amount necessary to make the reimbursements required under this section is annually appropriated to the commissioner of revenue from the general fund.

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

Sec. 35. Laws 2009, chapter 88, article 2, section 49, the effective date, is amended to read:

**EFFECTIVE DATE.** This section is effective for assessment years 2010 to ~~2012~~ 2013, for taxes payable in 2011 to ~~2013~~ 2014.

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

Sec. 36. **FISCAL DISPARITIES STUDY.**

The commissioner of revenue shall conduct a study of the metropolitan revenue distribution program contained in Minnesota Statutes, chapter 473F, commonly known as the fiscal disparities program. By February 1, 2012, the commissioner shall submit a report to the chairs and ranking minority members of the house of representatives and senate tax committees consisting of the findings of the study and identification of issues for policy makers to consider. The study must analyze:

(1) the extent to which the benefits of economic growth of the region are shared throughout the region, especially for growth that results from state or regional decisions;

(2) the program's impact on the variability of tax rates across jurisdictions of the region;

(3) the program's impact on the distribution of homestead property tax burdens across jurisdictions of the region; and

(4) the relationship between the impacts of the program and overburden on jurisdictions containing properties that provide regional benefits, specifically the costs those properties impose on their host jurisdictions in excess of their tax payments.

The report must include a description of other property tax, aid, and local development programs that interact with the fiscal disparities program.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 37. **THIEF RIVER FALLS AIRPORT AUTHORITY; SPECIAL LEVY AUTHORITY.**

If an airport authority is established under Minnesota Statutes, section 360.042, that includes the city of Thief River Falls within its boundaries, the authority may exercise its levy authority through a levy on the referendum market value of the area, as defined in Minnesota Statutes, section 126C.01, subdivision 3, in lieu of a levy on the net tax capacity of the area. If an authority exercises its option under this section, the intent to do so must be stated in the joint agreement establishing the authority.

**EFFECTIVE DATE.** This section is effective the day following final enactment, without local approval, as provided by Minnesota Statutes, section 654.023, subdivision 1, paragraph (a).

ARTICLE 2

PROPERTY TAX REFORM, ACCOUNTABILITY, VALUE, AND EFFICIENCY PROVISIONS

Section 1. **[6.90] COUNCIL ON LOCAL RESULTS AND INNOVATION.**

Subdivision 1. **Creation.** The Council on Local Results and Innovation consists of 11 members, as follows:

(1) the state auditor;

(2) two persons who are not members of the legislature, appointed by the chair of the Property and Local Sales Tax Division of the house of representatives Taxes Committee;

(3) two persons who are not members of the legislature, appointed by the designated lead minority member of the Property and Local Sales Tax Division of the house of representatives Taxes Committee;

(4) two persons who are not members of the legislature, appointed by the chair of the Taxes Division on Property Taxes of the senate Taxes Committee;

(5) two persons who are not members of the legislature, appointed by the designated lead minority member of the Taxes Division on Property Taxes of the senate Taxes Committee;

(6) one person who is not a member of the legislature, appointed by the Association of Minnesota Counties; and

(7) one person who is not a member of the legislature, appointed by the League of Minnesota Cities.

Each appointment under clauses (2) to (5) must include one person with expertise or interest in county government and one person with expertise or interest in city government. The appointing authorities must use their best efforts to ensure that a majority of council members have experience with local performance measurement systems. The membership of the council must include geographically balanced representation as well as representation balanced between large and small jurisdictions. The appointments under clauses (2) to (7) must be made within two months of the date of enactment.

Appointees to the council under clauses (2) to (5) serve terms of four years, except that one of each of the initial appointments under clauses (2) to (5) shall serve a term of two years; each appointing agent must designate which appointee is serving the two-year term. Subsequent appointments for members appointed under clauses (2) to (5) must be made by the council, including appointments to replace any appointees who might resign from the council prior to completion of their term. Appointees under clauses (2) to (5) are not eligible to vote on appointing their successor, nor on the successors of other appointees whose terms are expiring contemporaneously. In making appointments, the council shall make all possible efforts to reflect the geographical distribution and meet the

qualifications of appointees required of the initial appointees. Subsequent appointments for members appointed under clauses (6) and (7) must be made by the original appointing authority. Appointees to the council under clauses (2) to (7) may serve no more than two consecutive terms.

Subd. 2. **Duties.** (a) By February 15, 2011, the council shall develop a standard set of approximately ten performance measures for counties and ten performance measures for cities that will aid residents, taxpayers, and state and local elected officials in determining the efficacy of counties and cities in providing services, and measure residents' opinions of those services. In developing its measures, the council must solicit input from private citizens. Counties and cities that elect to participate in the standard measures system shall report their results to the state auditor under section 6.91, who shall compile the results and make them available to all interested parties by publishing them on the auditor's Web site and report them to the legislative tax committees. Each year after the initial designation of performance measures, the council shall evaluate the usefulness of the standard set of performance measures and may revise the set by adding or removing measures as it deems appropriate.

(b) By February 15, 2012, the council shall develop minimum standards for comprehensive performance measurement systems, which may vary by size and type of governing jurisdiction.

(c) In addition to its specific duties under paragraphs (a) and (b), the council shall generally promote the use of performance measurement for governmental entities across the state and shall serve as a resource for all governmental entities seeking to implement a system of local performance measurement. The council may highlight and promote systems that are innovative, or are ones that it deems to be best practices of local performance measurement systems across the state and nation. The council should give preference in its recommendations to systems that are results-oriented. The council may, with the cooperation of the state auditor, establish and foster a collaborative network of practitioners of local performance measurement systems. The council may support the Association of Minnesota Counties and the League of Minnesota Cities to seek and receive private funding to provide expert technical assistance to local governments for the purposes of replicating best practices.

Subd. 3. **Reports.** (a) The council shall report its initial set of standard performance measures to the Property and Local Sales Tax Division of the house of representatives Taxes Committee and the Taxes Division on Property Taxes of the senate Taxes Committee by February 28, 2011.

(b) By February 1 of each subsequent year, the council shall report to the committees with jurisdiction over taxes in the house of representatives and the senate on participation in and results of the performance measurement system, along with any revisions in the standard set of performance measures for the upcoming year. These reports may be made by the state auditor in lieu of the council if agreed to by the auditor and the council.

Subd. 4. **Operation of council.** (a) The state auditor shall convene the initial meeting of the council.

(b) The chair of the council shall be elected by the members. Once elected, a chair shall serve a term of two years.

(c) Members of the council serve without compensation.

(d) Council members shall share and rotate responsibilities for administrative support of the council.

(e) Chapter 13D does not apply to meetings of the council. Meetings of the council must be open to the public and the council must provide notice of a meeting on the state auditor's Web site at least seven days before the meeting. A meeting of the council occurs when a quorum is present.

(f) The council must meet at least two times prior to the initial release of the standard set of measurements. After the initial set has been developed, the council must meet a minimum of once per year.

Subd. 5. **Termination.** The council expires on January 1, 2020.

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

Sec. 2. **[6.91] LOCAL PERFORMANCE MEASUREMENT AND REPORTING.**

**Subdivision 1. Reports of local performance measures.** (a) A county or city that elects to participate in the standard measures program must report its results to its citizens annually through publication, direct mailing, posting on the jurisdiction's Web site, or through a public hearing at which the budget and levy will be discussed and public input allowed.

(b) Each year, jurisdictions participating in the local performance measurement and improvement program must file a report with the state auditor by July 1, in a form prescribed by the auditor. All reports must include a declaration that the jurisdiction has complied with, or will have complied with by the end of the year, the requirement in paragraph (a). For jurisdictions participating in the standard measures program, the report shall consist of the jurisdiction's results for the standard set of performance measures under section 6.90, subdivision 2, paragraph (a). In 2012, jurisdictions participating in the comprehensive performance measurement program must submit a resolution approved by its local governing body indicating that it either has implemented or is in the process of implementing a local performance measurement system that meets the minimum standards specified by the council under section 6.90, subdivision 2, paragraph (b). In 2013 and thereafter, jurisdictions participating in the comprehensive performance measurement program must submit a statement approved by its local governing body affirming that it has implemented a local performance measurement system that meets the minimum standards specified by the council under section 6.90, subdivision 2, paragraph (b).

**Subd. 2. Benefits of participation.** (a) A county or city that elects to participate in the standard measures program for 2011 is: (1) eligible for per capita reimbursement of \$0.14 per capita, but not to exceed \$25,000 for any government entity; and (2) exempt from levy limits under sections 275.70 to 275.74 for taxes payable in 2012, if levy limits are in effect.

(b) Any county or city that elects to participate in the standard measures program for 2012 is eligible for per capita reimbursement of \$0.14 per capita, but not to exceed \$25,000 for any government entity. Any jurisdiction participating in the comprehensive performance measurement program is exempt from levy limits under sections 275.70 to 275.74 for taxes payable in 2013 if levy limits are in effect.

(c) Any county or city that elects to participate in the standard measures program for 2013 or any year thereafter is eligible for per capita reimbursement of \$0.14 per capita, but not to exceed \$25,000 for any government entity. Any jurisdiction participating in the comprehensive performance measurement program for 2013 or any year thereafter is exempt from levy limits under sections 275.70 to 275.74 for taxes payable in the following year, if levy limits are in effect.

**Subd. 3. Certification of participation.** (a) The state auditor shall certify to the commissioner of revenue by August 1 of each year the counties and cities that are participating in the standard measures program and the comprehensive performance measurement program.

(b) The commissioner of revenue shall make per capita aid payments under this section on the second payment date specified in section 477A.015, in the same year that the measurements were reported.

(c) The commissioner of revenue shall notify each county and city that is entitled to exemption from levy limits by August 10 of each levy year.

Subd. 4. **Appropriation.** (a) The amount necessary to fund obligations under subdivision 2 is annually appropriated from the general fund to the commissioner of revenue.

(b) The sum of \$6,000 in fiscal year 2011 and \$2,000 in each fiscal year thereafter is annually appropriated from the general fund to the state auditor to carry out the auditor's responsibilities under sections 6.90 to 6.91.

**EFFECTIVE DATE.** This section is effective December 31, 2010.

Sec. 3. **[270C.991] PROPERTY TAX SYSTEM BENCHMARKS AND CRITICAL INDICATORS.**

Subdivision 1. **Purpose.** State policy makers should be provided with the tools to create a more accountable and efficient property tax system. This section provides the principles and available tools necessary to work toward achieving that goal.

Subd. 2. **Property tax principles.** To better evaluate the various property tax proposals that come before the legislature, the following basic property tax principles should be taken into consideration. The property taxes proposed should be:

- (1) transparent and understandable;
- (2) simple and efficient;
- (3) equitable;
- (4) stable and predictable;
- (5) compliance and accountability;
- (6) competitive, both nationally and globally; and
- (7) responsive to economic conditions.

Subd. 3. **Major indicators.** There are many different types of indicators available to legislators to evaluate tax legislation. Indicators are useful to have available as benchmarks when legislators are contemplating changes. Each tool has its own limitation, and no one tool is perfect or should be used independently. Some of the tools measure the global characteristics of the entire tax system, while others are only a measure of the property tax impacts and its administration. The following is a list of the available major indicators:

(1) property tax principles scale, the components of which are listed in subdivision 2, as they relate to the various features of the property tax system;

- (2) price of government report, as required under section 16A.102;
- (3) tax incidence report, as required under section 270C.13;
- (4) tax expenditure budget and report, as required under section 270C.11;
- (5) state tax rankings;

(6) property tax levy plus aid data, and market value and net tax capacity data, by taxing district for current and past years;



(7) effective tax rate (tax as a percent of market value) and the equalized effective tax rate (effective tax rate adjusted for assessment differences);

(8) assessment sales ratio study, as required under section 127A.48;

(9) "Voss" database, which matches homeowner property taxes and household income;

(10) revenue estimates under section 270C.11, subdivision 5, and state fiscal notes under section 477A.03, subdivision 2b; and

(11) local impact notes under section 3.987.

Subd. 4. **Property tax working group.** (a) A property tax working group is established as provided in this subdivision. The goals of the working group are:

(1) to investigate ways to simplify the property tax system and make advisory recommendations on ways to make the system more understandable;

(2) to reexamine the property tax calendar to determine what changes could be made to shorten the two-year cycle from assessment through property tax collection; and

(3) to determine the cost versus the benefits of the various property tax components, including property classifications, credits, aids, exclusions, exemptions, and abatements, and to suggest ways to achieve some of the goals in simpler and more cost-efficient ways.

(b) The 13-member working group shall consist of the following members:

(1) two state representatives, both appointed by the chair of the house of representatives Taxes Committee, one from the majority party and one from the minority party;

(2) two senators, both appointed by the chair of the senate Taxes Committee, one from the majority party and one from the minority party;

(3) the commissioner of revenue, or designee;

(4) one person, appointed by the Association of Minnesota Counties;

(5) one person, appointed by the League of Minnesota Cities;

(6) one person, appointed by the Minnesota Association of Townships;

(7) one person, appointed by the Minnesota Chamber of Commerce;

(8) one person, appointed by the Minnesota Association of Assessing Officers;

(9) two homeowners, one who is under 65 years of age, and one who is 65 years of age or older, both appointed by the commissioner of revenue; and

(10) one person, jointly appointed by the Minnesota Farm Bureau and the Minnesota Farmers Union.

The commissioner of revenue shall chair the initial meeting, and the working group shall elect a chair at that initial meeting. The working group will meet at the call of the chair. Members of the working group shall serve without compensation. The commissioner of revenue must provide administrative support to the working group. Chapter 13D does not apply to meetings of the working group. Meetings of the working group must be open to the public and the working group must provide notice of a meeting to potentially interested persons at least seven days before the meeting. A meeting of the council occurs when a quorum is present.

(c) The working group shall make its advisory recommendations to the chairs of the house of representatives and senate Taxes Committees on or before February 1, 2012, at which time the working group shall be finished and this subdivision expires. The advisory recommendations should be reviewed by the Taxes Committee under subdivision 5.

Subd. 5. **Taxes Committee review and resolution.** On or before March 1, 2012, and every two years thereafter, the house of representatives and senate Taxes Committees must review the major indicators as contained in subdivision 3, and ascertain the accountability and efficiency of the property tax system. The house of representatives and senate Taxes Committees shall prepare a resolution on targets and benchmarks for use during the current biennium.

Subd. 6. **Department of Revenue; revenue estimates.** As provided under section 270C.11, subdivision 5, the Department of Revenue is required to prepare an estimate of the effect on the state's tax revenues which result from the passage of a legislative bill establishing, extending, or restricting a tax expenditure. Beginning with the 2011 legislative session, those revenue estimates must also identify how the property tax principles contained in subdivision 2 apply to the proposed tax changes. The commissioner of revenue shall develop a scale for measuring the appropriate principles for each proposed change. The department shall quantify the effects, if possible, or at a minimum, shall identify the relevant factors so that legislators are aware of possible outcomes, including administrative difficulties and cost. The interaction of property tax shifting should be identified and quantified to the degree possible.

Subd. 7. **Appropriation.** The sum of \$30,000 in fiscal year 2011 and \$25,000 in each fiscal year thereafter is appropriated from the general fund to the commissioner of revenue to carry out the commissioner's added responsibilities under subdivision 6.

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

### ARTICLE 3

#### INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2008, section 289A.08, subdivision 7, is amended to read:

**Subd. 7. Composite income tax returns for nonresident partners, shareholders, and beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to file a composite return and to pay the tax on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names, addresses, Social Security numbers, income allocation, and tax liability for the nonresident partners electing to be covered by the composite return.

(b) The computation of a partner's tax liability must be determined by multiplying the income allocated to that partner by the highest rate used to determine the tax liability for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard deductions, or personal exemptions are not allowed.

(c) The partnership must submit a request to use this composite return filing method for nonresident partners. The requesting partnership must file a composite return in the form prescribed by the commissioner of revenue. The filing of a composite return is considered a request to use the composite return filing method.

(d) The electing partner must not have any Minnesota source income other than the income from the partnership and other electing partnerships. If it is determined that the electing partner has other Minnesota source income, the inclusion of the income and tax liability for that partner under this provision will not constitute a return to satisfy the requirements of subdivision 1. The tax paid for the individual as part of the composite return is allowed as a payment of the tax by the individual on the date on which the composite return payment was made. If the electing nonresident partner has no other Minnesota source income, filing of the composite return is a return for purposes of subdivision 1.

(e) This subdivision does not negate the requirement that an individual pay estimated tax if the individual's liability would exceed the requirements set forth in section 289A.25. A composite estimate may, however, be filed in a manner similar to and containing the information required under paragraph (a).

(f) If an electing partner's share of the partnership's gross income from Minnesota sources is less than the filing requirements for a nonresident under this subdivision, the tax liability is zero. However, a statement showing the partner's share of gross income must be included as part of the composite return.

(g) The election provided in this subdivision is only available to a partner who has no other Minnesota source income and who is either (1) a full-year nonresident individual or (2) a trust or estate that does not claim a deduction under either section 651 or 661 of the Internal Revenue Code.

(h) A corporation defined in section 290.9725 and its nonresident shareholders may make an election under this paragraph. The provisions covering the partnership apply to the corporation and the provisions applying to the partner apply to the shareholder.

(i) Estates and trusts distributing current income only and the nonresident individual beneficiaries of the estates or trusts may make an election under this paragraph. The provisions covering the partnership apply to the estate or trust. The provisions applying to the partner apply to the beneficiary.

(j) For the purposes of this subdivision, "income" means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.01, subdivision 19a, clauses (6) to (10), and the subtractions provided in: (i) section 290.01, subdivision 19b, clause ~~(9)~~ (8), to the extent the amount is assignable or allocable to Minnesota under section 290.17; and (ii) section 290.01, subdivision 19b, clause ~~(14)~~ (13). The subtraction allowed under section 290.01, subdivision 19b, clause ~~(9)~~ (8), is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

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

Sec. 2. Minnesota Statutes 2008, section 289A.09, subdivision 2, is amended to read:

Subd. 2. **Withholding statement.** (a) A person required to deduct and withhold from an employee a tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to section 290.92, subdivision 19, if the employee or payee had claimed no more than one withholding exemption, or who paid wages or made payments not subject to withholding under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of \$600, or who has entered into a voluntary withholding agreement with a payee under section 290.92, subdivision 20, must give every employee or person receiving royalty payments in respect to the remuneration paid

by the person to the employee or person receiving royalty payments during the calendar year, on or before January 31 of the succeeding year, or, if employment is terminated before the close of the calendar year, within 30 days after the date of receipt of a written request from the employee if the 30-day period ends before January 31, a written statement showing the following:

(1) name of the person;

(2) the name of the employee or payee and the employee's or payee's Social Security account number;

(3) the total amount of wages as that term is defined in section 290.92, subdivision 1, paragraph (1); the total amount of remuneration subject to withholding under section 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the Internal Revenue Code; and the amount of royalties subject to withholding under section 290.923, subdivision 2; and

(4) the total amount deducted and withheld as tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2.

(b) The statement required to be furnished by paragraph (a) with respect to any remuneration must be furnished at those times, must contain the information required, and must be in the form the commissioner prescribes.

(c) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to give the statements to their employees or payees under this subdivision.

(d) A duplicate of any statement made under this subdivision and in accordance with rules prescribed by the commissioner, along with a reconciliation in the form the commissioner prescribes of the statements for the calendar year, including a reconciliation of the quarterly returns required to be filed under subdivision 1, must be filed with the commissioner on or before February 28 of the year after the payments were made.

(e) If an employer cancels the employer's Minnesota withholding account number required by section 290.92, subdivision 24, the information required by paragraph (d), must be filed with the commissioner within 30 days of the end of the quarter in which the employer cancels its account number.

(f) The employer must submit the statements required to be sent to the commissioner in the same manner required to satisfy the federal reporting requirements of section 6011(e) of the Internal Revenue Code and the regulations issued under it. ~~For wages paid in calendar year 2008,~~ An employer must submit statements to the commissioner required by this section by electronic means if the employer is required to send more than 400 25 statements to the commissioner, even though the employer is not required to submit the returns federally by electronic means. ~~For calendar year 2009, the 100 statements threshold is reduced to 50, and for calendar year 2010, the threshold is reduced to 25, and for statements issued for wages paid in 2011 and after, the threshold is reduced to ten.~~ All statements issued for withholding required under section 290.92 are aggregated for purposes of determining whether the electronic submission threshold is met.

(g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph (a), clause (2), must submit the returns required by this subdivision and subdivision 1, paragraph (a), with the commissioner by electronic means.

**EFFECTIVE DATE.** This section is effective for statements required to be filed after December 31, 2010.

Sec. 3. Minnesota Statutes 2008, section 289A.10, subdivision 1, is amended to read:

Subdivision 1. **Return required.** In the case of a decedent who has an interest in property with a situs in Minnesota, the personal representative must submit a Minnesota estate tax return to the commissioner, on a form prescribed by the commissioner, if:

(1) a federal estate tax return is required to be filed; or

(2) the federal gross estate exceeds ~~\$700,000 for estates of decedents dying after December 31, 2001, and before January 1, 2004; \$850,000 for estates of decedents dying after December 31, 2003, and before January 1, 2005; \$950,000 for estates of decedents dying after December 31, 2004, and before January 1, 2006; and \$1,000,000 for estates of decedents dying after December 31, 2005.~~

The return must contain a computation of the Minnesota estate tax due. The return must be signed by the personal representative.

**EFFECTIVE DATE.** This section is effective for estates of decedents dying after December 31, 2005.

Sec. 4. Minnesota Statutes 2008, section 289A.12, subdivision 14, is amended to read:

Subd. 14. **Regulated investment companies; reporting exempt-interest dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest dividends to an individual who is a resident of Minnesota must make a return indicating the amount of the exempt-interest dividends, the name, address, and Social Security number of the recipient, and any other information that the commissioner specifies. The return must be provided to the shareholder ~~no later than 30 days after the close of the taxable year~~ by February 15 of the year following the year of the payment. The return provided to the shareholder must include a clear statement, in the form prescribed by the commissioner, that the exempt-interest dividends must be included in the computation of Minnesota taxable income. ~~The regulated investment company is required in a manner prescribed by the commissioner to file a copy of the return with the commissioner.~~ By June 1 of each year, the regulated investment company must file a copy of the return with the commissioner.

(b) This subdivision applies to regulated investment companies required to register under chapter 80A.

(c) For purposes of this subdivision, the following definitions apply.

(1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest dividends that are not required to be added to federal taxable income under section 290.01, subdivision 19a, clause (1)(ii).

(2) "Regulated investment company" means regulated investment company as defined in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for returns due after December 31, 2010.

Sec. 5. Minnesota Statutes 2009 Supplement, section 289A.18, subdivision 1, is amended to read:

Subdivision 1. **Individual income, fiduciary income, corporate franchise, and entertainment taxes; partnership and S corporation returns; information returns; mining company returns.** The returns required to be made under sections 289A.08 and 289A.12 must be filed at the following times:

(1) returns made on the basis of the calendar year must be filed on April 15 following the close of the calendar year, except that returns of corporations must be filed on ~~March 15 following the close of the calendar year~~ the due date for filing the federal income tax return;

(2) returns made on the basis of the fiscal year must be filed on the 15th day of the fourth month following the close of the fiscal year, except that returns of corporations must be filed on the ~~15th day of the third month following the close of the fiscal year~~ due date for filing the federal income tax return;

(3) returns for a fractional part of a year must be filed on the ~~15th day of the fourth month following the end of the month in which falls the last day of the period for which the return is made, except that the returns of corporations must be filed on the 15th day of the third month following the end of the tax year; or, in the case of a corporation which is a member of a unitary group, the return of the corporation must be filed on the 15th day of the third month following the end of the tax year of the unitary group in which falls the last day of the period for which the return is made~~ due date for filing the federal income tax return;

(4) in the case of a final return of a decedent for a fractional part of a year, the return must be filed on the 15th day of the fourth month following the close of the 12-month period that began with the first day of that fractional part of a year;

(5) in the case of the return of a cooperative association, returns must be filed on or before the 15th day of the ninth month following the close of the taxable year;

(6) if a corporation has been divested from a unitary group and files a return for a fractional part of a year in which it was a member of a unitary business that files a combined report under section 290.17, subdivision 4, the divested corporation's return must be filed on the 15th day of the third month following the close of the common accounting period that includes the fractional year;

(7) returns of entertainment entities must be filed on April 15 following the close of the calendar year;

(8) returns required to be filed under section 289A.08, subdivision 4, must be filed on the 15th day of the fifth month following the close of the taxable year;

(9) returns of mining companies must be filed on May 1 following the close of the calendar year; and

(10) returns required to be filed with the commissioner under section 289A.12, subdivision 2, 4 to 10, or 16 must be filed within 30 days after being demanded by the commissioner.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2009.

Sec. 6. Minnesota Statutes 2008, section 289A.30, subdivision 2, is amended to read:

Subd. 2. **Estate tax.** Where good cause exists, the commissioner may extend the time for payment of estate tax for a period of not more than six months. If an extension to pay the federal estate tax has been granted under section 6161 of the Internal Revenue Code, the time for payment of the estate tax without penalty is extended for that period. A taxpayer who owes at least \$5,000 in taxes and who, under section 6161 or 6166 of the Internal Revenue Code has been granted an extension for payment of the tax shown on the return, may elect to pay the tax due to the commissioner in equal amounts at the same time as required for federal purposes. A taxpayer electing to pay the tax in installments shall defer a percentage of tax that does not exceed the percentage of federal tax deferred and must notify the commissioner in writing no later than nine months after the death of the person whose estate is subject to

taxation. If the taxpayer fails to pay an installment on time, unless it is shown that the failure is due to reasonable cause, the election is revoked and the entire amount of unpaid tax plus accrued interest is due and payable 90 days after the date on which the installment was payable.

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

Sec. 7. Minnesota Statutes 2008, section 289A.50, subdivision 4, is amended to read:

Subd. 4. **Notice of refund.** The commissioner shall determine the amount of refund, if any, that is due, and notify the taxpayer of the determination as soon as practicable after a claim has been filed.

If the commissioner determines that the address provided by the taxpayer to claim a refund is invalid or is no longer the current address of the taxpayer, then the date of the mailing of the notification provided under this subdivision is considered the date that the refund is paid for purposes of the payment of interest under section 289A.56 and is considered the date of issuance of the original warrant or check for purposes of issuing a new warrant or check under section 270C.347.

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

Sec. 8. Minnesota Statutes 2008, section 289A.60, subdivision 7, is amended to read:

Subd. 7. **Penalty for frivolous return.** If a taxpayer files what purports to be a tax return or a claim for refund but which does not contain information on which the substantial correctness of the purported return or claim for refund may be judged or contains information that on its face shows that the purported return or claim for refund is substantially incorrect and the conduct is due to a position that is frivolous or a desire that appears on the purported return or claim for refund to delay or impede the administration of Minnesota tax laws, then the ~~individual taxpayer~~ shall pay a penalty of the greater of \$1,000 or 25 percent of the amount of tax required to be shown on the return. In a proceeding involving the issue of whether or not a ~~person taxpayer~~ is liable for this penalty, the burden of proof is on the commissioner.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to returns filed after that day.

Sec. 9. Minnesota Statutes 2009 Supplement, 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:

(A) the portion of the exempt-interest dividends exempt from state taxation under the laws of the United States; and

(B) the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends, including any dividends exempt under subitem (A).

that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code, making the payment; and

(iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal government described in section 7871(c) of the Internal Revenue Code shall be treated as interest income on obligations of the state in which the tribe is located;

(2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the 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, disregarding the amounts allowed under sections 63(c)(1)(C) and 63(c)(1)(E) 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, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions 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 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and taxes based on net income paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10 other than expenses or interest used in computing net interest income for the subtraction allowed under subdivision 19b, clause (1);

(6) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed;

(8) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(9) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

(10) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

(11) the amount of expenses disallowed under section 290.10, subdivision 2;



(12) the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income;

(13) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income;

(14) the additional standard deduction for property taxes payable that is allowable under section 63(c)(1)(C) of the Internal Revenue Code;

(15) the additional standard deduction for qualified motor vehicle sales taxes allowable under section 63(c)(1)(E) of the Internal Revenue Code;

(16) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code; and

(17) the amount of unemployment compensation exempt from tax under section 85(c) of the Internal Revenue Code.

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

Sec. 10. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19b, as amended by Laws 2010, chapter 187, section 2, is amended to read:

Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) net interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) if included in federal taxable income, the amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. No deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle to provide such transportation for a qualifying child. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

(5) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code, under the provisions of Public Law 109-1 and Public Law 111-126;

~~(7) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;~~

~~(8)~~ (7) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

~~(9)~~ (8) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

~~(10)~~ (9) job opportunity building zone income as provided under section 469.316;

~~(11)~~ (10) to the extent included in federal taxable income, the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service performed in Minnesota, excluding compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05, subdivision 5c, but "active service" excludes service performed in accordance with section 190.08, subdivision 3;

~~(12)~~ (11) to the extent included in federal taxable income, the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed outside Minnesota under United States Code, title 10, section 101(d); United States Code, title 32, section 101(12); or the authority of the United Nations;

~~(13)~~ (12) an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that

such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

~~(14)~~ (13) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

~~(15)~~ (14) to the extent included in federal taxable income, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

~~(16)~~ (15) international economic development zone income as provided under section 469.325;

~~(17)~~ (16) to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved Americorps National Service program; and

~~(18)~~ (17) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under section 290.01, subdivision 19a, clause (16).

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

Sec. 11. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the work opportunity credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (9), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(8) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(9) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year;

(10) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation, unless the income resulting from such payments or accruals is income from sources within the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(11) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

(12) the amount of disability access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

(13) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

(14) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

~~(15) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;~~

~~(16)~~ (15) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

~~(17)~~ (16) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

~~(18)~~ (17) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (15), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (15). The resulting delayed depreciation cannot be less than zero;

~~(19)~~ (18) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the amount of the addition; and

~~(20)~~ (19) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under section 290.01, subdivision 19c, clause (25).

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

Sec. 12. Minnesota Statutes 2008, section 290.014, subdivision 2, is amended to read:

Subd. 2. **Nonresident individuals.** Except as provided in section 290.015, a nonresident individual is subject to the return filing requirements and to tax as provided in this chapter to the extent that the income of the nonresident individual is:

(1) allocable to this state under section 290.17, 290.191, or 290.20;

(2) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as a beneficiary of an estate with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 662(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the estate;

(3) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character that is taxable under this chapter) in the individual's capacity as a beneficiary or grantor or other person treated as a substantial owner of a trust with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 652(b), 662(b), or 664(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the trust;

(4) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as a limited or general partner in a partnership with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 702(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the partnership; ~~or~~

(5) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as a shareholder of a corporation treated as an "S" corporation under section 290.9725, and income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 1366(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the corporation; or

(6) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as the sole member of a limited liability company that is disregarded for federal income tax purposes, with income allocable to this state under section 290.17, 290.191, or 290.20, as though realized by the individual directly from the source from which it was realized by the limited liability company.

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

Sec. 13. Minnesota Statutes 2009 Supplement, 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 \$25,680, 5.35 percent;
- (2) On all over \$25,680, but not over \$102,030, 7.05 percent;
- (3) On all over \$102,030, 7.85 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 \$17,570, 5.35 percent;
- (2) On all over \$17,570, but not over \$57,710, 7.05 percent;

(3) On all over \$57,710, 7.85 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 \$21,630, 5.35 percent;

(2) On all over \$21,630, but not over \$86,910, 7.05 percent;

(3) On all over \$86,910, 7.85 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 and increased by the additions required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (13), (16), and (17), and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), and the subtractions under section 290.01, subdivision 19b, clauses ~~(9), (10), (14), (15), (16), and (18)~~ (8), (9), (13), (14), (15), and (17), 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), (8), (9), (12), (13), (16), and (17), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), ~~(9), (10), (14), (15), (16), and (18)~~ (8), (9), (13), (14), (15), and (17).

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

Sec. 14. Minnesota Statutes 2008, section 290.067, subdivision 1, is amended to read:

Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2 except that in determining whether the child qualified as a dependent, income received as a Minnesota family investment program grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

(b) If a child who has not attained the age of six years at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. If the child is 16 months old or younger at the close of the taxable year, the amount of expenses deemed

to have been paid equals the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code. If the child is older than 16 months of age but has not attained the age of six years at the close of the taxable year, the amount of expenses deemed to have been paid equals the amount the licensee would charge for the care of a child of the same age for the same number of hours of care.

(c) If a married couple:

(1) has a child who has not attained the age of one year at the close of the taxable year;

(2) files a joint tax return for the taxable year; and

(3) does not participate in a dependent care assistance program as defined in section 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i) the combined earned income of the couple or (ii) the amount of the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

(d) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, no credit is allowed for any amount paid to any person unless:

(1) the name, address, and taxpayer identification number of the person are included on the return claiming the credit; or

(2) if the person is an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name and address of the person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information required.

In the case of a nonresident, part-year resident, or a person who has earned income not subject to tax under this chapter including earned income excluded pursuant to section 290.01, subdivision 19b, clause ~~(10)~~ (9) or ~~(16)~~ (15), the credit determined under section 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse.

For residents of Minnesota, the subtractions for military pay under section 290.01, subdivision 19b, clauses ~~(11)~~ (10) and ~~(12)~~ (11), are not considered "earned income not subject to tax under this chapter."

For residents of Minnesota, the exclusion of combat pay under section 112 of the Internal Revenue Code is not considered "earned income not subject to tax under this chapter."

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



Sec. 15. Minnesota Statutes 2009 Supplement, 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 1.9125 percent of the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned income or adjusted gross income, whichever is greater, in excess of \$5,770, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 8.5 percent of the first \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than \$13,450. The credit is reduced by 5.73 percent of earned income or adjusted gross income, whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ten percent of the first \$9,720 of earned income and 20 percent of earned income over \$14,860 but less than \$16,800. The credit is reduced by 10.3 percent of earned income or adjusted gross income, whichever is greater, in excess of \$17,890, 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, including income excluded under section 290.01, subdivision 19b, clause ~~(10)~~ (9) or ~~(16)~~ (15), 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. For purposes of this paragraph, the subtractions for military pay under section 290.01, subdivision 19b, clauses ~~(11)~~ (10) and ~~(12)~~ (11), are not considered "earned income not subject to tax under this chapter."

For the purposes of this paragraph, the exclusion of combat pay under section 112 of the Internal Revenue Code is not considered "earned income not subject to tax under this chapter."

(g) For tax years beginning after December 31, 2007, and before December 31, 2010, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2008, the commissioner shall annually adjust the \$3,000 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 "2007" shall be substituted for the word "1992." For 2009, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2007, to the 12 months ending on August 31, 2008, and in each subsequent year, from the 12 months ending on August 31, 2007, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

(h) 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.

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

Sec. 16. Minnesota Statutes 2008, section 290.081, is amended to read:

**290.081 INCOME OF NONRESIDENTS, RECIPROCITY.**

(a) The compensation received for the performance of personal or professional services within this state by an individual whose residence, place of abode, and place customarily returned to at least once a month is in another state, shall be excluded from gross income to the extent such compensation is subject to an income tax imposed by the state of residence; provided that such state allows a similar exclusion of compensation received by residents of Minnesota for services performed therein.

(b) When it is deemed to be in the best interests of the people of this state, the commissioner may determine that the provisions of paragraph (a) shall not apply. As long as the provisions of paragraph (a) apply between Minnesota and Wisconsin, the provisions of paragraph (a) shall apply to any individual who is domiciled in Wisconsin.

(c) For the purposes of paragraph (a), whenever the Wisconsin tax on Minnesota residents which would have been paid Wisconsin without paragraph (a) exceeds the Minnesota tax on Wisconsin residents which would have been paid Minnesota without paragraph (a), or vice versa, then the state with the net revenue loss resulting from paragraph (a) ~~shall receive from~~ must be compensated by the other state ~~the amount of such loss as provided in the agreement under paragraph (d).~~ This provision shall be effective for all years beginning after December 31, 1972. The data used for computing the loss to either state shall be determined on or before September 30 of the year following the close of the previous calendar year.

(d) Interest is payable on all amounts calculated under paragraph (c) relating to taxable years beginning after December 31, 2000. Interest accrues from July 1 of the taxable year. The commissioner of revenue is authorized to enter into agreements with the state of Wisconsin specifying the compensation required under paragraph (b), the reciprocity payment due date, conditions constituting delinquency, interest rates, and a method for computing interest due. Calculation of compensation under the agreement must specify if the revenue loss is determined before or after the allowance of each state's credit for taxes paid to the other state.

(e) If an agreement cannot be reached as to the amount of the loss, the commissioner of revenue and the taxing official of the state of Wisconsin shall each appoint a member of a board of arbitration and these members shall appoint the third member of the board. The board shall select one of its members as chair. Such board may administer oaths, take testimony, subpoena witnesses, and require their attendance, require the production of books, papers and documents, and hold hearings at such places as are deemed necessary. The board shall then make a determination as to the amount to be paid the other state which determination shall be final and conclusive.

(f) The commissioner may furnish copies of returns, reports, or other information to the taxing official of the state of Wisconsin, a member of the board of arbitration, or a consultant under joint contract with the states of Minnesota and Wisconsin for the purpose of making a determination as to the amount to be paid the other state under the provisions of this section. Prior to the release of any information under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that the person will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota.

Sec. 17. Minnesota Statutes 2009 Supplement, section 290.091, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; and

(iv) the impairment-related work expenses of a disabled person;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

(6) the amount of addition required by section 290.01, subdivision 19a, clauses (7) to (9), (12), (13), (16), and (17);

less the sum of the amounts determined under the following:

(1) interest income as defined in section 290.01, subdivision 19b, clause (1);

(2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income;

(3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income; and

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (6), ~~(9)~~ (8) to ~~(16)~~ (15), and ~~(18)~~ (17).

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Net minimum tax" means the minimum tax imposed by this section.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(e) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

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

Sec. 18. Minnesota Statutes 2008, section 290.0921, subdivision 3, is amended to read:

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) For purposes of the depreciation adjustments under section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal income tax purposes, including any modification made in a taxable year under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c).

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation allowance in the first taxable year after December 31, 2000.

(2) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.01, subdivision 19c, clause (15), is disallowed in determining alternative minimum taxable income.

(3) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause ~~(18)~~ (17), is allowed as a depreciation deduction in determining alternative minimum taxable income.

(4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(6) The special rule for dividends from section 936 companies under section 56(g)(4)(C)(iii) does not apply.

(7) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(8) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to subparagraph (E) and the subtraction under section 290.01, subdivision 19d, clause (4).

(9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(10) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(11) For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, not previously deducted is a depreciation or amortization allowance in the first taxable year after December 31, 2004.

(12) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(13) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (9), or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause (10).

(14) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

(15) Alternative minimum taxable income excludes the income from operating in a biotechnology and health sciences industry zone as provided under section 469.337.

(16) Alternative minimum taxable income excludes the income from operating in an international economic development zone as provided under section 469.326.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

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

Sec. 19. Minnesota Statutes 2008, section 290.17, subdivision 2, is amended to read:

Subd. 2. **Income not derived from conduct of a trade or business.** The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if, and to the extent that, the work of the employee is performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

(ii) The amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law 104-95, are not considered income derived from carrying on a trade or business or from wages or other compensation for work an employee performed in Minnesota, and are not taxable under this chapter.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of an interest in a single member limited liability company that is disregarded for federal income tax purposes is allocable to this state as if the single member limited liability company did not exist and the assets of the limited liability company are personally owned by the sole member.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was assignable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

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

Sec. 20. Minnesota Statutes 2008, section 290.21, subdivision 4, is amended to read:

Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of dividends received by a corporation during the taxable year from another corporation, in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom; and

(2)(i) the remaining 20 percent of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989;

(ii) the remaining 20 percent of dividends if the dividends are received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989, or is deducted under an election under section 243(b) of the Internal Revenue Code; or

(iii) the remaining 20 percent of the dividends if the dividends are received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (A) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.17, subdivision 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

(g) The deduction provided by this subdivision does not apply to dividends received from a real estate investment trust, if the dividends are not considered to be dividends under sections 243(d)(3) and 857(c) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2009.

Sec. 21. Minnesota Statutes 2009 Supplement, section 291.005, subdivision 1, as amended by Laws 2010, chapter 216, section 15, is amended to read:

Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes ~~by federal taxing authorities pursuant to the provisions of~~ under the Internal Revenue Code.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through March 18, 2010, but without regard to the provisions of sections 501 and 901 of Public Law 107-16.

(4) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, increased by the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code.

(5) "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.

(6) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(7) "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.

(8) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(9) "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.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies regardless of when the decedent died.

Sec. 22. Minnesota Statutes 2008, section 291.03, is amended by adding a subdivision to read:

**Subd. 1b. Qualified terminable interest property.** For estates of decedents dying after December 31, 2009, and before January 1, 2011, if no federal estate tax return is filed the executor may make a qualified terminable interest property election, as defined in section 2056(b)(7) of the Internal Revenue Code, for purposes of computing the tax under this chapter. The election may not reduce the taxable estate under this chapter below \$3,500,000. The election must be made on the tax return under this chapter and is irrevocable. All tax under this chapter must be determined using the qualified terminable interest property election made on the Minnesota return. For purposes of applying sections 2044 and 2207A of the Internal Revenue Code when computing the tax under this chapter for the estate of the decedent's surviving spouse, regardless of the date of death of the surviving spouse, amounts for which a qualified terminable interest property election has been made under this section must be treated as though a valid federal qualified terminable interest property election under section 2056(b)(7) of the Internal Revenue Code has been made.

**EFFECTIVE DATE.** This section is effective for estates of decedents dying after December 31, 2009.

Sec. 23. **[524.2-712] DECEDENTS DYING AFTER DECEMBER 31, 2009, AND BEFORE JANUARY 1, 2011; CONSTRUCTION OF CERTAIN FORMULA CLAUSES BY REFERENCE TO FEDERAL TRANSFER TAX LAW.**

(a) A governing instrument, including a will or trust agreement, of a decedent who dies after December 31, 2009, and before January 1, 2011, that contains a formula or provision referring to the "unified credit," "estate tax exemption," "applicable exemption amount," "applicable credit amount," "applicable exclusion amount," "generation-skipping transfer tax exemption," "GST exemption," "marital deduction," "maximum marital deduction," "unlimited marital deduction," "inclusion ratio," "applicable fraction," or any section of the Internal Revenue Code relating to the federal estate tax or federal generation-skipping transfer tax, or that measures a share of an estate or trust by reference to federal estate taxes or federal generation-skipping transfer taxes, is deemed to refer to the federal estate tax and the federal generation-skipping transfer tax laws as they applied with respect to the estates of decedents dying on December 31, 2009. This paragraph does not apply to a governing instrument, including a will or trust agreement, that manifests an intent that a contrary rule applies if the decedent dies on a date on which there is no then-applicable federal estate or federal generation-skipping transfer tax.

(b) If the federal estate or federal generation-skipping transfer tax becomes effective before January 1, 2011, then the reference to January 1, 2011, in paragraph (a) instead refers to the first date on which the tax becomes legally effective.

(c) The personal representative, trustee, or any interested person under the governing instrument, including a will or trust agreement, may bring a proceeding to determine whether the decedent intended that a formula or provision described in paragraph (a) be construed with respect to the law as it existed after December 31, 2009. Such a proceeding must be commenced by December 31, 2011.

**EFFECTIVE DATE.** This section is effective on January 1, 2010.

Sec. 24. **INCOME TAX RECIPROCALITY BENCHMARK STUDY.**

Subdivision 1. **Study parameters.** (a) The Department of Revenue, in conjunction with the Wisconsin Department of Revenue, must conduct a study of individuals who are residents of Minnesota and earn income for the performance of personal or professional services in Wisconsin, or who are residents of Wisconsin and earn income for the performance of personal or professional services in Minnesota. The purpose of the study is to develop an estimate of net compensation payable from one state to the other for the income tax revenue foregone as a result of the two states entering into a new income tax reciprocity agreement, which would take effect in tax year 2012, with compensation payments from one state to the other made in the same fiscal year in which the net revenue loss resulting from reciprocity occurs. The study must be conducted as soon as practicable, using information obtained from each state's income tax returns for tax year 2010, and from any other source of information the departments determine is necessary to complete the study.

(b) The study must include at least the following:

(1) the number of residents of each state who earn income from the performance of personal or professional services in the other state;

(2) the total amount of income earned by residents of each state who earn income from the performance of personal or professional services in the other state;

(3) the amount of tax revenue that would be gained or foregone by each state if an income tax reciprocity agreement were resumed between the two states under which the taxpayers were required to pay income taxes on the income only in their state of residence beginning in tax year 2012;

(4) a calculation of compensation payable from one state to the other that takes into account the credit each state allows for taxes paid to other states; and

(5) a methodology for using the base year results determined by the study to project the amount of compensation payments in future years.

Subd. 2. **Reports.** (a) No later than July 15, 2011, the commissioner of revenue must report to the governor and to the chairs and ranking minority members of the legislative committees having jurisdiction over taxes, in compliance with Minnesota Statutes, sections 3.195 and 3.197. The report must include:

(1) the status of negotiations between the states concerning a reciprocity agreement to commence for tax year 2012;

(2) a description of data elements being captured for the study from 2010 income tax returns;

(3) preliminary totals for the number of residents of each state who earn income from the performance of personal or professional services in the other state and the amount of that income; and

(4) any other preliminary conclusions responsive to the requirements in subdivision 1.

(b) No later than September 15, 2011, the commissioner of revenue must report to the governor and to the chairs and ranking minority members of the legislative committees having jurisdiction over taxes in compliance with Minnesota Statutes, sections 3.195 and 3.197. The report must include an update of information provided in paragraph (a).

(c) No later than March 1, 2012, the commissioner of revenue must submit a final report to the governor and to the chairs and ranking minority members of the legislative committees having jurisdiction over taxes, in compliance with Minnesota Statutes, sections 3.195 and 3.197, on the final results of the study and the status of a reciprocity agreement between the two states.

#### ARTICLE 4

#### SALES AND USE TAXES

Section 1. Minnesota Statutes 2008, section 289A.50, subdivision 2, is amended to read:

Subd. 2. **Refund of sales tax to vendors; limitation.** (a) If a vendor has collected from a purchaser and remitted to the state a tax on a transaction that is not subject to the tax imposed by chapter 297A, the tax is refundable to the vendor only if and to the extent that the tax and any interest earned on the tax is credited to amounts due to the vendor by the purchaser or returned to the purchaser by the vendor.

(b) In addition to the requirements of subdivision 1, a claim for refund under this subdivision must state in writing that the tax and interest earned on the tax has been or will be refunded or credited to the purchaser by the vendor.

(c) Within 60 days after the date the commissioner issues the refund, any amount not refunded or credited to the purchaser by the vendor, as required by paragraph (a), must be returned to the commissioner by the vendor.

(d) After the commissioner refunds the tax and interest to the vendor, if the commissioner determines that the vendor did not refund or credit the tax and interest as provided in this subdivision, or did not return the amount required to be returned under paragraph (c), the commissioner may assess the vendor for underpayment of tax and interest equal to that portion of the amount that was not refunded or credited to the purchaser. The assessment bears interest which is computed at the rate specified in section 270C.40, subdivision 5, on the unpaid amount from the date the commissioner issues the refund until the date the amount is paid to the commissioner. The assessment may be made at any time within 3-1/2 years after the commissioner refunds the tax and interest to the vendor. If part of the refund was induced by fraud or misrepresentation of a material fact, the assessment may be made at any time.

**EFFECTIVE DATE.** This section is effective for refunds issued after June 30, 2010.

Sec. 2. Minnesota Statutes 2008, section 297A.62, as amended by Laws 2009, chapter 88, article 4, section 4, is amended to read:

#### **297A.62 SALES TAX IMPOSED; RATES.**

Subdivision 1. **Generally.** Except as otherwise provided in subdivision 3 or in this chapter, a sales tax of 6.5 percent is imposed on the gross receipts from retail sales as defined in section 297A.61, subdivision 4, made in this state or to a destination in this state by a person who is required to have or voluntarily obtains a permit under section 297A.83, subdivision 1.

Subd. 1a. **Constitutionally required sales tax increase.** Except as otherwise provided in subdivision 3 or in this chapter, an additional sales tax of 0.375 percent, as required under the Minnesota Constitution, article XI, section 15, is imposed on the gross receipts from retail sales as defined in section 297A.61, subdivision 4, made in this state or to a destination in this state by a person who is required to have or voluntarily obtains a permit under section 297A.83, subdivision 1. This additional tax expires July 1, 2034.

Subd. 3. **Manufactured housing and park trailers.** For retail sales of manufactured homes as defined in section 327.31, subdivision 6, for residential uses, the sales tax under ~~subdivision subdivisions 1 and 1a~~ is imposed on 65 percent of the dealer's cost of the manufactured home. For retail sales of new or used park trailers, as defined in section 168.002, subdivision 23, the sales tax under ~~subdivision subdivisions 1 and 1a~~ is imposed on 65 percent of the sales price of the park trailer.

Subd. 4. **Combined rates.** In this chapter, wherever there is a reference to the rate under subdivision 1, or to a combined rate under subdivisions 1 and 1a, the rate to be applied is the combined rate under subdivisions 1 and 1a until the additional tax imposed by subdivision 1a expires. This subdivision does not apply to section 297A.65.

**EFFECTIVE DATE.** This section is effective retroactively for sales and purchases made after June 30, 2009, except for sales and purchases subject to subdivision 3. This section is effective for sales and purchases subject to subdivision 3 made after June 30, 2010.

Sec. 3. Minnesota Statutes 2008, section 297A.665, is amended to read:

**297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.**

(a) For the purpose of the proper administration of this chapter and to prevent evasion of the tax, until the contrary is established, it is presumed that:

(1) all gross receipts are subject to the tax; and

(2) all retail sales for delivery in Minnesota are for storage, use, or other consumption in Minnesota.

(b) The burden of proving that a sale is not a taxable retail sale is on the seller. However, a seller is relieved of liability if:

(1) the seller obtains a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, at the time of the sale or within 90 days after the date of the sale; or

(2) if the seller has not obtained a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, within the time provided in clause (1), within 120 days after a request for substantiation by the commissioner, the seller either:

(i) obtains in good faith a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, from the purchaser; or

(ii) proves by other means that the transaction was not subject to tax.

(c) Notwithstanding paragraph (b), relief from liability does not apply to a seller who:

(1) fraudulently fails to collect the tax; or

(2) solicits purchasers to participate in the unlawful claim of an exemption.

(d) A certified service provider, as defined in section 297A.995, subdivision 2, is relieved of liability under this section to the extent a seller who is its client is relieved of liability.

(e) A purchaser of tangible personal property or any items listed in section 297A.63 that are shipped or brought to Minnesota by the purchaser has the burden of proving that the property was not purchased from a retailer for storage, use, or consumption in Minnesota.

(f) If a seller claims that certain sales are exempt and does not provide the certificate, information, or proof required by paragraph (b), clause (2), within 120 days after the date of the commissioner's request for substantiation, then the exemptions claimed by the seller that required substantiation are disallowed.

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

Sec. 4. Minnesota Statutes 2008, section 297A.68, subdivision 39, is amended to read:

Subd. 39. **Preexisting bids or contracts.** (a) The sale of tangible personal property or services is exempt from tax or a tax rate increase for a period of six months from the effective date of the law change that results in the imposition of the tax or the tax rate increase under this chapter if:

(1) the act imposing the tax or increasing the tax rate does not have transitional effective date language for existing construction contracts and construction bids; and

(2) the requirements of paragraph (b) are met.

(b) A sale is tax exempt under paragraph (a) if it meets the requirements of either clause (1) or (2):

(1) For a construction contract:

(i) the goods or services sold must be used for the performance of a bona fide written lump sum or fixed price construction contract;

(ii) the contract must be entered into before the date the goods or services become subject to the sales tax or the tax rate was increased;

(iii) the contract must not provide for allocation of future taxes; and

(iv) for each qualifying contract the contractor must ~~give the seller~~ keep documentation of the contract on which an exemption is to be claimed.

(2) For a construction bid:

(i) the goods or services sold must be used pursuant to an obligation of a bid or bids;

(ii) the bid or bids must be submitted and accepted before the date the goods or services became subject to the sales tax or the tax rate was increased;

(iii) the bid or bids must not be able to be withdrawn, modified, or changed without forfeiting a bond; and

(iv) for each qualifying bid, the contractor must ~~give the seller~~ keep documentation of the bid on which an exemption is to be claimed.

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

Sec. 5. Minnesota Statutes 2008, section 297A.70, subdivision 13, is amended to read:

Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following sales by the specified organizations for fund-raising purposes are exempt, subject to the limitations listed in paragraph (b):

(1) all sales made by ~~an~~ a nonprofit organization that exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under;

(2) all sales made by an organization that is a senior citizen group or association of groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii) no part of its net earnings inures to the benefit of any private shareholders;

(3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code; and

(4) sales of candy sold for fund-raising purposes by a nonprofit organization that provides educational and social activities primarily for young people age 18 and under.

(b) The exemptions listed in paragraph (a) are limited in the following manner:

(1) the exemption under paragraph (a), clauses (1) and (2), applies only if the gross annual receipts of the organization from fund-raising do not exceed \$10,000; and

(2) the exemption under paragraph (a), clause (1), does not apply if the sales are derived from admission charges or from activities for which the money must be deposited with the school district treasurer under section 123B.49, subdivision 2, or be recorded in the same manner as other revenues or expenditures of the school district under section 123B.49, subdivision 4.

(c) Sales of tangible personal property are exempt if the entire proceeds, less the necessary expenses for obtaining the property, will be contributed to a registered combined charitable organization described in section 43A.50, to be used exclusively for charitable, religious, or educational purposes, and the registered combined charitable organization has given its written permission for the sale. Sales that occur over a period of more than 24 days per year are not exempt under this paragraph.

(d) For purposes of this subdivision, a club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports, educational, or other extracurricular activities is a separate organization from the school district or school for purposes of applying the \$10,000 limit.

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

Sec. 6. Minnesota Statutes 2008, section 297A.71, subdivision 23, is amended to read:

Subd. 23. **Construction materials for qualified low-income housing projects.** (a) Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of qualified low-income housing projects are exempt from the tax imposed under this chapter if the owner of the qualified low-income housing project is:

(1) the public housing agency or housing and redevelopment authority of a political subdivision;

(2) an entity exercising the powers of a housing and redevelopment authority within a political subdivision;

(3) a limited partnership in which the sole or managing general partner is an authority under clause (1) or an entity under clause (2) ~~or~~, (4), or (5);

(4) a nonprofit corporation subject to the provisions of chapter 317A, and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended; ~~or~~

(5) a limited liability company that consists of a sole member that is an entity under clause (4); or

~~(5)~~ (6) an owner entity, as defined in Code of Federal Regulations, title 24, part 941.604, for a qualified low-income housing project described in paragraph (b), clause (5).

This exemption applies regardless of whether the purchases are made by the owner of the facility or a contractor.

(b) For purposes of this exemption, "qualified low-income housing project" means:

(1) a housing or mixed use project in which at least 20 percent of the residential units are qualifying low-income rental housing units as defined in section 273.126;

(2) a federally assisted low-income housing project financed by a mortgage insured or held by the United States Department of Housing and Urban Development under United States Code, title 12, section 1701s, 1715l(d)(3), 1715l(d)(4), or 1715z-1; United States Code, title 42, section 1437f; the Native American Housing Assistance and Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar successor federal low-income housing program;

(3) a qualified low-income housing project as defined in United States Code, title 26, section 42(g), meeting all of the requirements for a low-income housing credit under section 42 of the Internal Revenue Code regardless of whether the project actually applies for or receives a low-income housing credit;

(4) a project that will be operated in compliance with Internal Revenue Service revenue procedure 96-32; or

(5) a housing or mixed use project in which all or a portion of the residential units are subject to the requirements of section 5 of the United States Housing Act of 1937.

(c) For a project, a portion of which is not used for low-income housing units, the amount of purchases that are exempt under this subdivision must be determined by multiplying the total purchases, as specified in paragraph (a), by the ratio of:

(1) the total gross square footage of units subject to the income limits under section 273.126, the financing for the project, the federal low-income housing tax credit, revenue procedure 96-32, or section 5 of the United States Housing Act of 1937, as applicable to the project; and

(2) the total gross square footage of all units in the project.

(d) The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2010.

Sec. 7. Minnesota Statutes 2008, section 297A.71, subdivision 39, is amended to read:

Subd. 39. **Hydroelectric generating facility.** Materials and supplies used or consumed in the construction of a 10.3 megawatt run-of-the-river hydroelectric generating facility that meets the requirements of this subdivision are exempt. To qualify for the exemption under this subdivision, a hydroelectric generating facility must:

- (1) utilize between 12 and 16 turbine generators at a dam site existing on March 31, 1994;
- (2) be located on land within 3,000 feet of a 13.8 kilovolt distribution circuit; and
- (3) be eligible to receive a renewable energy production incentive payment under section 216C.41.

This exemption applies to materials and supplies purchased after April 30, 2006, and on or before December 31, 2010.

**EFFECTIVE DATE.** This section is effective retroactively for sales and purchases made after December 31, 2009.

Sec. 8. Minnesota Statutes 2008, section 297A.995, subdivision 10, is amended to read:

Subd. 10. **Relief from certain liability.** (a) Notwithstanding subdivision 9, sellers and certified service providers are relieved from liability to the state for having charged and collected the incorrect amount of sales or use tax resulting from the seller or certified service provider (1) relying on erroneous data provided by the commissioner in the database files on tax rates, boundaries, or taxing jurisdiction assignments, or (2) relying on erroneous data provided by the state in its taxability matrix concerning the taxability of products and services.

(b) Notwithstanding subdivision 9, sellers and certified service providers are relieved from liability to the state for having charged and collected the incorrect amount of sales or use tax resulting from the seller or certified service provider relying on the certification by the commissioner as to the accuracy of a certified automated system as to the taxability of product categories. The relief from liability provided by this paragraph does not apply when the sellers or certified service providers have incorrectly classified an item or transaction into a product category, unless the item or transaction within a product category was approved by the commissioner or approved jointly by the states that are signatories to the agreement. The sellers and certified service providers must revise a classification within ten days after receipt of notice from the commissioner that an item or transaction within a product category is incorrectly classified as to its taxability, or they are not relieved from liability for the incorrect classification following the notification.

(c) Notwithstanding subdivision 9, if there are not at least 30 days between the enactment of a new tax rate and the effective date of the new rate, sellers and certified service providers shall be relieved from liability for failing to collect tax at the new rate during the first 30 days of the rate change, beginning on the day after the date of enactment of the rate change, provided the seller or certified service provider continued to impose and collect the tax at the immediately preceding tax rate during this period. Relief from liability provided by this paragraph shall not apply if the failure to collect at the newly effective rate extends beyond 30 days after the enactment of the new rate. The relief provided by this paragraph shall not apply if the commissioner determines that the seller or certified service provider fraudulently failed to collect at the new rate or that the seller or certified service provider solicited purchasers based on the immediately preceding tax rate.

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



Sec. 9. Minnesota Statutes 2008, section 297A.995, subdivision 11, is amended to read:

Subd. 11. **Purchaser relief from certain liability.** (a) Notwithstanding other provisions in the law, a purchaser is relieved from liability resulting from having paid the incorrect amount of sales or use tax if a purchaser, whether or not ~~holding a the commissioner gave the purchaser~~ direct pay ~~permit authorization~~, or a purchaser's seller or certified service provider relied on erroneous data provided by this state in the database files on tax rates, boundaries, taxing jurisdiction assignments, or in the taxability matrix. After providing an address-based database for assigning taxing jurisdictions and their associated rates, no relief for errors resulting from the purchaser's reliance on a database using zip codes is allowed.

(b) With respect to reliance on the taxability matrix provided by this state in paragraph (a), relief is limited to erroneous classifications in the taxability matrix for items included within the classifications as "taxable," "exempt," "included in sales price," "excluded from sales price," "included in the definition," and "excluded from the definition."

(c) Notwithstanding other provisions in the law, if there are not at least 30 days between the enactment of a new tax rate and the effective date of the new rate, a purchaser shall be relieved from liability resulting from failing to pay the tax at the new rate during the first 30 days of the rate change, beginning on the day after the date of enactment of the rate change, whether or not the purchaser has been given direct pay authorization by the commissioner. Relief from liability provided by this paragraph shall not apply if the failure to pay at the newly effective rate extends beyond 30 days after the enactment of the new rate, and shall not apply to a purchaser that did not continue to pay the tax at the immediately preceding tax rate during the 30-day period. The relief provided by this paragraph shall not apply if the commissioner determines that the purchaser fraudulently failed to pay at the new rate.

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

Sec. 10. **[645.025] SPECIAL LAWS; LOCAL TAXES.**

Subdivision 1. **Definitions.** (a) If a special law grants a local government unit or group of units the authority to impose a local tax other than sales tax, including but not limited to taxes such as lodging, entertainment, admissions, or food and beverage taxes, and the Department of Revenue either has agreed to or is required to administer the tax, such that the tax is reported and paid with the chapter 297A taxes, then the local government unit or group of units must adopt each definition used in the special law as follows:

(1) the definition must be identical to the definition found in chapter 297A or in Minnesota Rules, chapter 8130; or

(2) if the specific term is not defined either in chapter 297A or in Minnesota Rules, chapter 8130, then the definition must be consistent with the position of the Department of Revenue as to the extent of the tax base.

(b) This subdivision does not apply to terms that are defined by the authorizing special law.

Subd. 2. **Application.** This section applies to a special law that is described in subdivision 1 that was:

(1) originally enacted prior to 2010, and that was amended by special law in or after 2010, to extend the time for imposing the tax or to modify the tax base; or

(2) first enacted in or after 2010.

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

Sec. 11. Laws 2009, chapter 88, article 4, section 5, the effective date, is amended to read:

**EFFECTIVE DATE.** This section is effective July 1, 2009, and applies to ~~registrations~~ leases or rentals made or renewed on or after that date.

**EFFECTIVE DATE.** This section is effective retroactively for leases or rentals made or renewed after June 30, 2009.

## ARTICLE 5

### LOCAL SALES TAX

Section 1. Laws 2002, chapter 377, article 3, section 25, as amended by Laws 2009, chapter 88, article 4, section 19, is amended to read:

#### Sec. 25. ROCHESTER LODGING TAX.

Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or 477A.016, or any other law, the city of Rochester may impose an additional tax of one percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more.

Subd. 1a. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or 477A.016, or any other law, and in addition to the tax authorized by subdivision 1, the city of Rochester may impose an additional tax of one percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more only upon the approval of the city governing body of a total financial package for the project.

Subd. 2. **Disposition of proceeds.** (a) The gross proceeds from the tax imposed under subdivision 1 must be used by the city to fund a local convention or tourism bureau for the purpose of marketing and promoting the city as a tourist or convention center.

(b) The gross proceeds from the one percent tax imposed under subdivision 1a shall be used to pay for (1) construction, renovation, improvement, and expansion of the Mayo Civic Center and related skyway access, lighting, parking, or landscaping; and (2) for payment of any principal, interest, or premium on bonds issued to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex.

Subd. 2a. **Bonds.** The city of Rochester may issue general obligation bonds of the city, in one or more series, in the aggregate principal amount not to exceed \$43,500,000, to pay for capital and administrative costs for the design, construction, renovation, improvement, and expansion of the Mayo Civic Center Complex, and related skyway, access, lighting, parking, and landscaping. The city may pledge the lodging tax authorized by subdivision 1a and the food and beverage tax authorized under Laws 2009, chapter 88, article 4, section 23, to the payment of the bonds. The debt represented by the bonds is not included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation or included in computing or applying any levy limitation applicable to the city. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required provided that the project financed by these bonds is paid from revenues generated by the proceeds of taxes listed in this subdivision in the same manner as obligations financed partially by tax increments under Minnesota Statutes, section 475.058, subdivision 1, clause (3).

Subd. 3. **Expiration of taxing authority.** The authority of the city to impose a tax under subdivision 1a shall expire when the principal and interest on any bonds or other obligations issued prior to December 31, 2014, to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex and related skyway access, lighting, parking, or landscaping have been paid, including any bonds issued to refund such bonds, or at an earlier time as the city shall, by ordinance, determine. Any funds remaining after completion of the project and retirement or redemption of the bonds shall be placed in the general fund of the city.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 2. Laws 2009, chapter 88, article 4, section 23, subdivision 4, is amended to read:

Subd. 4. **Expiration of taxing authority.** The authority granted under subdivision 1 to the city to impose a one percent tax on food and beverages shall expire when the principal and interest on any bonds or other obligations issued prior to December 31, 2014, to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex and related skyway access, lighting, parking, or landscaping, and any bonds issued to refund such bonds, have been paid or at an earlier time as the city shall, by ordinance, determine. Any funds remaining after completion of the project and retirement or redemption of the bonds shall be placed in the general fund of the city.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 3. **CITY OF DETROIT LAKES; LOCAL TAXES AUTHORIZED.**

Subdivision 1. **Food and beverage tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of Detroit Lakes may, by ordinance, impose a sales tax of one-half of one percent on the gross receipts of all food and beverages sold by a restaurant or place of refreshment, as defined by resolution of the city, that is located within the city. For purposes of this section, "food and beverages" include retail on-sale of intoxicating liquor and fermented malt beverages.

Subd. 2. **Entertainment tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of Detroit Lakes may, by ordinance, impose a tax of one-half of one percent on the gross receipts on admission to an entertainment event located within the city. For purposes of this section, "entertainment event" means any event for which persons pay money in order to be admitted to the premises and to be entertained, including, but not limited to, theaters, concerts, and sporting events.

Subd. 3. **Use of proceeds from authorized taxes.** The proceeds of the taxes imposed under subdivisions 1 and 2 must be used by the city to pay all or a portion of the expenses of the following projects:

- (1) control of flowering rush infestation;
- (2) construction and improvement of bike trail facilities;
- (3) parking improvements near public facilities; and
- (4) redevelopment of the area returned to the city as a result of realignment of Highway 10.

Subd. 4. **Expiration of taxing authority.** The taxes authorized under subdivisions 1 and 2 expire when the governing body of the city determines that sufficient revenues have been raised to finance the projects in subdivision 3, including the amount to prepay to retire at maturity the principal, interest, and premium due on any bonds issued for the projects.

Subd. 5. **Collection, administration, and enforcement.** The city may enter into an agreement with the commissioner of revenue to administer, collect, and enforce the taxes under subdivisions 1 and 2. If the commissioner agrees to collect the tax, the provisions of Minnesota Statutes, section 297A.99, related to collection, administration, and enforcement apply.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Detroit Lakes and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 4. **CITY OF MARSHALL; SALES AND USE TAX.**

Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1, 2, and 3, or 477A.016, or any other law, ordinance, or city charter, the city of Marshall, if imposed within two years of the date of final enactment of this section, may impose any or all of the taxes described in this section.

Subd. 2. **Bonds.** (a) The city of Marshall may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the new and existing facilities of the Minnesota Emergency Response and Industry Training Center and all or part of the costs of the facilities of the Southwest Minnesota Regional Amateur Sports Center, and may issue bonds to refund bonds previously issued. Authorized expenses include, but are not limited to, acquiring property, predesign, design, and paying construction, furnishing, and equipment costs related to these facilities. The aggregate principal amount of bonds issued under this subdivision may not exceed \$17,290,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Marshall.

(b) The bonds are not included in computing any debt limitation applicable to the city of Marshall, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds, is not subject to any levy limitation.

Subd. 3. **Lodging tax.** The city of Marshall may impose by ordinance a tax of up to 1-1/2 percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190, for the purposes specified in subdivision 4. This lodging tax is in addition to any tax imposed under Minnesota Statutes, section 469.190, and may be imposed within a tax district defined by the city council, which may include areas of the city of Marshall which are not contiguous.

Subd. 4. **Use of lodging tax revenues.** The revenues derived from the tax imposed under subdivision 3 must be used by the city of Marshall to pay the costs of collecting and administering the lodging tax, to pay all or part of the operating costs of the new and existing facilities of the Minnesota Emergency Response and Industry Training Center, including the payment of debt service on bonds issued under subdivision 2, and to pay all or part of the operating costs of the facilities of the Southwest Minnesota Regional Amateur Sports Center, including the payment of debt service on bonds issued under subdivision 2.

Subd. 5. **Food and beverages tax.** The city of Marshall may impose by ordinance an additional sales tax of up to 1-1/2 percent on gross receipts of food and beverages sold primarily for consumption on the premises by restaurants and places of refreshment that occur in the city of Marshall. The provisions of Minnesota Statutes, section 297A.99, except subdivisions 1, 2, and 3, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 6. **Use of food and beverages tax.** The revenues derived from the tax imposed under subdivision 5 must be used by the city of Marshall to pay the costs of collecting and administering the food and beverages tax, to pay all or part of the operating costs of the new and existing facilities of the Minnesota Emergency Response and Industry Training Center, including the payment of debt service on bonds issued under subdivision 2, and to pay all or part of the operating costs of the facilities of the Southwest Minnesota Regional Amateur Sports Center, including the payment of debt service on bonds issued under subdivision 2.

Subd. 7. **Termination of taxes.** The taxes imposed under subdivisions 3 and 5 expire at the earlier of (1) 30 years after the tax is first imposed, or (2) when the city council determines that the amount of revenues received from the taxes to pay for the capital, operating, and administrative costs of the facilities under subdivisions 2, 4, and 6 first equals or exceeds the amount authorized to be spent for the facilities plus the additional amount needed to pay the costs related to issuance of the bonds under subdivision 2, including interest on the bonds. Any funds remaining after payment of all the costs and retirement or redemption of the bonds must be placed in the general fund of the city. The taxes imposed under subdivisions 3 and 5 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of Marshall with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 5. **GIANTS RIDGE RECREATION AREA TAXING AUTHORITY.**

Subdivision 1. **Additional taxes authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or charter provision to the contrary, the city of Biwabik, upon approval both by its governing body and by the vote of at least seven members of the Iron Range Resources and Rehabilitation Board, may impose any or all of the taxes described in this section.

Subd. 2. **Use of proceeds.** The proceeds of any taxes imposed under this section, less refunds and costs of collection, must be deposited into the Iron Range Resources and Rehabilitation Board account enterprise fund created under the provisions of Minnesota Statutes, section 298.221, paragraph (c), and must be dedicated and expended by the commissioner of the Iron Range Resources and Rehabilitation Board, upon approval by the vote of at least seven members of the Iron Range Resources and Rehabilitation Board, to pay costs for the construction, renovation, improvement, expansion, and maintenance of public recreational facilities located in those portions of the city within the Giants Ridge Recreation Area as defined in Minnesota Statutes, section 298.22, subdivision 7, or to pay any principal, interest, or premium on any bond issued to finance the construction, renovation, improvement, or expansion of such public recreational facilities.

Subd. 3. **Lodging tax.** The city of Biwabik, upon approval both by its governing body and by the vote of at least seven members of the Iron Range Resources and Rehabilitation Board, may impose, by ordinance, a tax of not more than five percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. This tax is in addition to any tax imposed under Minnesota Statutes, section 469.190, and may be imposed only on gross lodging receipts generated within the Giants Ridge Recreation Area as defined in Minnesota Statutes, section 298.22, subdivision 7.

Subd. 4. **Admissions and recreation tax.** (a) The city of Biwabik, upon approval both by its governing body and by the vote of at least seven members of the Iron Range Resources and Rehabilitation Board, may impose, by ordinance, a tax of not more than five percent on admission receipts to entertainment and recreational facilities and on receipts from the rental of recreation equipment, at sites within the Giants Ridge Recreation Area as defined in Minnesota Statutes, section 298.22, subdivision 7. The provisions of Minnesota Statutes, section 297A.99, except for subdivisions 2 and 3, govern the imposition, administration, collection, and enforcement of the tax authorized in this subdivision.

(b) If the city imposes the tax under paragraph (a), it must include in the ordinance an exemption for purchases of season tickets or passes.

Subd. 5. **Food and beverage tax.** The city of Biwabik, upon approval both by its governing body and by the vote of at least seven members of the Iron Range Resources and Rehabilitation Board, may impose, by ordinance, an additional sales tax of not more than one percent on gross receipts of food and beverages whether it is consumed on or off the premises by restaurants and places of refreshment as defined by resolution of the city within the Giants

Ridge Recreation Area as defined in Minnesota Statutes, section 298.22, subdivision 7. The provisions of Minnesota Statutes, section 297A.99, except for subdivisions 2 and 3, govern the imposition, administration, collection, and enforcement of the tax authorized in this subdivision.

**EFFECTIVE DATE.** This section shall be effective the day after compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, by the governing body of the city of Biwabik. Notwithstanding Minnesota Statutes, section 645.021, subdivision 3, the city may comply with Minnesota Statutes, section 645.021, at any time before January 1, 2012.

## ARTICLE 6

### SPECIAL TAXES

Section 1. Minnesota Statutes 2008, section 60A.209, subdivision 1, is amended to read:

Subdivision 1. **Authorization; regulation.** A resident of this state may obtain insurance from an ineligible surplus lines insurer in this state through a surplus lines licensee. The licensee shall first attempt to place the insurance with a licensed insurer, or if that is not possible, with an eligible surplus lines insurer. If coverage is not obtainable from a licensed insurer or an eligible surplus lines insurer, the licensee shall certify to the commissioner, on a form prescribed by the commissioner, that these attempts were made. Upon obtaining coverage from an ineligible surplus lines insurer, the licensee shall:

(a) Have printed, typed, or stamped in red ink upon the face of the policy in not less than 10-point type the following notice: "THIS INSURANCE IS ISSUED PURSUANT TO THE MINNESOTA SURPLUS LINES INSURANCE ACT. THIS INSURANCE IS PLACED WITH AN INSURER THAT IS NOT LICENSED BY THE STATE NOR RECOGNIZED BY THE COMMISSIONER OF COMMERCE AS AN ELIGIBLE SURPLUS LINES INSURER. IN CASE OF ANY DISPUTE RELATIVE TO THE TERMS OR CONDITIONS OF THE POLICY OR THE PRACTICES OF THE INSURER, THE COMMISSIONER OF COMMERCE WILL NOT BE ABLE TO ASSIST IN THE DISPUTE. IN CASE OF INSOLVENCY, PAYMENT OF CLAIMS IS NOT GUARANTEED." The notice may not be covered or concealed in any manner; and

(b) Collect from the insured appropriate premium taxes, as provided under chapter 297I, and report the transaction to the commissioner of revenue on a form prescribed by the commissioner. If the insured fails to pay the taxes when due, the insured shall be subject to a civil fine of not more than \$3,000, plus accrued interest from the inception of the insurance.

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

Sec. 2. Minnesota Statutes 2008, 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 less~~; 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 less.~~

(c) Underpayment of estimated installments bear interest at the rate specified in section 270C.40, from the due date of the payment until paid or until the due date of the annual return 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 previous calendar year ~~if the taxpayer had a tax liability and was doing business the entire year.~~

**EFFECTIVE DATE.** This section is effective for gross revenues received after December 31, 2010.

Sec. 3. Minnesota Statutes 2008, 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 less;~~ 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 less.~~

(c) Underpayment of estimated installments bear interest at the rate specified in section 270C.40, from the due date of the payment until paid or until the due date of the annual return 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 previous calendar year ~~if the taxpayer had a tax liability and was doing business the entire year.~~

**EFFECTIVE DATE.** This section is effective for gross revenues received after December 31, 2010.

Sec. 4. **[296A.061] CANCELLATION OR NONRENEWAL OF LICENSES.**

The commissioner may cancel a license or not renew a license if one of the following conditions occurs:

(1) the license holder has not filed a petroleum tax return or report for at least one year;

(2) the license holder has not reported any petroleum tax liability on the license holder's returns or reports for at least one year; or

(3) the license holder requests cancellation of the license.

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

Sec. 5. Minnesota Statutes 2008, section 297F.01, subdivision 22a, is amended to read:

Subd. 22a. **Weighted average retail price.** "Weighted average retail price" means (1) the average retail price per pack of 20 cigarettes, with the average price weighted by the number of packs sold at each price, (2) reduced by the sales tax included in the retail price, and (3) adjusted for the expected inflation ~~from the time of the survey to the average of the 12 months that the sales tax will be imposed.~~ The commissioner shall make the inflation adjustment in accordance with the Consumer Price Index for all urban consumers inflation indicator as published in the most recent state budget forecast. The inflation factor for the calendar year in which the new tax rate takes effect must be used. If the survey indicates that the average retail price of cigarettes has not increased relative to the average retail price in the previous year's survey, then no inflation adjustment must be made as provided in section 297F.25, subdivision 1.

**EFFECTIVE DATE.** This section is effective January 1, 2011.

Sec. 6. Minnesota Statutes 2008, section 297F.04, is amended by adding a subdivision to read:

Subd. 2a. **Cancellation or nonrenewal.** The commissioner may cancel a license or not renew a license if one of the following conditions occurs:

(1) the license holder has not filed a cigarette or tobacco products tax return for at least one year;

(2) the license holder has not reported any cigarette or tobacco products tax liability on the license holder's returns for at least one year; or

(3) the license holder requests cancellation of the license.

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

Sec. 7. Minnesota Statutes 2008, section 297F.07, subdivision 4, is amended to read:

Subd. 4. **Sales to nonqualified buyers.** A retailer who sells or otherwise disposes of unstamped or untaxed stock other than to a qualified purchaser shall collect from the buyer or transferee the tax imposed by section 297F.05, and remit the tax to the Department of Revenue at the same time and manner as required by section 297F.09. If the retailer fails to collect the tax from the buyer or transferee, or fails to remit the tax, the retailer is personally responsible for the tax and the commissioner may seize any product destined to be delivered to the retailer. The product so seized shall be considered contraband and be subject to the procedures outlined in section 297F.21, subdivision 3. ~~The proceeds of the sale of the stock may be applied to any tax liability owed by the retailer after deducting all costs and expenses.~~

This section does not relieve the buyer or possessor of unstamped or untaxed stock from personal liability for the tax.

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

Sec. 8. Minnesota Statutes 2008, section 297F.25, subdivision 1, is amended to read:

Subdivision 1. **Imposition.** (a) A tax is imposed on distributors on the sale of cigarettes by a cigarette distributor to a retailer or cigarette subjobber for resale in this state. The tax is equal to 6.5 percent of the weighted average retail price. ~~The weighted average retail price and~~ must be expressed in cents per pack ~~when~~ rounded to the nearest one-tenth of a cent. The weighted average retail price must be determined annually, with new rates published by ~~May~~ November 1, and effective for sales on or after ~~August~~ January 1 of the following year. The weighted average retail price must be established by surveying cigarette retailers statewide in a manner and time determined by the commissioner. The commissioner shall make an inflation adjustment in accordance with the Consumer Price Index for all urban consumers inflation indicator as published in the most recent state budget forecast. The commissioner shall use the inflation factor for the calendar year in which the new tax rate takes effect. If the survey indicates that the average retail price of cigarettes has not increased relative to the average retail price in the previous year's survey, then the commissioner shall not make an inflation adjustment. The determination of the commissioner pursuant to this subdivision is not a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. ~~As of August 1, 2005, the tax is 25.5 cents per pack of 20 cigarettes. For packs of cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.~~

(b) Notwithstanding paragraph (a), and in lieu of a survey of cigarette retailers, the tax calculation of the weighted average retail price for the sales of cigarettes from August 1, 2011, through December 31, 2011, shall be calculated by: (1) increasing the average retail price per pack of 20 cigarettes from the most recent survey by the percentage change in a weighted average of the presumed legal prices for cigarettes during the year after completion of that survey, as reported and published by the Department of Commerce under section 325D.371; (2) subtracting



the sales tax included in the retail price; and (3) adjusting for expected inflation. The rate must be published by May 1 and is effective for sales after July 31. If the weighted average of the presumed legal prices indicates that the average retail price of cigarettes has not increased relative to the average retail price in the most recent survey, then no inflation adjustment must be made. For packs of cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

**EFFECTIVE DATE.** This section is effective January 1, 2011.

Sec. 9. Minnesota Statutes 2008, section 297I.01, subdivision 9, is amended to read:

Subd. 9. **Gross premiums.** "Gross premiums" means total premiums paid by policyholders and applicants of policies, whether received in the form of money or other valuable consideration, on property, persons, lives, interests and other risks located, resident, or to be performed in this state, but excluding consideration and premiums for reinsurance assumed from other insurance companies.

~~The term~~ (a) "Gross premiums" includes the total consideration paid to bail bond agents for bail bonds.

(b) For title insurance companies, "gross premiums" means the charge for title insurance made by a title insurance company or its agents according to the company's rate filing approved by the commissioner of commerce without a deduction for commissions paid to or retained by the agent. Gross premiums of a title insurance company does not include any other charge or fee for abstracting, searching, or examining the title, or escrow, closing, or other related services.

~~The term~~ (c) "Gross premiums" includes any workers' compensation special compensation fund premium surcharge pursuant to section 176.129.

(d) "Gross premiums" for surplus lines insurance includes all related charges, commissions, and fees received by the licensee. Gross premiums does not include the stamping fee, as provided under section 60A.2085, subdivision 7, nor the operating assessment, as provided under section 60A.208, subdivision 8.

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

Sec. 10. Minnesota Statutes 2008, section 297I.05, subdivision 7, is amended to read:

Subd. 7. **Surplus lines tax.** (a) A tax is imposed on surplus lines licensees. The rate of tax is equal to three percent of the gross premiums less return premiums ~~received by the licensee minus any licensee association operating assessments paid under section 60A.208.~~

(b) If surplus lines insurance placed by a surplus lines licensee and taxed under this subdivision covers a subject of insurance residing, located, or to be performed outside this state, a proper pro rata portion of the entire premium payable for all of that insurance must be allocated according to the subjects of insurance residing, located, or to be performed in this state.

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

Sec. 11. Minnesota Statutes 2008, section 297I.30, subdivision 1, is amended to read:

Subdivision 1. **General rule.** On or before March 1, every ~~insurer taxpayer~~ subject to taxation under section 297I.05, subdivisions 1 to ~~6, 5, and 9, 10,~~ 12, paragraphs (a), clauses (1) to ~~(5) (4), and~~ (b), (c), and (d), and 14, shall file an annual return for the preceding calendar year ~~setting forth such information as the commissioner may reasonably require on forms in the form prescribed by the commissioner.~~

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

Sec. 12. Minnesota Statutes 2008, section 297I.30, subdivision 2, is amended to read:

Subd. 2. **Surplus lines licensees and purchasing groups.** On or before February 15 and August 15 of each year, every surplus lines licensee subject to taxation under section 297I.05, subdivision 7, and every purchasing group or member of a purchasing group subject to tax under section 297I.05, subdivision 12, paragraph (a), clause ~~(6)~~ (5), shall file a return with the commissioner for the preceding six-month period ending December 31, or June 30, ~~setting forth any information the commissioner reasonably prescribes on forms~~ in the form prescribed by the commissioner.

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

Sec. 13. Minnesota Statutes 2008, section 297I.30, subdivision 7, is amended to read:

Subd. 7. **Surcharge.** ~~(a)(4)~~ By April 30 of each year, every company required to pay the surcharge under section 297I.10, subdivision 1, shall file a return for the five-month period ending March 31 ~~setting forth any information the commissioner reasonably requires on forms~~ in the form prescribed by the commissioner.

~~(2)~~ (b) By June 30 of each year, every company required to pay the surcharge under section 297I.10, subdivision 1, shall file a return for the two-month period ending May 31 ~~setting forth any information the commissioner reasonably requires on forms~~ in the form prescribed by the commissioner.

~~(3)~~ (c) By November 30 of each year, every company required to pay the surcharge under section 297I.10, subdivision 1, shall file a return for the five-month period ending October 31 ~~setting forth any information the commissioner reasonably requires on forms~~ in the form prescribed by the commissioner.

~~(b)~~ By February 15 and August 15 of each year, every company required to pay a surcharge under section 297I.10, subdivision 2, must file a return for the preceding six-month period ending December 31 and June 30.

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

Sec. 14. Minnesota Statutes 2008, section 297I.30, subdivision 8, is amended to read:

Subd. 8. **Fire insurance surcharge.** On or before May 15, August 15, November 15, and February 15 of each year, every insurer required to pay the surcharge under section 297I.06, subdivisions 1 and 2, shall file a return with the commissioner for the preceding three-month period ending March 31, June 30, September 30, and December 31, ~~setting forth any information the commissioner reasonably requires on forms~~ in the form prescribed by the commissioner.

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

Sec. 15. Minnesota Statutes 2009 Supplement, section 297I.35, subdivision 2, is amended to read:

Subd. 2. **Electronic payments.** If the aggregate amount of tax and surcharges due under this chapter during a ~~calendar~~ fiscal year ending June 30 is equal to or exceeds \$10,000, or if the taxpayer is required to make payment of any other tax to the commissioner by electronic means, then all tax and surcharge payments in the subsequent calendar year must be paid by electronic means.

**EFFECTIVE DATE.** This section is effective for payments due in calendar year 2010 and thereafter, based upon liabilities incurred in the fiscal year ending June 30, 2009, and in fiscal years thereafter.

Sec. 16. Minnesota Statutes 2008, section 297I.40, subdivision 1, is amended to read:

Subdivision 1. **Requirement to pay.** On or before March 15, June 15, September 15, and December 15 of the current year, every taxpayer subject to tax under section 297I.05, subdivisions 1 to ~~6~~ 5, and 12, ~~paragraphs (a), clauses (1) to (5), (b), and (c), (4), and 14,~~ paragraph (a), clauses (1) to (4), and 14, must pay to the commissioner an installment equal to one-fourth of the insurer's total estimated tax for the current year.

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

Sec. 17. Minnesota Statutes 2008, section 297I.40, subdivision 5, is amended to read:

Subd. 5. **Definition of tax.** The term "tax" as used in this section means the tax imposed by section 297I.05, subdivisions 1 to ~~6~~ 5, 11, and 12, paragraphs (a), clauses (1) to ~~(5)~~ (4), (b), and (d), and 14, less any offset in section 297I.20.

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

Sec. 18. Minnesota Statutes 2008, section 297I.65, is amended by adding a subdivision to read:

Subd. 4. **Omission in excess of 25 percent.** Additional taxes or surcharges may be assessed within 6-1/2 years after the due date of the return or the date the return was filed, whichever is later, if the taxpayer omits from a gross premiums tax or surcharge return an amount of tax in excess of 25 percent of the tax or surcharge reported in the return.

**EFFECTIVE DATE.** This section is effective for premium taxes due after December 31, 2010.

Sec. 19. Minnesota Statutes 2008, section 298.282, subdivision 1, is amended to read:

Subdivision 1. **Distribution of taconite municipal aid account.** The amount deposited with the county as provided in section 298.28, subdivision 3, must be distributed as provided by this section among: (1) the municipalities comprising a ~~tax-relief taconite assistance area under section 273.134, paragraph (b)~~ 273.1341; (2) a township that contains a state park consisting primarily of an underground iron ore mine; and (3) a city located within five miles of that state park, each being referred to in this section as a qualifying municipality.

**EFFECTIVE DATE.** This section is effective for distributions made after the day following final enactment.

Sec. 20. **REPEALER.**

Minnesota Statutes 2008, section 297I.30, subdivisions 4, 5, and 6, are repealed.

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

## ARTICLE 7

### PUBLIC FINANCE

Section 1. Minnesota Statutes 2008, section 103D.335, subdivision 17, is amended to read:

Subd. 17. **Borrowing funds.** (a) The managers may borrow funds from an agency of the federal government, a state agency, a county where the watershed district is located in whole or in part, or a financial institution authorized under chapter 47 to do business in this state. A county board may lend the amount requested by a watershed district. A watershed district may not have more than a total of \$600,000 in loans from counties and financial institutions under this subdivision outstanding at any time.

(b) Notwithstanding paragraph (a), a watershed district may have up to a total of \$2,000,000 in loans from counties and financial institutions under this subdivision outstanding at any time if the taxable market value of property within the watershed district is more than \$500,000,000.

Sec. 2. Minnesota Statutes 2008, section 469.101, subdivision 1, is amended to read:

Subdivision 1. **Establishment.** An economic development authority may create and define the boundaries of economic development districts at any place or places within the city ~~if the district satisfies the requirements of section 469.174, subdivision 10,~~ except that the district boundaries must be contiguous, and may use the powers granted in sections 469.090 to 469.108 to carry out its purposes. First the authority must hold a public hearing on the matter. At least ten days before the hearing, the authority shall publish notice of the hearing in a daily newspaper of general circulation in the city. Also, the authority shall find that an economic development district is proper and desirable to establish and develop within the city.

**EFFECTIVE DATE.** This section is effective for economic development districts created after the day following final enactment.

Sec. 3. Minnesota Statutes 2008, section 469.319, subdivision 5, is amended to read:

Subd. 5. **Waiver authority.** (a) The commissioner may waive all or part of a repayment required under subdivision 1, if the commissioner, in consultation with the commissioner of employment and economic development and appropriate officials from the local government units in which the qualified business is located, determines that requiring repayment of the tax is not in the best interest of the state or the local government units and the business ceased operating as a result of circumstances beyond its control including, but not limited to:

- (1) a natural disaster;
- (2) unforeseen industry trends; or
- (3) loss of a major supplier or customer.

(b)(1) The commissioner shall waive repayment required under subdivision 1a if the commissioner has waived repayment by the operating business under subdivision 1, unless the person that received benefits without having to operate a business in the zone was a contributing factor in the qualified business becoming subject to repayment under subdivision 1;

(2) the commissioner shall waive the repayment required under subdivision 1a, even if the repayment has not been waived for the operating business if:

(i) the person that received benefits without having to operate a business in the zone and the business that operated in the zone are not related parties as defined in section 267(b) of the Internal Revenue Code of 1986, as amended through December 31, 2007; and

(ii) actions of the person were not a contributing factor in the qualified business becoming subject to repayment under subdivision 1.

(c) Requests for waiver must be made no later than 60 days after the notice date of an order issued under subdivision 4, paragraph (d), or, in the case of property taxes, within 60 days of the date of a tax statement issued under subdivision 4, paragraph (c).

**EFFECTIVE DATE.** This section is effective for waivers requested in response to notices issued after the day following final enactment.

Sec. 4. Minnesota Statutes 2008, section 469.3193, is amended to read:

**469.3193 CERTIFICATION OF CONTINUING ELIGIBILITY FOR JOBZ BENEFITS.**

(a) By ~~December 1~~ October 15 of each year, every qualified business must certify to the commissioner of revenue, on a form prescribed by the commissioner of revenue, whether it is in compliance with any agreement required as a condition for eligibility for benefits listed under section 469.315. A business that fails to submit the certification, or any business, including those still operating in the zone, that submits a certification that the commissioner of revenue later determines materially misrepresents the business's compliance with the agreement, is subject to the repayment provisions under section 469.319 from January 1 of the year in which the report is due or the date that the business became subject to section 469.319, whichever is earlier. Any such business is permanently barred from obtaining benefits under section 469.315. For purposes of this section, the bar applies to an entity and also applies to any individuals or entities that have an ownership interest of at least 20 percent of the entity.

(b) Before the sanctions under paragraph (a) apply to a business that fails to submit the certification, the commissioner of revenue shall send notice to the business, demanding that the certification be submitted within 30 days and advising the business of the consequences for failing to do so. The commissioner of revenue shall notify the commissioner of employment and economic development and the appropriate job opportunity subzone administrator whenever notice is sent to a business under this paragraph.

(c) The certification required under this section is public.

(d) The commissioner of revenue shall promptly notify the commissioner of employment and economic development of all businesses that certify that they are not in compliance with the terms of their business subsidy agreement and all businesses that fail to file the certification.

**EFFECTIVE DATE.** This section is effective for certifications required to be made in 2010 and thereafter.

Sec. 5. Minnesota Statutes 2008, section 473.39, is amended by adding a subdivision to read:

Subd. 1p. **Obligations.** After July 1, 2010, in addition to other authority in this section, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$34,600,000 for capital expenditures as prescribed in the council's transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 6. Minnesota Statutes 2008, section 474A.04, subdivision 6, is amended to read:

Subd. 6. **Entitlement transfers.** An entitlement issuer may enter into an agreement with another entitlement issuer whereby the recipient entitlement issuer issues obligations pursuant to bonding authority allocated to the original entitlement issuer under this section. An entitlement issuer may enter into an agreement with an issuer which is not an entitlement issuer whereby the recipient issuer issues qualified mortgage bonds, up to \$100,000 of which are issued pursuant to bonding authority allocated to the original entitlement issuer under this section. The agreement may be approved and executed by the mayor of the entitlement issuer with or without approval or review by the city council. Notwithstanding section 474A.091, subdivision 4, prior to December 1, the Minnesota Housing Finance Agency, Minnesota Office of Higher Education, and Minnesota Rural Finance Authority may transfer allocated bonding authority made available under this chapter to one another under an agreement by each agency and the commissioner.

Sec. 7. Minnesota Statutes 2008, section 474A.091, subdivision 3, is amended to read:

Subd. 3. **Allocation procedure.** (a) The commissioner shall allocate available bonding authority under this section on the Monday of every other week beginning with the first Monday in August through and on the last Monday in November. Applications for allocations must be received by the department by 4:30 p.m. on the Monday preceding the Monday on which allocations are to be made. If a Monday falls on a holiday, the allocation will be made or the applications must be received by the next business day after the holiday.

(b) Prior to October 1, only the following applications shall be awarded allocations from the unified pool. Allocations shall be awarded in the following order of priority:

- (1) applications for residential rental project bonds;
- (2) applications for small issue bonds for manufacturing projects; and
- (3) applications for small issue bonds for agricultural development bond loan projects.

(c) On the first Monday in October through the last Monday in November, allocations shall be awarded from the unified pool in the following order of priority:

- (1) applications for student loan bonds issued by or on behalf of the Minnesota Office of Higher Education;
- (2) applications for mortgage bonds;
- (3) applications for public facility projects funded by public facility bonds;
- (4) applications for small issue bonds for manufacturing projects;
- (5) applications for small issue bonds for agricultural development bond loan projects;
- (6) applications for residential rental project bonds;
- (7) applications for enterprise zone facility bonds;
- (8) applications for governmental bonds; and
- (9) applications for redevelopment bonds.

(d) If there are two or more applications for manufacturing projects from the unified pool and there is insufficient bonding authority to provide allocations for all manufacturing projects in any one allocation period, the available bonding authority shall be awarded based on the number of points awarded a project under section 474A.045 with those projects receiving the greatest number of points receiving allocation first. If two or more applications for manufacturing projects receive an equal amount of points, available bonding authority shall be awarded by lot unless otherwise agreed to by the respective issuers.

(e) If there are two or more applications for enterprise zone facility projects from the unified pool and there is insufficient bonding authority to provide allocations for all enterprise zone facility projects in any one allocation period, the available bonding authority shall be awarded based on the number of points awarded a project under section 474A.045 with those projects receiving the greatest number of points receiving allocation first. If two or more applications for enterprise zone facility projects receive an equal amount of points, available bonding authority shall be awarded by lot unless otherwise agreed to by the respective issuers.

(f) If there are two or more applications for residential rental projects from the unified pool and there is insufficient bonding authority to provide allocations for all residential rental projects in any one allocation period, the available bonding authority shall be awarded in the following order of priority: (1) projects that preserve existing federally subsidized housing; (2) projects that are not restricted to persons who are 55 years of age or older; and (3) other residential rental projects.

(g) From the first Monday in August through the last Monday in November, \$20,000,000 of bonding authority or an amount equal to the total annual amount of bonding authority allocated to the small issue pool under section 474A.03, subdivision 1, less the amount allocated to issuers from the small issue pool for that year, whichever is less, is reserved within the unified pool for small issue bonds to the extent such amounts are available within the unified pool.

(h) The total amount of allocations for mortgage bonds from the housing pool and the unified pool may not exceed:

(1) \$10,000,000 for any one city; or

(2) \$20,000,000 for any number of cities in any one county.

(i) The total amount of allocations for student loan bonds from the unified pool may not exceed ~~\$10,000,000~~ \$25,000,000 per year.

(j) If there is insufficient bonding authority to fund all projects within any qualified bond category other than enterprise zone facility projects, manufacturing projects, and residential rental projects, allocations shall be awarded by lot unless otherwise agreed to by the respective issuers.

(k) If an application is rejected, the commissioner must notify the applicant and return the application deposit to the applicant within 30 days unless the applicant requests in writing that the application be resubmitted.

(l) The granting of an allocation of bonding authority under this section must be evidenced by issuance of a certificate of allocation.

Sec. 8. Laws 2010, chapter 216, section 3, is amended by adding a subdivision to read:

Subd. 3a. **Authority.** "Authority" means a housing and redevelopment authority or economic development authority created pursuant to section 469.003, 469.004, or 469.091, or another entity authorized by law to exercise the powers of an authority created pursuant to one of those sections.

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

Sec. 9. Laws 2010, chapter 216, section 3, is amended by adding a subdivision to read:

Subd. 3b. **Implementing entity.** "Implementing entity" means the local government or an authority designated by the local government by resolution to implement and administer programs described in section 216C.436.

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

Sec. 10. Laws 2010, chapter 216, section 3, subdivision 6, is amended to read:

Subd. 6. **Qualifying real property.** "Qualifying real property" means a single-family or multifamily residential dwelling, or a commercial or industrial building, that the ~~city~~ implementing entity has determined, after review of an energy audit or renewable energy system feasibility study, can be benefited by installation of energy improvements.

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

Sec. 11. Laws 2010, chapter 216, section 4, subdivision 1, is amended to read:

Subdivision 1. **Program authority.** ~~A local government~~ An implementing entity may establish a program to finance energy improvements to enable owners of qualifying real property to pay for cost-effective energy improvements to the qualifying real property with the net proceeds and interest earnings of revenue bonds authorized in this section. ~~A local government~~ An implementing entity may limit the number of qualifying real properties for which a property owner may receive program financing.

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

Sec. 12. Laws 2010, chapter 216, section 4, subdivision 2, is amended to read:

Subd. 2. **Program requirements.** A financing program must:

- (1) impose requirements and conditions on financing arrangements to ensure timely repayment;
- (2) require an energy audit or renewable energy system feasibility study to be conducted on the qualifying real property and reviewed by the ~~local government~~ implementing entity prior to approval of the financing;
- (3) require the inspection of all installations and a performance verification of at least ten percent of the energy improvements financed by the program;
- (4) require that all cost-effective energy improvements be made to a qualifying real property prior to, or in conjunction with, an applicant's repayment of financing for energy improvements for that property;
- (5) have energy improvements financed by the program performed by licensed contractors as required by chapter 326B or other law or ordinance;
- (6) require disclosures to borrowers by the ~~local government~~ implementing entity of the risks involved in borrowing, including the risk of foreclosure if a tax delinquency results from a default;
- (7) provide financing only to those who demonstrate an ability to repay;
- (8) not provide financing for a qualifying real property in which the owner is not current on mortgage or real property tax payments;
- (9) require a petition to the implementing entity by all owners of the qualifying real property requesting collections of repayments as a special assessment under section 429.101;
- (10) provide that payments and assessments are not accelerated due to a default and that a tax delinquency exists only for assessments not paid when due; and
- (11) require that liability for special assessments related to the financing runs with the qualifying real property.

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



Sec. 13. Laws 2010, chapter 216, section 4, subdivision 4, is amended to read:

Subd. 4. **Financing terms.** Financing provided under this section must have:

(1) a term not to exceed the weighted average of the useful life of the energy improvements installed, as determined by the ~~local government~~ implementing entity, but in no event may a term exceed 20 years;

(2) a principal amount not to exceed the lesser of ten percent of the assessed value of the real property on which the improvements are to be installed or the actual cost of installing the energy improvements, including the costs of necessary equipment, materials, and labor, the costs of each related energy audit or renewable energy system feasibility study, and the cost of verification of installation; and

(3) an interest rate sufficient to pay the financing costs of the program, including the issuance of bonds and any financing delinquencies.

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

Sec. 14. Laws 2010, chapter 216, section 4, subdivision 6, is amended to read:

Subd. 6. **Certificate of participation.** Upon completion of a project, ~~a local government~~ an implementing entity shall provide a borrower with a certificate stating participation in the program and what energy improvements have been made with financing program proceeds.

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

Sec. 15. Laws 2010, chapter 216, section 4, subdivision 7, is amended to read:

Subd. 7. **Repayment.** ~~A local government financing~~ An implementing entity that finances an energy improvement under this section must:

(1) secure payment with a lien against the benefited qualifying real property; and

(2) collect repayments as a special assessment as provided for in section 429.101 or by charter.

If the implementing entity is an authority, the local government that authorized the authority to act as implementing entity shall impose and collect special assessments necessary to pay debt service on bonds issued by the implementing entity under subdivision 8, and shall transfer all collections of the assessments upon receipt to the authority.

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

Sec. 16. Laws 2010, chapter 216, section 4, subdivision 8, is amended to read:

Subd. 8. **Bond issuance; repayment.** (a) ~~A local government~~ An implementing entity may issue revenue bonds as provided in chapter 475 for the purposes of this section.

(b) The bonds must be payable as to both principal and interest solely from the revenues from the assessments established in subdivision 7.

(c) No holder of bonds issued under this subdivision may compel any exercise of the taxing power of the implementing entity that issued the bonds to pay principal or interest on the bonds, and if the implementing entity is an authority, no holder of the bonds may compel any exercise of the taxing power of the local government ~~that~~

~~issued the bonds to pay principal or interest on the bonds.~~ Bonds issued under this subdivision are not a debt or obligation of the issuer or any local government that issued them, nor is the payment of the bonds enforceable out of any money other than the revenue pledged to the payment of the bonds.

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

Sec. 17. **CITY OF LANDFALL VILLAGE; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is considered to be met for Tax Increment Financing District No. 1-1 in the city of Landfall Village if the activities were undertaken within eight years from the date of certification of the district.

**EFFECTIVE DATE.** This section is effective upon compliance by the governing body of the city of Landfall Village with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

Sec. 18. **CITY OF WAYZATA; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

Subdivision 1. **Five-year rule.** The requirements of Minnesota Statutes, section 469.1763, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is considered to be met for Redevelopment Tax Increment Financing District No. 5 in the city of Wayzata if the activities were undertaken within ten years from the date of certification of the district.

Subd. 2. **Parcels deemed occupied.** Any parcel in Redevelopment Tax Increment District No. 5, in the city of Wayzata is deemed to meet the requirements of Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (1), if the following conditions are met:

(1) a building on the parcel was demolished by a developer or the city after the city council found the building to be structurally substandard upon approval of original tax increment financing plan for the district; and

(2) the city decertifies Redevelopment Tax Increment Financing District No. 5, but files a request with the county auditor for certification of the parcel as part of a subsequent redevelopment or renewal and renovation district within ten years after the date of demolition.

**EFFECTIVE DATE.** This section is effective upon compliance by the governing body of the city of Wayzata with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 8

CASH FLOW

Section 1. Minnesota Statutes 2009 Supplement, section 137.025, subdivision 1, is amended to read:

Subdivision 1. **Monthly payments.** The commissioner of management and budget shall pay 1/12 of the annual appropriation to the University of Minnesota ~~on~~ by the 21<sup>st</sup> 25<sup>th</sup> day of each month. If the ~~21<sup>st</sup> 25<sup>th</sup>~~ day of the month falls on a Saturday or Sunday, the monthly payment must be made ~~on~~ by the first business day immediately following the ~~21<sup>st</sup> 25<sup>th</sup>~~ day of the month.

Sec. 2. Minnesota Statutes 2008, section 276.112, is amended to read:

**276.112 STATE PROPERTY TAXES; COUNTY TREASURER.**

~~On or before January 25 each year, for the period ending December 31 of the prior year, and on or before June 28 each year, for the period ending on the most recent settlement day determined in section 276.09, and on or before December 2 each year, for the period ending November 20~~ the estimated payment and settlement dates provided in this chapter for the settlement of taxes levied by school districts, the county treasurer must make full settlement with

the county auditor ~~according to sections 276.09, 276.10, and 276.111~~ for all receipts of state property taxes levied under section 275.025, and must transmit those receipts to the commissioner of revenue by electronic means on the dates and according to the provisions applicable to distributions to school districts.

**EFFECTIVE DATE.** This section is effective for distributions beginning October 1, 2010, and thereafter.

Sec. 3. Minnesota Statutes 2009 Supplement, section 289A.20, subdivision 4, is amended to read:

Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f) or (g), except that:

(1) 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; and

(2) except as provided in paragraph (f), for a vendor having a liability of \$120,000 or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes imposed by chapter 297A, except as provided in paragraph (b), are due and payable to the commissioner monthly in the following manner:

(i) On or before the 14th day of the month following the month in which the taxable event occurred, the vendor must remit to the commissioner 90 percent of the estimated liability for the month in which the taxable event occurred.

(ii) On or before the 20th day of the month following the month in which the taxable event occurred, the vendor must pay any additional amount of tax not remitted on or before the 14th day of the month following the month in which the taxable event occurred.

(b) Notwithstanding paragraph (a), 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 90 percent of the estimated June liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of:

~~(1) \$20,000 or more in the fiscal year ending June 30, 2005; or~~

~~(2) (1) \$10,000 or more in the, but less than \$120,000 during a fiscal year ending June 30, 2006 2009, and fiscal years thereafter, must remit all liabilities on returns due for periods beginning in the subsequent calendar year by electronic means on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4, except for 90 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.~~

(2) \$120,000 or more, during a fiscal year ending June 30, 2009, and fiscal years thereafter, must remit all liabilities in the manner provided in paragraph (a), clause (2), on returns due for periods beginning in the subsequent calendar year by electronic means, except for 90 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

(d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's religious beliefs from paying electronically shall be allowed to remit the payment by mail. The filer must notify the commissioner of revenue of the intent to pay by mail before doing so on a form prescribed by the commissioner. No extra fee may be charged to a person making payment by mail under this paragraph. The payment must be postmarked at least two business days before the due date for making the payment in order to be considered paid on a timely basis.

(e) Whenever the liability is \$120,000 or more separately for (1) the tax imposed under chapter 297A, (2) a fee which is to be reported on the same return as and paid with the chapter 297A taxes, or (3) any other tax which is to be reported on the same return as and paid with the chapter 297A taxes, then the payment of all the liabilities on the return must be accelerated as provided in this subdivision.

(f) At the start of the first calendar quarter at least 90 days after the cash flow account established in section 16A.152, subdivision 1, and the budget reserve account established in section 16A.152, subdivision 1a, reach the amounts listed in section 16A.152, subdivision 2, paragraph (a), the remittance of estimated sales tax collections by the 14th day of a month required under paragraph (a), clause (2), shall be suspended. The commissioner of management and budget shall notify the commissioner of revenue when the accounts have reached the required amounts. Beginning with the suspension of paragraph (a), clause (2), for a vendor with a liability of \$120,000 or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes imposed by chapter 297A are due and payable to the commissioner on the 20th day of the month following the month in which the taxable event occurred. Payments of tax liabilities for taxable events occurring in June under paragraph (b) are not changed.

**EFFECTIVE DATE.** This section is effective for taxes due and payable after September 1, 2010.

Sec. 4. Minnesota Statutes 2008, section 289A.60, is amended by adding a subdivision to read:

**Subd. 31. Accelerated payment of monthly sales tax liability; penalty for underpayment.** For payments made after September 1, 2010, if a vendor is required by section 289A.20, subdivision 4, to remit a 90 percent payment by the 14th of the month following the month in which the taxable event occurred, as an estimation of monthly sales tax liabilities, including the liability of any fee or other tax which is to be reported on the same return as and paid with the chapter 297A taxes, for the month in which the taxable event occurred, the vendor shall pay a penalty equal to ten percent of the amount of liability that was required to be paid by the 14th of the month less the amount remitted by the 14th of the month. The penalty must not be imposed, however, if the amount remitted by the 14th of the month equals the lesser of (1) 90 percent of the liability for the month preceding the month in which the taxable event occurred, (2) 90 percent of the liability of the same month in the previous calendar year as the month in which the taxable event occurred, or (3) 90 percent of the average monthly liability for the previous calendar year.

**EFFECTIVE DATE.** This section is effective for taxes due and payable after September 1, 2010.

## ARTICLE 9

### PROPERTY TAXES - TECHNICAL

Section 1. Minnesota Statutes 2009 Supplement, section 134.34, subdivision 4, is amended to read:

Subd. 4. **Limitation.** (a) For calendar year 2010 and later, a regional library basic system support grant shall not be made to a regional public library system for a participating city or county which decreases the dollar amount provided for support for operating purposes of public library service below the amount provided by it for the second, or third preceding year, whichever is less. For purposes of this subdivision and subdivision 1, any funds provided under section 473.757, subdivision 2, for extending library hours of operation shall not be considered amounts provided by a city or county for support for operating purposes of public library service. This subdivision shall not

apply to participating cities or counties where the adjusted net tax capacity of that city or county has decreased, if the dollar amount of the reduction in support is not greater than the dollar amount by which support would be decreased if the reduction in support were made in direct proportion to the decrease in adjusted net tax capacity.

(b) For calendar year 2009 and later, in any calendar year in which a city's or county's aid under sections 477A.011 to 477A.014 or ~~credits~~ credit reimbursement under section 273.1384 is reduced after the city or county has certified its levy payable in that year, it may reduce its local support by the lesser of:

(1) ten percent; or

(2) a percent equal to the ratio of the aid and credit reimbursement reductions to the city's or county's revenue base, based on aids certified for the current calendar year. For calendar year 2009 only, the reduction under this paragraph shall be based on 2008 aid and credit reimbursement reductions under the December 2008 unallotment, as well as any aid and credit reimbursement reductions in calendar year 2009. For pay 2009 only, the commissioner of revenue will calculate the reductions under this paragraph and certify them to the commissioner of education within 15 days of May 17, 2009.

(c) For taxes payable in 2010 and later, in any payable year in which the total amounts certified for city or county aids under sections 477A.011 to 477A.014 are less than the total amounts paid under those sections in the previous calendar year, a city or county may reduce its local support by the lesser of:

(1) ten percent; or

(2) a percent equal to the ratio of:

(i) the difference between (A) the sum of the aid it was paid under sections 477A.011 to 477A.014 and the ~~credits~~ credit reimbursement it received under section ~~273.1398~~ 273.1384 in the previous calendar year and (B) the sum of the aid it is certified to be paid in the current calendar year under sections 477A.011 to 477A.014 and the ~~credits~~ credit reimbursement estimated to be paid under section ~~273.1398~~ 273.1384; to

(ii) its revenue base for the previous year, based on aids actually paid in the previous calendar year. The commissioner of revenue shall calculate the percent aid cut for each county and city under this paragraph and certify the percentage cuts to the commissioner of education by August 1 of the year prior to the year in which the reduced aids and ~~credits~~ credit reimbursements are to be paid. The percentage of reduction related to reductions to ~~credits~~ credit reimbursements under section 273.1384 shall be based on the best estimation available as of July 30.

(d) Notwithstanding paragraph (a), (b), or (c), no city or county shall reduce its support for public libraries below the minimum level specified in subdivision 1.

(e) For purposes of this subdivision, "revenue base" means the sum of:

(1) its levy for taxes payable in the current calendar year, including the levy on the fiscal disparities distribution under section 276A.06, subdivision 3, paragraph (a), or 473F.08, subdivision 3, paragraph (a);

(2) its aid under sections 477A.011 to 477A.014 in the current calendar year; and

(3) its taconite aid in the current calendar year under sections 298.28 and 298.282.

**EFFECTIVE DATE.** This section is effective retroactively for support in calendar year 2009 and thereafter and for library grants paid in fiscal year 2010 and thereafter.

Sec. 2. Minnesota Statutes 2008, section 270C.87, is amended to read:

**270C.87 REVISION OF MINNESOTA ASSESSORS' MANUAL.**

In accordance with the provisions of section ~~270C.06~~ 270C.85, the commissioner shall periodically revise the Minnesota assessors' manual.

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

Sec. 3. Minnesota Statutes 2008, section 270C.94, subdivision 3, is amended to read:

Subd. 3. **Failure to appraise.** When an assessor has failed to properly appraise at least one-fifth of the parcels of property in a district or county as provided in section 273.01, the commissioner ~~shall~~ may appoint a special assessor and deputy assessor as necessary and cause a reappraisal to be made of the property due for reassessment in accordance with law.

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

Sec. 4. Minnesota Statutes 2008, section 272.025, subdivision 1, is amended to read:

Subdivision 1. **Statement of exemption.** (a) Except in the case of ~~churches and houses of worship, property solely used for educational purposes by academies, colleges, universities or seminaries of learning,~~ property owned by the state of Minnesota or any political subdivision thereof, and property exempt from taxation under section 272.02, subdivisions 9, 10, 13, 15, 18, 20, and 22 to ~~26~~ 25, and at the times provided in subdivision 3, a taxpayer claiming an exemption from taxation on property described in section 272.02, subdivisions 1 to 33, ~~shall~~ must file a statement of exemption with the assessor of the assessment district in which the property is located.

(b) A taxpayer claiming an exemption from taxation on property described in section 272.02, subdivision 10, ~~shall~~ must file a statement of exemption with the commissioner of revenue, on or before February 15 of each year for which the taxpayer claims an exemption.

(c) In case of sickness, absence or other disability or for good cause, the assessor or the commissioner may extend the time for filing the statement of exemption for a period not to exceed 60 days.

(d) The commissioner of revenue shall prescribe the form and contents of the statement of exemption.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and thereafter.

Sec. 5. Minnesota Statutes 2008, section 272.025, subdivision 3, is amended to read:

Subd. 3. **Filing dates.** (a) The statement required by subdivision 1, paragraph (a), must be filed with the assessor by February 1 of the assessment year, however, any taxpayer who has filed the statement required by subdivision 1 more than 12 months prior to February 1, 1983, or February 1 of each third year after 1983, shall file a statement by February 1, 1983, and by February 1 of each third year thereafter.

(b) For churches and houses of worship, and property solely used for educational purposes by academies, colleges, universities, or seminaries of learning, no statement is required after the statement filed for the assessment year in which the exemption began.

(c) This section does not apply to existing churches and houses of worship, and property solely used for educational purposes by academies, colleges, universities, or seminaries of learning that were exempt for taxes payable in 2011.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and thereafter.

Sec. 6. Minnesota Statutes 2008, section 272.029, subdivision 4, is amended to read:

Subd. 4. **Reports.** (a) An owner of a wind energy conversion system subject to tax under subdivision 3 shall file a report with the commissioner of revenue annually on or before February 1 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the form of the report. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a wind energy conversion system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of ~~40~~ 60 percent.

(b) On or before February 28, the commissioner of revenue shall notify the owner of the wind energy conversion systems of the tax due to each county for the current year and shall certify to the county auditor of each county in which the systems are located the tax due from each owner for the current year.

**EFFECTIVE DATE.** This section is effective beginning with reports due on February 1, 2011, and thereafter.

Sec. 7. Minnesota Statutes 2008, section 272.029, subdivision 7, is amended to read:

Subd. 7. **Exemption.** The tax imposed under this section does not apply to electricity produced by wind energy conversion systems located in a job opportunity building zone, ~~designated under section 469.314,~~ for the duration of the zone. The exemption applies beginning for the first calendar year after designation of the zone and applies to each calendar year that begins during the designation of the zone. The exemption only applies if the owner of the system is a qualified business under section 469.310, subdivision 11, who has entered into a business subsidy agreement that covers the land on which the system is situated.

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

Sec. 8. Minnesota Statutes 2008, section 273.113, subdivision 3, is amended to read:

Subd. 3. **Reimbursement for lost revenue.** The county auditor shall certify to the commissioner of revenue, as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29, the amount of tax lost to the county from the property tax credit under subdivision 2. Any prior year adjustments must also be certified in the abstracts of tax lists. The commissioner of revenue shall review the certifications to determine their accuracy. The commissioner may make the changes in the certification that are considered necessary or return a certification to the county auditor for corrections. The commissioner shall reimburse each taxing district, other than school districts, for the taxes lost. The payments must be made at the time provided in section 473H.10 for payment to taxing jurisdictions in the same proportion that the ad valorem tax is distributed. Reimbursements to school districts must be made as provided in section 273.1392. The amount necessary to make the reimbursements under this section is annually appropriated from the general fund to the commissioner of revenue.

**EFFECTIVE DATE.** This section is effective retroactively for taxes payable in 2009 and thereafter.

Sec. 9. Minnesota Statutes 2009 Supplement, section 273.114, subdivision 2, is amended to read:

Subd. 2. **Requirements.** Class 2a or 2b property that had been assessed under Minnesota Statutes 2006, section 273.111, or that is part of an agricultural homestead under Minnesota Statutes, section 273.13, subdivision 23, paragraph (a), is entitled to valuation and tax deferral under this section if:

(1) the land consists of at least ten acres;

(2) a conservation management plan for the land must be prepared by an approved plan writer and implemented during the period in which the land is subject to valuation and deferral under this section;

(3) the land must be enrolled for a minimum of ten years; ~~and~~

(4) there are no delinquent property taxes on the land; ~~and~~

~~Real estate may~~ (5) the property is not be also enrolled for valuation and deferral under ~~this section and~~ section 273.111; or 273.112, ~~or 273.117~~; or chapter 290C, ~~concurrently~~ or 473H.

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

Sec. 10. Minnesota Statutes 2008, section 273.1392, is amended to read:

**273.1392 PAYMENT; SCHOOL DISTRICTS.**

The amounts of bovine tuberculosis credit reimbursements under section 273.113; conservation tax credits under section 273.119; disaster or emergency reimbursement under sections 273.1231 to 273.1235; homestead and agricultural credits under section 273.1384; aids and credits under section 273.1398; wetlands reimbursement under section 275.295; enterprise zone property credit payments under section 469.171; and metropolitan agricultural preserve reduction under section 473H.10 for school districts, shall be certified to the Department of Education by the Department of Revenue. The amounts so certified shall be paid according to section 127A.45, subdivisions 9 and 13.

**EFFECTIVE DATE.** This section is effective retroactively for taxes payable in 2009 and thereafter.

Sec. 11. Minnesota Statutes 2009 Supplement, section 275.065, subdivision 3, is amended to read:

Subd. 3. **Notice of proposed property taxes.** (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes. Upon written request by the taxpayer, the treasurer may send the notice in electronic form or by electronic mail instead of on paper or by ordinary mail.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state general tax, the final tax amount will be its proposed tax. The notice must clearly state for each city that has a population over 500, county, school district, regional library authority established under section 134.201, and metropolitan taxing districts as defined in paragraph (i), the time and place of ~~the a meeting for each~~ taxing authorities' ~~regularly scheduled meetings~~ authority in which the budget and levy will be discussed and public input allowed, prior to the final budget and levy ~~determined, which must occur after November 24~~ determination. The taxing authorities must provide the



county auditor with the information to be included in the notice on or before the time it certifies its proposed levy under subdivision 1. The public must be allowed to speak at ~~the meetings and the meetings shall~~ that meeting, which must occur after November 24 and must not be held before 6:00 p.m. It must provide a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice and an address where comments will be received by mail.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on November 1 of the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, and state general tax, net of the residential and agricultural homestead credit under section 273.1384, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

(i) the actual tax for taxes payable in the current year; and

(ii) the proposed tax amount.

If the county levy under clause (2) includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount.

In the case of a town or the state general tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for Minneapolis Park and Recreation shall be listed separately from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for the St. Paul Library Agency must be listed separately from the remaining amount of the city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be listed separately from the remaining amount of the county's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda and school district levy referenda;

(3) a levy limit increase approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;

(4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(5) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(6) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision and subdivision 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

(2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and

(3) Metropolitan Mosquito Control Commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy.

(j) The governing body of a county, city, or school district may, with the consent of the county board, include supplemental information with the statement of proposed property taxes about the impact of state aid increases or decreases on property tax increases or decreases and on the level of services provided in the affected jurisdiction. This supplemental information may include information for the following year, the current year, and for as many consecutive preceding years as deemed appropriate by the governing body of the county, city, or school district. It may include only information regarding:

- (1) the impact of inflation as measured by the implicit price deflator for state and local government purchases;
- (2) population growth and decline;
- (3) state or federal government action; and
- (4) other financial factors that affect the level of property taxation and local services that the governing body of the county, city, or school district may deem appropriate to include.

The information may be presented using tables, written narrative, and graphic representations and may contain instruction toward further sources of information or opportunity for comment.

**EFFECTIVE DATE.** This section is effective retroactively for taxes payable in 2010 and thereafter.

Sec. 12. Minnesota Statutes 2009 Supplement, section 275.70, subdivision 5, as amended by Laws 2010, chapter 215, article 13, section 3, is amended to read:

Subd. 5. **Special levies.** "Special levies" means those portions of ad valorem taxes levied by a local governmental unit for the following purposes or in the following manner:

(1) to pay the costs of the principal and interest on bonded indebtedness or to reimburse for the amount of liquor store revenues used to pay the principal and interest due on municipal liquor store bonds in the year preceding the year for which the levy limit is calculated;

(2) to pay the costs of principal and interest on certificates of indebtedness issued for any corporate purpose except for the following:

- (i) tax anticipation or aid anticipation certificates of indebtedness;
- (ii) certificates of indebtedness issued under sections 298.28 and 298.282;
- (iii) certificates of indebtedness used to fund current expenses or to pay the costs of extraordinary expenditures that result from a public emergency; or
- (iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an insufficiency in other revenue sources, provided that nothing in this subdivision limits the special levy authorized under section 475.755;

(3) to provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(4) to fund payments made to the Minnesota State Armory Building Commission under section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(5) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;

(6) to fund matching requirements needed to qualify for federal or state grants or programs to the extent that either (i) the matching requirement exceeds the matching requirement in calendar year 2001, or (ii) it is a new matching requirement that did not exist prior to 2002;

(7) to pay the expenses reasonably and necessarily incurred in preparing for or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes, in accordance with standards formulated by the Emergency Services Division of the state Department of Public Safety, as allowed by the commissioner of revenue under section 275.74, subdivision 2;

(8) pay amounts required to correct an error in the levy certified to the county auditor by a city or county in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.70 to 275.74 in the preceding levy year;

(9) to pay an abatement under section 469.1815;

(10) to pay any costs attributable to increases in the employer contribution rates under chapter 353, or locally administered pension plans, that are effective after June 30, 2001;

(11) to pay the operating or maintenance costs of a county jail as authorized in section 641.01 or 641.262, or of a correctional facility as defined in section 241.021, subdivision 1, paragraph (f), to the extent that the county can demonstrate to the commissioner of revenue that the amount has been included in the county budget as a direct result of a rule, minimum requirement, minimum standard, or directive of the Department of Corrections, or to pay the operating or maintenance costs of a regional jail as authorized in section 641.262. For purposes of this clause, a district court order is not a rule, minimum requirement, minimum standard, or directive of the Department of Corrections. If the county utilizes this special levy, except to pay operating or maintenance costs of a new regional jail facility under sections 641.262 to 641.264 which will not replace an existing jail facility, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71, shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(12) to pay for operation of a lake improvement district, as authorized under section 103B.555. If the county utilizes this special levy, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71 shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(13) to repay a state or federal loan used to fund the direct or indirect required spending by the local government due to a state or federal transportation project or other state or federal capital project. This authority may only be used if the project is not a local government initiative;

(14) to pay for court administration costs as required under section 273.1398, subdivision 4b, less the (i) county's share of transferred fines and fees collected by the district courts in the county for calendar year 2001 and (ii) the aid amount certified to be paid to the county in 2004 under section 273.1398, subdivision 4c; however, for taxes levied to pay for these costs in the year in which the court financing is transferred to the state, the amount under this clause is limited to the amount of aid the county is certified to receive under section 273.1398, subdivision 4a;

(15) to fund a police or firefighters relief association as required under section 69.77 to the extent that the required amount exceeds the amount levied for this purpose in 2001;

(16) for purposes of a storm sewer improvement district under section 444.20;

(17) to pay for the maintenance and support of a city or county society for the prevention of cruelty to animals under section 343.11, but not to exceed in any year \$4,800 or the sum of \$1 per capita based on the county's or city's population as of the most recent federal census, whichever is greater. If the city or county uses this special levy, any amount levied by the city or county in the previous levy year for the purposes specified in this clause and included in the city's or county's previous year's levy limit computed under section 275.71, must be deducted from the levy limit base under section 275.71, subdivision 2, in determining the city's or county's current year levy limit;

(18) for counties, to pay for the increase in their share of health and human service costs caused by reductions in federal health and human services grants effective after September 30, 2007;

(19) for a city, for the costs reasonably and necessarily incurred for securing, maintaining, or demolishing foreclosed or abandoned residential properties, as allowed by the commissioner of revenue under section 275.74, subdivision 2. A city must have either (i) a foreclosure rate of at least 1.4 percent in 2007, or (ii) a foreclosure rate in 2007 in the city or in a zip code area of the city that is at least 50 percent higher than the average foreclosure rate in the metropolitan area, as defined in section 473.121, subdivision 2, to use this special levy. For purposes of this paragraph, "foreclosure rate" means the number of foreclosures, as indicated by sheriff sales records, divided by the number of households in the city in 2007;

(20) for a city, for the unreimbursed costs of redeployed traffic-control agents and lost traffic citation revenue due to the collapse of the Interstate 35W bridge, as certified to the Federal Highway Administration;

(21) to pay costs attributable to wages and benefits for sheriff, police, and fire personnel. If a local governmental unit did not use this special levy in the previous year its levy limit base under section 275.71 shall be reduced by the amount equal to the amount it levied for the purposes specified in this clause in the previous year;

(22) an amount equal to any reductions in the certified aids or ~~credits~~ credit reimbursements payable under sections 477A.011 to 477A.014, and section 273.1384, due to unallotment under section 16A.152 or reductions under another provision of law. The amount of the levy allowed under this clause for each year is equal limited to the amount unallotted or reduced ~~in~~ from the aids and credit reimbursements certified for payment in the year following the calendar year in which the tax levy is levied certified unless the unallotment or reduction amount is not known by September 1 of the levy certification year, and the local government has not adjusted its levy under section 275.065, subdivision 6, or 275.07, subdivision 6, in which case ~~the~~ that unallotment or reduction amount may be levied in the following year;

(23) to pay for the difference between one-half of the costs of confining sex offenders undergoing the civil commitment process and any state payments for this purpose pursuant to section 253B.185, subdivision 5;

(24) for a county to pay the costs of the first year of maintaining and operating a new facility or new expansion, either of which contains courts, corrections, dispatch, criminal investigation labs, or other public safety facilities and for which all or a portion of the funding for the site acquisition, building design, site preparation, construction, and related equipment was issued or authorized prior to the imposition of levy limits in 2008. The levy limit base shall then be increased by an amount equal to the new facility's first full year's operating costs as described in this clause; and

(25) for the estimated amount of reduction to market value credit reimbursements under section 273.1384 for credits payable in the year in which the levy is payable.

**EFFECTIVE DATE.** This section is effective retroactively for taxes payable in 2010 and thereafter.

Sec. 13. Minnesota Statutes 2008, section 275.71, subdivision 5, is amended to read:

Subd. 5. **Property tax levy limit.** (a) For taxes levied in 2008 through 2010, the property tax levy limit for a local governmental unit is equal to its adjusted levy limit base determined under subdivision 4 plus any additional levy authorized under section 275.73, which is levied against net tax capacity, reduced by the sum of (i) the total amount of aids and reimbursements that the local governmental unit is certified to receive under sections 477A.011 to 477A.014, (ii) 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, (iii) estimated payments to the local governmental unit under section 272.029, adjusted for any error in estimation in the preceding year, and (iv) aids under section 477A.16.

(b) If an aid, payment, or other amount used in paragraph (a) to reduce a local government unit's levy limit is reduced by an unallotment under section 16A.152, the amount of the aid, payment, or other amount prior to the unallotment is used in the computations in paragraph (a). In order for a local government unit to levy outside of its limit to offset the reduction in revenues attributable to an unallotment, it must do so under, and to the extent authorized by, a special levy authorization.

**EFFECTIVE DATE.** This section is effective retroactively for taxes payable in 2010 and thereafter.

Sec. 14. Minnesota Statutes 2008, section 279.01, subdivision 3, is amended to read:

Subd. 3. **Agricultural property.** In the case of class 1b agricultural homestead, and class 2a agricultural homestead and 2b property, and class 2b(3) agricultural nonhomestead property, no penalties shall attach to the second one-half property tax payment as provided in this section if paid by November 15. Thereafter for class 1b agricultural homestead and class 2a and 2b homestead property, on November 16 following, a penalty of six percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional two percent shall be charged on all such unpaid taxes. Thereafter for class 2b(3) agricultural 2a and 2b nonhomestead property, on November 16 following, a penalty of eight percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional four percent shall be charged on all such unpaid taxes.

If the owner of class 1b agricultural homestead, or class 2a, or class 2b(3) agricultural or 2b property receives a consolidated property tax statement that shows only an aggregate of the taxes and special assessments due on that property and on other property not classified as class 1b agricultural homestead, or class 2a, or class 2b(3) agricultural or 2b property, the aggregate tax and special assessments shown due on the property by the consolidated statement will be due on November 15.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and thereafter.

Sec. 15. Minnesota Statutes 2008, 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 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 are only 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 under section 273.13 as homestead, agricultural, ~~or timberland~~ rural vacant land, or managed forest land, 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.

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

Sec. 16. Minnesota Statutes 2009 Supplement, section 475.755, is amended to read:

**475.755 EMERGENCY DEBT CERTIFICATES.**

(a) If at any time during a fiscal year the receipts of a local government are reasonably expected to be reduced below the amount provided in the local government's budget when the final property tax levy to be collected during the fiscal year was certified and the receipts are insufficient to meet the expenses incurred or to be incurred during the fiscal year, the governing body of the local government may authorize and sell certificates of indebtedness to mature within two years or less from the end of the fiscal year in which the certificates are issued. The maximum principal amount of the certificates that it may issue in a fiscal year is limited to the expected reduction in receipts plus the cost of issuance. The certificates may be issued in the manner and on the terms the governing body determines by resolution.

(b) The governing body of the local government shall levy taxes for the payment of principal and interest on the certificates in accordance with section 475.61.

(c) The certificates are not to be included in the net debt of the issuing local government.

(d) To the extent that a local government issues certificates under this section to fund an unallotment or other reduction in its state aid, the local government ~~may~~ must not use a the special levy authority for the aid reduction reductions under section 275.70, subdivision 5, clause (22), or a similar or successor provision. ~~This provision does not affect the status of the,~~ but must instead use the special levy authority for the repayment of indebtedness under section 275.70, subdivision 5, clause (2), in order to levy under section 475.61 to pay fund repayment of the certificates as with a levy that is not subject to levy limits.

(e) For purposes of this section, the following terms have the meanings given:

(1) "Local government" means a statutory or home rule charter city, a town, or a county.

(2) "Receipts" includes the following amounts scheduled to be received by the local government for the fiscal year from:

(i) taxes;

(ii) aid payments previously certified by the state to be paid to the local government;

(iii) state reimbursement payments for property tax credits; and

(iv) any other source.

**EFFECTIVE DATE.** This section is effective retroactively for taxes payable in 2010 and thereafter.

Sec. 17. Minnesota Statutes 2009 Supplement, section 477A.013, subdivision 8, is amended to read:

Subd. 8. **City formula aid.** ~~(a) In calendar year 2009, the formula aid for a city is equal to the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need increase percentage multiplied by its unmet need.~~

~~(b) In calendar year 2010 and subsequent years,~~ The formula aid for a city is equal to the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need increase percentage multiplied by the average of its unmet need for the most recently available two years.

No city may have a formula aid amount less than zero. The need increase percentage must be the same for all cities.

The applicable need increase percentage must be calculated by the Department of Revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03. ~~For aids payable in 2009 only, all data used in calculating aid to cities under sections 477A.011 to 477A.013 will be based on the data available for calculating aid to cities for aids payable in 2008. For aids payable in 2010 and thereafter,~~ Data used in calculating aids to cities under sections 477A.011 to 477A.013 shall be the most recently available data as of January 1 in the year in which the aid is calculated ~~except as provided in section 477A.011, subdivisions 3 and 35 that the data used to compute "net levy" in subdivision 9 is the data most recently available at the time of the aid computation.~~

**EFFECTIVE DATE.** This section is effective for aid payable in 2010 and thereafter.

Sec. 18. Laws 2001, First Special Session chapter 5, article 3, section 50, the effective date, as amended by Laws 2009, chapter 86, article 1, section 87, is amended to read:

**EFFECTIVE DATE.** Clause (22) of this section is effective for taxes levied in 2002, payable in 2003, ~~through taxes levied in 2011, payable in 2012 and thereafter.~~ Clause (23) of this section is effective for taxes levied in 2001, payable in 2002, and thereafter.

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

## ARTICLE 10

### CONDITIONAL USE DEEDS

Section 1. Minnesota Statutes 2008, 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~~ (a) When acting on behalf of the state under laws allowing the county board to classify and manage tax-forfeited lands held by the state in trust for the local units as provided in section 281.25, the county board has the discretion to decide 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 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, and sustained yield management. The classification, furthermore, must: (1) 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; (2) facilitate reduction of governmental expenditures; (3) conserve and develop the natural resources; and (4) 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 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 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 60 days of the request for classification or reclassification and sale. The county board shall then withhold the parcel from public sale for 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. If the town board or governing body of the municipality fails to submit an application and a resolution of the board or governing body to acquire the property within the withholding period, the county may offer the property for sale upon the expiration of the withholding period.~~

(b) Whenever the county board deems it appropriate, the board may hold a meeting for the purpose of reclassifying tax-forfeited land that has not been sold or released from the trust. The criteria and procedures for reclassification are the same as those required for an initial classification.

(c) Prior to meeting for the purpose of classifying or reclassifying tax-forfeited lands, the county board must give notice of its intent to meet for that purpose as provided in this paragraph. The notice must be given no more than 90 days and no less than 60 days before the date of the meeting; provided that if the meeting is rescheduled, notice of the new date, time, and location must be given at least 14 days before the date of the rescheduled meeting. The notice must be posted on a Web site. The notice must also be mailed or otherwise delivered to each person who has filed a request for notice of special meetings with the public body, regardless of whether the matter is considered at a regular or special meeting. The notice must be mailed or delivered at least 60 days before the date of the meeting. If the meeting is rescheduled, notice of the new date, time, and location must be mailed or delivered at least 14 days before the date of the rescheduled meeting. The public body shall publish the notice once, at least 30 days before the meeting, in a newspaper of general circulation within the area of the public body's authority. The board must also mail a notice by electronic means to each person who requests notice of meetings dealing with this subject and who agrees as provided in chapter 325L to accept notice that is mailed by electronic means. Receipt of actual notice under the conditions specified in section 13D.04, subdivision 7, satisfies the notice requirements of this paragraph.

The board may classify or reclassify tax-forfeited lands at any regular or special meeting, as those terms are defined in chapter 13D and may conduct only this business, or this business as well as other business or activities at the meeting.

(d) At the meeting, the county board must allow any person or agency possessing pertinent information to make or submit comments and recommendations about the pending classification or reclassification. In addition, representatives of governmental entities in attendance must be allowed to describe plans, ideas, or projects that may involve use or acquisition of the property by that or another governmental entity. The county board must solicit and consider any relevant components of current municipal or metropolitan comprehensive land use plans that

incorporate the area in which the land is located. After allowing testimony, the board may classify, reclassify, or delay taking action on any parcel or parcels. In order for a state agency or a governmental subdivision of the state to preserve its right to request a purchase or other acquisition of a forfeited parcel, it may, at any time following forfeiture, file a written request to withhold the parcel from sale or lease to others under the provisions of subdivision 1a.

(e) When classifying, reclassifying, appraising, and selling lands under this chapter, the county board may designate the tracts as assessed and acquired, or may by resolution provide for the subdivision of the tracts into smaller units or for the grouping of several tracts into one tract when the subdivision or grouping is deemed advantageous for conservation or sale purposes. This paragraph does not authorize the county board to subdivide a parcel or tract of tax-forfeited land that, as assessed and acquired, is withheld from sale under section 282.018, subdivision 1.

(f) A county board may by resolution elect to use the classification and reclassification procedures provided in paragraphs (g), (h), and (i), instead of the procedures provided in paragraphs (b), (c), and (d). Once an election is made under this paragraph, it is effective for a minimum of five years.

(g) The classification or reclassification of tax-forfeited land that has not been sold or released from the trust may be made by the county board using information made available to it 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.

(h) If the lands are located within the boundaries of an organized town or incorporated municipality, a 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 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 disapproves of the classification or reclassification and sale, the county board must follow the procedures in paragraphs (c) and (d), with regard to the parcel, and must additionally cause to be published in a newspaper a notice of the date, time, location, and purpose of the required meeting.

(i) If a town board or a governing body of a municipality or a park and recreation board in a city of the first class desires to acquire any parcel lying in the town or municipality by procedures authorized in this section, it may file a written request under subdivision 1a, paragraph (a).

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 2. Minnesota Statutes 2008, section 282.01, subdivision 1a, is amended to read:

Subd. 1a. **Conveyance; generally to public entities.** (a) Upon written request from a state agency or a governmental subdivision of the state, a parcel of unsold tax-forfeited land must be withheld from sale or lease to others for a maximum of six months. The request must be submitted to the county auditor. Upon receipt, the county auditor must withhold the parcel from sale or lease to any other party for six months, and must confirm the starting date of the six-month withholding period to the requesting agency or subdivision. If the request is from a governmental subdivision of the state, the governmental subdivision must pay the maintenance costs incurred by the county during the period the parcel is withheld. The county board may approve a sale or conveyance to the requesting party during the withholding period. A conveyance of the property to the requesting party terminates the withholding period.

A governmental subdivision of the state must not make, and a county auditor must not act upon, a second request to withhold a parcel from sale or lease within 18 months of a previous request for that parcel. A county may reject a request made under this paragraph if the request is made more than 30 days after the county has given notice to the requesting state agency or governmental subdivision of the state that the county intends to sell or otherwise dispose of the property.

(b) Nonconservation tax-forfeited lands may be sold by the county board, for their market value as determined by the county board, to an organized or incorporated governmental subdivision of the state for any public purpose for which the subdivision is authorized to acquire property of. When the term "market value" is used in this section, it means an estimate of the full and actual market value of the parcel as determined by the county board, but in making this determination, the board and the persons employed by or under contract with the board in order to perform, conduct, or assist in the determination, are exempt from the licensure requirements of chapter 82B.

(c) Nonconservation tax-forfeited lands may be released from the trust in favor of the taxing districts on application of to the county board by a state agency for an authorized use at not less than their market value as determined by the county board.

(d) Nonconservation tax-forfeited lands may be sold by the county board to an organized or incorporated governmental subdivision of the state or state agency for less than their market value if:

(1) the county board determines that a sale at a reduced price is in the public interest because a reduced price is necessary to provide an incentive to correct the blighted conditions that make the lands undesirable in the open market, or the reduced price will lead to the development of affordable housing; and

(2) the governmental subdivision or state agency has documented its specific plans for correcting the blighted conditions or developing affordable housing, and the specific law or laws that empower it to acquire real property in furtherance of the plans.

If the sale under this paragraph is to a governmental subdivision of the state, the commissioner of revenue must convey the property on behalf of the state by quit claim deed. If the sale under this paragraph is to a state agency, the commissioner must issue a conveyance document that releases the property from the trust in favor of the taxing districts.

(e) Nonconservation tax-forfeited land held in trust in favor of the taxing districts may be conveyed by the commissioner of revenue ~~may convey by deed~~ in the name of the state ~~a tract of tax forfeited land held in trust in favor of the taxing districts~~ to a governmental subdivision for an authorized public use, if an application is submitted to the commissioner which includes a statement of facts as to the use to be made of the tract ~~and the need therefor~~ and the favorable recommendation of the county board. For the purposes of this paragraph, "authorized public use" means a use that allows an indefinite segment of the public to physically use and enjoy the property in numbers appropriate to its size and use, or is for a public service facility. Authorized public uses as defined in this paragraph are limited to:

(1) a road, or right-of-way for a road;

(2) a park that is both available to, and accessible by, the public that contains amenities such as campgrounds, playgrounds, athletic fields, trails, or shelters;

(3) trails for walking, bicycling, snowmobiling, or other recreational purposes, along with a reasonable amount of surrounding land maintained in its natural state;

(4) transit facilities for buses, light rail transit, commuter rail or passenger rail, including transit ways, park-and-ride lots, transit stations, maintenance and garage facilities, and other facilities related to a public transit system;

(5) public beaches or boat launches;

(6) public parking;

(7) civic recreation or conference facilities; and

(8) public service facilities such as fire halls, police stations, lift stations, water towers, sanitation facilities, water treatment facilities, and administrative offices.

No monetary compensation or consideration is required for the conveyance, except as provided in subdivision 1g, but the conveyance is subject to the conditions provided in law, including, but not limited to, the reversion provisions of subdivisions 1c and 1d.

(f) The commissioner of revenue shall convey a parcel of nonconservation tax-forfeited land to a local governmental subdivision of the state by quit claim deed on behalf of the state upon the favorable recommendation of the county board if the governmental subdivision has certified to the board that prior to forfeiture the subdivision was entitled to the parcel under a written development agreement or instrument, but the conveyance failed to occur prior to forfeiture. No compensation or consideration is required for, and no conditions attach to, the conveyance.

(g) The commissioner of revenue shall convey a parcel of nonconservation tax-forfeited land to the association of a common interest community by quit claim deed upon the favorable recommendation of the county board if the association certifies to the board that prior to forfeiture the association was entitled to the parcel under a written agreement, but the conveyance failed to occur prior to forfeiture. No compensation or consideration is required for, and no conditions attach to, the conveyance.

(h) Conservation tax-forfeited land may be sold to a governmental subdivision of the state for less than its market value for either: (1) creation or preservation of wetlands; (2) drainage or storage of storm water under a storm water management plan; or (3) preservation, or restoration and preservation, of the land in its natural state. The deed must contain a restrictive covenant limiting the use of the land to one of these purposes for 30 years or until the property is reconveyed back to the state in trust. At any time, the governmental subdivision may reconvey the property to the state in trust for the taxing districts. The deed of reconveyance is subject to approval by the commissioner of revenue. No part of a purchase price determined under this paragraph shall be refunded upon a reconveyance, but the amount paid for a conveyance under this paragraph may be taken into account by the county board when setting the terms of a future sale of the same property to the same governmental subdivision under paragraph (b) or (d). If the lands are unplatted and located outside of an incorporated municipality and the commissioner of natural resources determines there is a mineral use potential, the sale is subject to the approval of the commissioner of natural resources.

(i) A park and recreation board in a city of the first class is a governmental subdivision for the purposes of this section.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 3. Minnesota Statutes 2008, section 282.01, subdivision 1b, is amended to read:

Subd. 1b. **Conveyance; targeted neighborhood community lands.** ~~(a)~~ Notwithstanding subdivision 1a, in the case of tax-forfeited lands located in a targeted ~~neighborhood, as defined in section 469.201, subdivision 10~~ community in a city of the first class, the commissioner of revenue shall convey by quit claim deed in the name of

the state any tract of tax-forfeited land held in trust in favor of the taxing districts, to a political subdivision of the state that submits an application to the commissioner of revenue and the favorable recommendation of the county board. For purposes of this subdivision, the term "targeted community" has the meaning given in section 469.201, subdivision 10, except that the land must be located within a first class city.

~~(b) The application under paragraph (a) must include a statement of facts as to the use to be made of the tract, the need therefor, and a resolution, adopted by the governing body of the political subdivision, finding that the conveyance of a tract of tax forfeited land to the political subdivision is necessary to provide for the redevelopment of land as productive taxable property. Deeds of conveyance issued under paragraph (a) are not conditioned on continued use of the property for the use stated in the application.~~

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 4. Minnesota Statutes 2008, section 282.01, subdivision 1c, is amended to read:

Subd. 1c. **Deed of conveyance; form; approvals.** The deed of conveyance for property conveyed for a an authorized public use under the authorities in subdivision 1a, paragraph (e), must be on a form approved by the attorney general and must be conditioned on continued use for the purpose stated in the application as provided in this section. These deeds are conditional use deeds that convey a defeasible estate. Reversion of the estate occurs by operation of law and without the requirement for any affirmative act by or on behalf of the state when there is a failure to put the property to the approved authorized public use for which it was conveyed, or an abandonment of that use, except as provided in subdivision 1d.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 5. Minnesota Statutes 2008, section 282.01, subdivision 1d, is amended to read:

Subd. 1d. **Reverter for failure to use; conveyance to state.** (a) If after three years from the date of the conveyance a governmental subdivision to which tax-forfeited land has been conveyed for a specified an authorized public use as provided in this section subdivision 1a, paragraph (e), fails to put the land to that use, or abandons that use, the governing body of the subdivision may, must: (1) with the approval of the county board, purchase the property for an authorized public purpose at the present appraised market value as determined by the county board. In that case, the commissioner of revenue shall, upon proper written application approved by the county board, issue an appropriate deed to the subdivisions free of a use restriction and revert. The governing body may also, or (2) authorize the proper officers to convey the land, or the part of the land not required for an authorized public use, to the state of Minnesota. in trust for the taxing districts. If the governing body purchases the property under clause (1), the commissioner of revenue shall, upon proper application submitted by the county auditor, convey the property on behalf of the state by quit claim deed to the subdivision free of a use restriction and the possibility of reversion or defeasement. If the governing body decides to reconvey the property to the state under this clause, the officers shall execute a deed of conveyance immediately. The conveyance is subject to the approval of the commissioner and its form must be approved by the attorney general. A sale, lease, transfer, or other conveyance of tax forfeited lands by a housing and redevelopment authority, a port authority, an economic development authority, or a city as authorized by chapter 469 is not an abandonment of use and the lands shall not be reconveyed to the state nor shall they revert to the state. A certificate made by a housing and redevelopment authority, a port authority, an economic development authority, or a city referring to a conveyance by it and stating that the conveyance has been made as authorized by chapter 469 may be filed with the county recorder or registrar of titles, and the rights of reverter in favor of the state provided by subdivision 1e will then terminate. No vote of the people is required for the conveyance. For the purposes of this paragraph, there is no failure to put the land to the authorized public use and no abandonment of that use if a formal plan of the governmental subdivision, including, but not limited to, a comprehensive plan or land use plan that shows an intended future use of the land for the authorized public use.

(b) Property held by a governmental subdivision of the state under a conditional use deed executed under subdivision 1a, paragraph (e), by the commissioner of revenue on or after January 1, 2007, may be acquired by that governmental subdivision after 15 years from the date of the conveyance if the commissioner determines upon written application from the subdivision that the subdivision has in fact put the property to the authorized public use for which it was conveyed, and the subdivision has made a finding that it has no current plans to change the use of the lands. Prior to conveying the property, the commissioner shall inquire whether the county board where the land is located objects to a conveyance of the property to the subdivision without conditions and without further act by or obligation of the subdivision. If the county does not object within 60 days, and the commissioner makes a favorable determination, the commissioner shall issue a quit claim deed on behalf of the state unconditionally conveying the property to the governmental subdivision. For purposes of this paragraph, demonstration of an intended future use for the authorized public use in a formal plan of the governmental subdivision does not constitute use for that authorized public use.

(c) Property held by a governmental subdivision of the state under a conditional use deed executed under subdivision 1a, paragraph (e), by the commissioner of revenue before January 1, 2007, is released from the use restriction and possibility of reversion on January 1, 2022, if the county board records a resolution describing the land and citing this paragraph. The county board may authorize the county treasurer to deduct the amount of the recording fees from future settlements of property taxes to the subdivision.

(d) All property conveyed under a conditional use deed executed under subdivision 1a, paragraph (e), by the commissioner of revenue is released from the use restriction and reverter, and any use restriction or reverter for which no declaration of reversion has been recorded with the county recorder or registrar of titles, as appropriate, is nullified on the later of: (1) January 1, 2015; (2) 30 years from the date the deed was acknowledged; or (3) final resolution of an appeal to district court under subdivision 1e, if a lis pendens related to the appeal is recorded in the office of the county recorder or registrar of titles, as appropriate, prior to January 1, 2015.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 6. Minnesota Statutes 2008, section 282.01, is amended by adding a subdivision to read:

Subd. 1g. **Conditional use deed fees.** (a) A governmental subdivision of the state applying for a conditional use deed under subdivision 1a, paragraph (e), must submit a fee of \$250 to the commissioner of revenue along with the application. If the application is denied, the commissioner shall refund \$150 of the application fee.

(b) The proceeds from the fees must be deposited in a Department of Revenue conditional use deed revolving fund. The sums deposited into the revolving fund are appropriated to the commissioner of revenue for the purpose of making the refunds described in this subdivision, and administering conditional use deed laws.

**EFFECTIVE DATE.** This section is effective for applications received by the commissioner after June 30, 2010.

Sec. 7. Minnesota Statutes 2008, section 282.01, is amended by adding a subdivision to read:

Subd. 1h. **Conveyance; form.** The instruments of conveyance executed and issued by the commissioner of revenue under subdivision 1a, paragraphs (c), (d), (e), (f), (g), and (h), and subdivision 1d, paragraph (b), must be on a form approved by the attorney general and are prima facie evidence of the facts stated therein and that the execution and issuance of the conveyance complies with the applicable laws.

**EFFECTIVE DATE.** This section is effective for deeds executed by the commissioner of revenue after June 30, 2010.

Sec. 8. Minnesota Statutes 2008, section 282.01, subdivision 2, is amended to read:

Subd. 2. **Conservation lands; county board supervision.** ~~(a) Lands classified as conservation lands, unless reclassified as nonconservation lands, sold to a governmental subdivision of the state, designated as lands primarily suitable for forest production and sold as hereinafter provided, or released from the trust in favor of the taxing districts, as herein provided, will must be held under the supervision of the county board of the county within which such the parcels lie, and must not be conveyed or sold unless the lands are:~~

~~The county board may, by resolution duly adopted, declare lands classified as conservation lands as primarily suitable for timber production and as lands which should be placed in private ownership for such purposes. If such action be approved by the commissioner of natural resources, the lands so designated, or any part thereof, may be sold by the county board in the same manner as provided for the sale of lands classified as nonconservation lands. Such county action and the approval of the commissioner shall be limited to lands lying within areas zoned for restricted uses under the provisions of Laws 1939, chapter 340, or any amendments thereof.~~

~~(1) reclassified as nonconservation lands;~~

~~(2) conveyed to a governmental subdivision of the state under subdivision 1a;~~

~~(3) released from the trust in favor of the taxing districts as provided in paragraph (b); or~~

~~(4) conveyed or sold under the authority of another general or special law.~~

~~(b) The county board may, by resolution duly adopted, resolve that certain lands classified as conservation lands shall be devoted to conservation uses and may submit such a resolution to the commissioner of natural resources. If, upon investigation, the commissioner of natural resources determines that the lands covered by such the resolution, or any part thereof, can be managed and developed for conservation purposes, the commissioner shall make a certificate describing the lands and reciting the acceptance thereof on behalf of the state ~~for such purposes~~. The commissioner shall transmit the certificate to the county auditor, who shall note the same upon the auditor's records and record the same with the county recorder. The title to all lands so accepted shall be held by the state free from any trust in favor of any and all taxing districts and such the lands shall be devoted thereafter to the purposes of forestry, water conservation, flood control, parks, game refuges, controlled game management areas, public shooting grounds, or other public recreational or conservation uses, and managed, controlled, and regulated ~~for such purposes~~ under the jurisdiction of the commissioner of natural resources and the divisions of the department.~~

~~(c) All proceeds derived from the sale of timber, lease of crops of hay, or other revenue from lands under the jurisdiction of the commissioner of natural resources shall be credited to the general fund of the state.~~

~~In case (d) If the commissioner of natural resources ~~shall determine~~ determines that any tract of land ~~so held~~ acquired by the state under paragraph (b) and situated within or adjacent to the boundaries of any governmental subdivision of the state is suitable for use by such the subdivision for any authorized public purpose, the commissioner may convey such the tract by deed in the name of the state to such the subdivision upon the filing with the commissioner of a resolution adopted by a majority vote of all the members of the governing body thereof, stating the purpose for which the land is desired. The deed of conveyance shall be upon a form approved by the attorney general and must be conditioned upon continued use for the purpose stated in the resolution. ~~All proceeds derived from the sale of timber, lease of hay stumpage, or other revenue from such lands under the jurisdiction of the natural resources commissioner shall be paid into the general fund of the state.~~~~

~~(e) The county auditor, with the approval of the county board, may lease conservation lands remaining under the jurisdiction supervision of the county board and sell timber and hay stumpage thereon in the manner hereinafter provided, and all proceeds derived therefrom shall be distributed in the same manner as provided in section 282.04.~~

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 9. Minnesota Statutes 2008, section 282.01, subdivision 3, is amended to read:

Subd. 3. **Nonconservation lands; appraisal and sale.** (a) All parcels of land classified as nonconservation, except those which may be reserved, shall be sold as provided, if it is determined, by the county board of the county in which the parcels lie, that it is advisable to do so, having in mind their accessibility, their proximity to existing public improvements, and the effect of their sale and occupancy on the public burdens. Any parcels of land proposed to be sold shall be first appraised by the county board of the county in which the parcels lie. The parcels may be reappraised whenever the county board deems it necessary to carry out the intent of sections 282.01 to 282.13.

(b) In an appraisal the value of the land and any standing timber on it shall be separately determined. No parcel of land containing any standing timber may be sold until the appraised value of the timber on it and the sale of the land have been approved by the commissioner of natural resources. The commissioner shall base review of a proposed sale on the policy and considerations specified in subdivision 1. The decision of the commissioner shall be in writing and shall state the reasons for it. The commissioner's decision is exempt from the rulemaking provisions of chapter 14 and section 14.386 does not apply. The county may appeal the decision of the commissioner in accordance with chapter 14.

(c) In any county in which a state forest or any part of it is located, the county auditor shall submit to the commissioner at least 60 days before the first publication of the list of lands to be offered for sale a list of all lands included on the list which are situated outside of any incorporated municipality. If, at any time before the opening of the sale, the commissioner notifies the county auditor in writing that there is standing timber on any parcel of such land, the parcel shall not be sold unless the requirements of this section respecting the separate appraisal of the timber and the approval of the appraisal by the commissioner have been complied with. The commissioner may waive the requirement of the 60-day notice as to any parcel of land which has been examined and the timber value approved as required by this section.

(d) If any public improvement is made by a municipality after any parcel of land has been forfeited to the state for the nonpayment of taxes, and the improvement is assessed in whole or in part against the property benefited by it, the clerk of the municipality shall certify to the county auditor, immediately upon the determination of the assessments for the improvement, the total amount that would have been assessed against the parcel of land if it had been subject to assessment; or if the public improvement is made, petitioned for, ordered in or assessed, whether the improvement is completed in whole or in part, at any time between the appraisal and the sale of the parcel of land, the cost of the improvement shall be included as a separate item and added to the appraised value of the parcel of land at the time it is sold. No sale of a parcel of land shall discharge or free the parcel of land from lien for the special benefit conferred upon it by reason of the public improvement until the cost of it, including penalties, if any, is paid. The county board shall determine the amount, if any, by which the value of the parcel was enhanced by the improvement and include the amount as a separate item in fixing the appraised value for the purpose of sale. ~~In classifying, appraising, and selling the lands, the county board may designate the tracts as assessed and acquired, or may by resolution provide for the subdivision of the tracts into smaller units or for the grouping of several tracts into one tract when the subdivision or grouping is deemed advantageous for the purpose of sale. Each such smaller tract or larger tract must be classified and appraised as such before being offered for sale. If any such lands have once been classified, the board of county commissioners, in its discretion, may, by resolution, authorize the sale of the smaller tract or larger tract without reclassification.~~

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 10. Minnesota Statutes 2008, section 282.01, subdivision 4, is amended to read:

Subd. 4. **Sale: method, requirements, effects.** The sale authorized under subdivision 3 must be conducted by the county auditor at the county seat of the county in which the parcels lie, except that in St. Louis and Koochiching Counties, the sale may be conducted in any county facility within the county. The sale must not be for less than the appraised value except as provided in subdivision 7a. The parcels must be sold for cash only ~~and at not less than the~~



~~appraised value~~, unless the county board of the county has adopted a resolution providing for their sale on terms, in which event the resolution controls with respect 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, and the balance 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. Standing timber or timber products 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. 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 must be allocated between the land and the timber in proportion to their respective appraised values. In that case, standing timber or timber products 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 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.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 11. Minnesota Statutes 2008, section 282.01, subdivision 7, is amended to read:

Subd. 7. **County sales; notice, purchase price, disposition.** The sale must commence at the time determined by the county board of the county in which the parcels 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 sum less than the appraised value, until all of the parcels of land have been offered. Then the county auditor shall sell any remaining parcels to anyone offering to pay the appraised value, except that if the person could have repurchased a parcel of property under section 282.012 or 282.241, that person may not purchase that same parcel of property at the sale under this subdivision for a purchase price less than the sum of all taxes, assessments, penalties, interest, and costs due at the time of forfeiture computed under section 282.251, and any special assessments for improvements certified as of the date of sale. The sale must continue until all the parcels are sold or until the county board orders a reappraisal or withdraws any or all of the parcels from sale. 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. The added lands must be: (1) parcels of land that have become forfeited and classified as nonconservation since the commencement of any prior sale; (2) parcels classified as nonconservation that have been reappraised; (3) parcels that have been reclassified as nonconservation; or (4) other parcels 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 provided for the publication of the original list. Parcels added to the list 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 that are offered and not immediately sold, continue to be held in trust by the state for the taxing districts interested in each of the parcels, under the supervision of the county board. Those parcels may be used for public purposes until sold, as directed by the county board.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 12. Minnesota Statutes 2008, section 282.01, subdivision 7a, is amended to read:

Subd. 7a. **City sales; alternate procedures.** Land located in a home rule charter or statutory city, or in a town which cannot be improved because of noncompliance with local ordinances regarding minimum area, shape, frontage or access may be sold by the county auditor pursuant to this subdivision if the auditor determines that a nonpublic sale will encourage the approval of sale of the land by the city or town and promote its return to the tax rolls. If the physical characteristics of the land indicate that its highest and best use will be achieved by combining it

with an adjoining parcel and the city or town has not adopted a local ordinance governing minimum area, shape, frontage, or access, the land may also be sold pursuant to this subdivision. If the property consists of an undivided interest in land or land and improvements, the property may also be sold to the other owners under this subdivision. The sale of land pursuant to this subdivision shall be subject to any conditions imposed by the county board pursuant to section 282.03. The governing body of the city or town may recommend to the county board conditions to be imposed on the sale. The county auditor may restrict the sale to owners of lands adjoining the land to be sold. The county auditor shall conduct the sale by sealed bid or may select another means of sale. The land shall be sold to the highest bidder ~~but in no event shall the land~~ and may be sold for less than its appraised value. All owners of land adjoining the land to be sold shall be given a written notice at least 30 days prior to the sale.

This subdivision shall be liberally construed to encourage the sale and utilization of tax-forfeited land, to eliminate nuisances and dangerous conditions and to increase compliance with land use ordinances.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 13. Minnesota Statutes 2008, section 282.01, is amended by adding a subdivision to read:

**Subd. 12. Notice; public hearing for use change.** If a governmental subdivision that acquired a parcel for public use under this section later determines to change the use, it must hold a public hearing on the proposed use change. The governmental subdivision must mail written notice of the proposed use change and the public hearing to each owner of property that is within 400 feet of the parcel at least ten days and no more than 60 days before it holds the hearing. The notice must identify: (1) the parcel, (2) its current use, (3) the proposed use, (4) the date, time, and place of the public hearing, and (5) where to submit written comments on the proposal and that the public is invited to testify at the public hearing.

**EFFECTIVE DATE.** This section is effective July 1, 2010, and applies to a change in use of a parcel acquired under Minnesota Statutes, section 282.01, whether acquired by the governmental subdivision before or after the effective date of this section.

Sec. 14. **REPEALER.**

Minnesota Statutes 2008, sections 282.01, subdivisions 9, 10, and 11; and 383A.76, are repealed.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

## ARTICLE 11

### MISCELLANEOUS

Section 1. **[3.192] TAX EXPENDITURE BILLS.**

**Subdivision 1. Requirements for new or renewed tax expenditures.** Any bill that creates, renews, or continues a tax expenditure must include a statement of intent that clearly provides the purpose of the tax expenditure and a standard or goal against which its effectiveness may be measured. For purposes of this section, "tax expenditure" has the meaning given in section 270C.11, subdivision 6.

**Subd. 2. Expiration of tax expenditures.** Any tax expenditure enacted after July 1, 2010, expires ten years from the day that the provision first takes effect. The bill may provide an early expiration date if desired.

**EFFECTIVE DATE.** This section is effective for tax expenditures enacted after July 1, 2010.

Sec. 2. Minnesota Statutes 2008, section 270C.11, subdivision 4, is amended to read:

Subd. 4. **Contents.** The report shall detail for each tax expenditure item the amount of tax revenue forgone, a citation of the statutory or other legal authority for the expenditure, and the year in which it was enacted or the tax year in which it became effective. Each chapter of the tax expenditure report must include an estimate of the number of jobs created or lost in Minnesota as a result of the tax expenditures in that chapter. The report may contain additional information which the commissioner considers relevant to the legislature's consideration and review of individual tax expenditure items. This may include, but is not limited to, statements of the intended purpose of the tax expenditure, analysis of whether the expenditure is achieving that objective, and the effect of the expenditure device on the distribution of the tax burden and administration of the tax system.

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

Sec. 3. Minnesota Statutes 2008, section 270C.34, subdivision 1, is amended to read:

Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any penalty or interest that is imposed by a law administered by the commissioner, or imposed by section 270.0725, subdivision 1 or 2, as a result of the late payment of tax or late filing of a return, if 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 or in a presidentially declared state of emergency area or in an area declared to be in a state of emergency by the governor under section 12.31.

(b) The commissioner shall abate any part of a penalty or additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous advice given to the taxpayer in writing by an employee of the department acting in an official capacity, if the advice:

- (1) was reasonably relied on and was in response to a specific written request of the taxpayer; and
- (2) was not the result of failure by the taxpayer to provide adequate or accurate information.

~~(c) The commissioner may abate a penalty imposed under section 270.0725, subdivision 1 or 2, if the failure to timely file is due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster area.~~

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

Sec. 4. Minnesota Statutes 2008, section 270C.52, subdivision 2, is amended to read:

Subd. 2. **Payment agreements.** (a) When any portion of any tax payable to the commissioner together with interest and penalty thereon, if any, has not been paid, the commissioner may extend the time for payment for a further period. When the authority of this section is invoked, the extension shall be evidenced by written agreement signed by the taxpayer and the commissioner, stating the amount of the tax with penalty and interest, if any, and providing for the payment of the amount in installments.

(b) The agreement may contain a confession of judgment for the amount and for any unpaid portion thereof. If the agreement contains a confession of judgment, the confession of judgment must provide that the commissioner may enter judgment against the taxpayer in the district court of the county of residence as shown upon the taxpayer's tax return for the unpaid portion of the amount specified in the extension agreement.

(c) The agreement shall provide that it can be terminated, after notice by the commissioner, if information provided by the taxpayer prior to the agreement was inaccurate or incomplete, collection of the tax covered by the agreement is in jeopardy, there is a subsequent change in the taxpayer's financial condition, the taxpayer has failed to make a payment due under the agreement, or the taxpayer has failed to pay any other tax or file a tax return coming due after the agreement.

(d) The notice must be given at least 14 calendar days prior to termination, and shall advise the taxpayer of the right to request a reconsideration from the commissioner of whether termination is reasonable and appropriate under the circumstances. A request for reconsideration does not stay collection action beyond the 14-day notice period. If the commissioner has reason to believe that collection of the tax covered by the agreement is in jeopardy, the commissioner may proceed under section 270C.36 and terminate the agreement without regard to the 14-day period.

(e) The commissioner may accept other collateral the commissioner considers appropriate to secure satisfaction of the tax liability. The principal sum specified in the agreement shall bear interest at the rate specified in section 270C.40 on all unpaid portions thereof until the same has been fully paid or the unpaid portion thereof has been entered as a judgment. The judgment shall bear interest at the rate specified in section 270C.40.

(f) If it appears to the commissioner that the tax reported by the taxpayer is in excess of the amount actually owing by the taxpayer, the extension agreement or the judgment entered pursuant thereto shall be corrected. If after making the extension agreement or entering judgment with respect thereto, the commissioner determines that the tax as reported by the taxpayer is less than the amount actually due, the commissioner shall assess a further tax in accordance with the provisions of law applicable to the tax.

(g) The authority granted to the commissioner by this section is in addition to any other authority granted to the commissioner by law to extend the time of payment or the time for filing a return and shall not be construed in limitation thereof.

(h) The commissioner shall charge a fee for entering into payment agreements that reflects the commissioner's costs for entering into payment agreements. The fee is initially set at \$25 and is adjusted annually as necessary. The fee is charged for entering into a payment agreement, for entering into a new payment agreement after the taxpayer has defaulted on a prior agreement, and for entering into a new payment agreement as a result of renegotiation of the terms of an existing agreement. The fee is paid to the commissioner before the payment agreement becomes effective and does not reduce the amount of the liability.

By June 1 of each year, the commissioner shall determine the cost to the commissioner for entering into payment agreements during the fiscal year and adjust the payment agreement fee as necessary to most nearly equal those costs. Determination of the fee for payment agreements under this section is not subject to the fee setting requirements of section 16A.1283.

**EFFECTIVE DATE.** This section is effective for payment agreements entered into or renegotiated after June 30, 2010.

#### Sec. 5. **TAX EXPENDITURE REVIEW REPORT.**

**Subdivision 1. Report to the legislature.** By January 10, 2011, the commissioner of revenue shall provide a report to the chairs of the house and senate tax committees with jurisdiction over taxes suggesting a process for the periodic review and sunset or extension of tax expenditures on an ongoing basis.

**Subd. 2. Contents of the report.** (a) The report shall include the following information for every tax, as defined in Minnesota Statutes, section 270C.11, subdivision 6:

(1) a definition of the tax base for the tax;

(2) a definition of a tax expenditure for each tax; and

(3) a list of existing provisions in law that meet the definition of tax expenditure for each tax.

(b) The report shall include a suggested list of information, currently not included in the tax expenditure budget under Minnesota Statutes, section 270C.11, needed to allow evaluation of the effectiveness of new and existing tax expenditures in meeting not only the stated goal of the tax expenditure but also the general tax principles of:

- (1) transparency and understandability;
- (2) simplicity and efficiency;
- (3) equity;
- (4) stability and predictability;
- (5) compliance and accountability; and
- (6) national and global competitiveness.

(c) The report shall also include recommendations on specific procedures for periodic review of tax expenditures, including the need for additional reports, study or oversight groups, and fiscal or other resources, and a suggested timetable for systematic review of the tax expenditures in the various tax areas.

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

Sec. 6. **APPROPRIATION.**

\$520,000 is appropriated in fiscal year 2011 from the general fund to the commissioner of revenue to administer the requirements in clauses (1) to (3). The appropriation must be distributed as follows:

(1) \$100,000 in fiscal year 2011 is for a study of fiscal disparities under article 1, section 36, and this appropriation is available until June 30, 2012;

(2) \$330,000 in fiscal year 2011 is for a study on income tax reciprocity under article 3, section 24, and this appropriation is available until June 30, 2012; and

(3) \$90,000 in fiscal year 2011 is for a tax expenditure review report under section 5.

The appropriations under this section are onetime and are not added to the agency's base budget."

Delete the title and insert:

"A bill for an act relating to the financing and operation of state and local government; making policy, technical, administrative, payment, enforcement, collection, refund, and other changes to individual income; corporate franchise, estate, sales and use, local taxes, gross receipts, gross revenues, cigarette, tobacco, insurance, property, minerals, petroleum, and other taxes and tax-related provisions; requiring sunset of new tax expenditures; property tax reform, accountability, value, and efficiency provisions; modifying certain payment schedules; making changes to tax-forfeited land, emergency debt certificate, local government aid, job opportunity building zone, special service district, agricultural preserve, tax increment financing, economic development authority, and special taxing district provisions; increasing and modifying certain borrowing authorities; modifying bond allocation provisions; specifying duties of assessors; requiring studies; providing appointments; appropriating money; amending Minnesota Statutes 2008, sections 60A.209, subdivision 1; 82B.035, subdivision 2; 103D.335, subdivision 17; 270.075, subdivisions 1, 2; 270.41, subdivision 5; 270C.11, subdivision 4; 270C.34, subdivision 1; 270C.52, subdivision 2; 270C.87; 270C.94, subdivision 3; 272.0213; 272.025, subdivisions 1, 3; 272.029, subdivisions 4, 7;

273.061, subdivisions 7, 8; 273.113, subdivision 3; 273.1231, subdivision 1; 273.1232, subdivision 1; 273.124, subdivisions 1, 8, 14; 273.13, subdivision 34; 273.1392; 275.71, subdivisions 4, 5; 276.02; 276.112; 279.01, subdivision 3; 279.025; 279.37, subdivision 1; 282.01, subdivisions 1, 1a, 1b, 1c, 1d, 2, 3, 4, 7, 7a, by adding subdivisions; 289A.08, subdivision 7; 289A.09, subdivision 2; 289A.10, subdivision 1; 289A.12, subdivision 14; 289A.30, subdivision 2; 289A.50, subdivisions 2, 4; 289A.60, subdivision 7, by adding a subdivision; 290.014, subdivision 2; 290.067, subdivision 1; 290.081; 290.0921, subdivision 3; 290.17, subdivision 2; 290.21, subdivision 4; 290B.03, by adding a subdivision; 290B.04, subdivisions 3, 4; 290B.05, subdivision 1; 291.03, by adding a subdivision; 295.55, subdivisions 2, 3; 297A.62, as amended; 297A.665; 297A.68, subdivision 39; 297A.70, subdivision 13; 297A.71, subdivisions 23, 39; 297A.995, subdivisions 10, 11; 297F.01, subdivision 22a; 297F.04, by adding a subdivision; 297F.07, subdivision 4; 297F.25, subdivision 1; 297I.01, subdivision 9; 297I.05, subdivision 7; 297I.30, subdivisions 1, 2, 7, 8; 297I.40, subdivisions 1, 5; 297I.65, by adding a subdivision; 298.282, subdivision 1; 428A.12; 428A.18, subdivision 2; 469.101, subdivision 1; 469.319, subdivision 5; 469.3193; 473.39, by adding a subdivision; 473H.05, subdivision 1; 474A.04, subdivision 6; 474A.091, subdivision 3; Minnesota Statutes 2009 Supplement, sections 134.34, subdivision 4; 137.025, subdivision 1; 273.114, subdivision 2; 273.124, subdivision 3a; 273.13, subdivisions 23, 25; 275.065, subdivision 3; 275.70, subdivision 5, as amended; 276.04, subdivision 2; 279.01, subdivision 1; 289A.18, subdivision 1; 289A.20, subdivision 4; 290.01, subdivisions 19a, 19b, as amended, 19d; 290.06, subdivision 2c; 290.0671, subdivision 1; 290.091, subdivision 2; 290B.03, subdivision 1; 291.005, subdivision 1, as amended; 297I.35, subdivision 2; 475.755; 477A.011, subdivision 36, as amended; 477A.013, subdivision 8; Laws 2001, First Special Session chapter 5, article 3, section 50, as amended; Laws 2002, chapter 377, article 3, section 25, as amended; Laws 2009, chapter 88, article 2, section 49; article 4, sections 5; 23, subdivision 4; Laws 2010, chapter 216, sections 3, subdivision 6; by adding subdivisions; 4, subdivisions 1, 2, 4, 6, 7, 8; proposing coding for new law in Minnesota Statutes, chapters 3; 6; 270C; 273; 296A; 524; 645; repealing Minnesota Statutes 2008, sections 282.01, subdivisions 9, 10, 11; 297I.30, subdivisions 4, 5, 6; 383A.76."

With the recommendation that when so amended the bill pass and be re-referred to the Committee on Ways and Means.

#### MINORITY REPORT

May 3, 2010

We, the undersigned, being a minority of the Committee on Taxes, recommend that H. F. No. 3729 do pass with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. **CONSTITUTIONAL AMENDMENT PROPOSED.**

An amendment to the Minnesota Constitution is proposed to the people. If the amendment is adopted, a section shall be added to article XI, to read:

Sec. 16. Planned expenditures for all funds for the biennium shall be limited to the amount of actual revenues received in the previous two-year budget period. Onetime repayment of payment shifts or other state financial obligations are exempt from this limitation on expenditures. Any additional expenditures may only be budgeted to provide for the public peace, safety, or health as a result of a declared national security or peacetime emergency.

Sec. 2. **SUBMISSION TO VOTERS.**

The proposed amendment must be submitted to the people at the 2012 general election. The question submitted must be:

"Shall the Minnesota Constitution be amended to require that state government expenditures for all funds be limited to the amount of actual revenues received by the state in the previous two-year budget period and any additional expenditures may only be made to provide for the public peace, safety, or health as a result of a declared national security or peacetime emergency?"

Yes .....  
No ..... ""

Delete the title and insert:

"A bill for an act relating to state spending; proposing an amendment to the Minnesota Constitution by adding a section to article XI; limiting the level of budgeted spending to the amount collected in the prior biennium."

Signed:

PAUL KOHLS  
KEITH DOWNEY  
LAURA BROD  
JENIFER LOON  
RANDY DEMMER

MORRIE LANNING  
SARAH ANDERSON  
ROB EASTLUND  
KURT ZELLERS

Kohls moved that the Minority Report on H. F. No. 3729 be substituted for the Majority Report and that the Minority Report be now adopted.

A roll call was requested and properly seconded.

LAY ON THE TABLE

Sertich moved that the Minority Report on H. F. No. 3729 be laid on the table.

A roll call was requested and properly seconded.

The question was taken on the Sertich motion relating to the Minority Report on H. F. No. 3729 and the roll was called. There were 85 yeas and 48 nays as follows:

Those who voted in the affirmative were:

Anzelc	Brown	Clark	Eken	Greiling	Hilstrom
Atkins	Brynaert	Davnie	Falk	Hansen	Hilty
Benson	Bunn	Dill	Faust	Hausman	Hornstein
Bigham	Carlson	Dittrich	Fritz	Haws	Hortman
Bly	Champion	Doty	Gardner	Hayden	Hosch

Huntley	Lenczewski	Morgan	Otremba	Scalze	Wagenius
Jackson	Lesch	Morrow	Paymar	Sertich	Ward
Johnson	Liebling	Mullery	Pelowski	Simon	Welti
Juhnke	Lieder	Murphy, E.	Persell	Slawik	Winkler
Kahn	Lillie	Murphy, M.	Peterson	Slocum	Spk. Kelliher
Kalin	Loeffler	Nelson	Poppe	Solberg	
Kath	Mahoney	Newton	Reinert	Swails	
Knuth	Mariani	Norton	Rukavina	Thao	
Koenen	Marquart	Obermueller	Ruud	Thissen	
Laine	Masin	Olin	Sailer	Tillberry	

Those who voted in the negative were:

Abeler	Davids	Emmer	Howes	McNamara	Severson
Anderson, B.	Dean	Garofalo	Kelly	Murdock	Shimanski
Anderson, P.	Demmer	Gottwalt	Kiffmeyer	Nornes	Smith
Anderson, S.	Dettmer	Gunther	Kohls	Peppin	Sterner
Beard	Doepke	Hackbarth	Lanning	Rosenthal	Torkelson
Brod	Downey	Hamilton	Loon	Sanders	Urdahl
Buesgens	Drazkowski	Holberg	Mack	Scott	Westrom
Cornish	Eastlund	Hoppe	McFarlane	Seifert	Zellers

The motion prevailed and the Minority Report on H. F. No. 3729 was laid on the table.

The question recurred on the adoption of the Majority Report from the Committee on Taxes relating to H. F. No. 3729. The Majority Report was adopted.

Carlson from the Committee on Finance to which was referred:

S. F. No. 1761, A bill for an act relating to insurance; requiring health plans to limit out-of-pocket costs for oral anticancer medication; proposing coding for new law in Minnesota Statutes, chapter 62A.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. **[62A.3075] CANCER CHEMOTHERAPY TREATMENT COVERAGE.**

(a) A health plan company that provides coverage under a health plan for cancer chemotherapy treatment shall not require a higher co-payment, deductible, or coinsurance amount for a prescribed, orally administered anticancer medication that is used to kill or slow the growth of cancerous cells than what the health plan requires for an intravenously administered or injected cancer medication that is provided, regardless of formulation or benefit category determination by the health plan company.

(b) A health plan company must not achieve compliance with this section by imposing an increase in co-payment, deductible, or coinsurance amount for an intravenously administered or injected cancer chemotherapy agent covered under the health plan.

(c) Nothing in this section shall be interpreted to prohibit a health plan company from requiring prior authorization or imposing other appropriate utilization controls in approving coverage for any chemotherapy.



(d) A plan offered by the commissioner of management and budget under section 43A.23 is deemed to be at parity and in compliance with this section.

(e) A health plan company is in compliance with this section if it does not include orally administered anticancer medication in the fourth tier of its pharmacy benefit.

**EFFECTIVE DATE.** Paragraphs (a) and (c) are effective August 1, 2010, and apply to health plans providing coverage to a Minnesota resident offered, issued, sold, renewed, or continued as defined in Minnesota Statutes, section 60A.02, subdivision 2a, on or after that date. Paragraph (b) is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to insurance; requiring health plans to establish equal out-of-pocket requirements for oral chemotherapy medications and intravenously administered chemotherapy medications; proposing coding for new law in Minnesota Statutes, chapter 62A."

With the recommendation that when so amended the bill pass.

The report was adopted.

Solberg from the Committee on Ways and Means to which was referred:

S. F. No. 2505, A bill for an act relating to child care; appropriating money to provide statewide child care provider training, coaching, consultation, and supports to prepare for the voluntary Minnesota quality rating system.

Reported the same back with the following amendments to the first unofficial engrossment:

Page 10, delete lines 4 to 12

With the recommendation that when so amended the bill pass.

The report was adopted.

Solberg from the Committee on Ways and Means to which was referred:

S. F. No. 3275, A bill for an act relating to state government; appropriating money from constitutionally dedicated funds; modifying appropriation to prevent water pollution from polycyclic aromatic hydrocarbons; modifying certain administrative accounts; modifying electronic transaction provisions; providing for certain registration exemptions; modifying all-terrain vehicle definitions; modifying all-terrain vehicle operation restrictions; modifying state trails and canoe and boating routes; modifying fees and disposition of certain receipts; modifying certain competitive bidding exemptions; modifying horse trail pass provisions; modifying beaver dam provisions; modifying the Water Law; modifying nongame wildlife checkoffs; establishing an Environment and Natural Resources Organization Advisory Committee to advise legislature and governor on new structure for administration of environment and natural resource policies; requiring an advisory committee to consider all powers and duties of Pollution Control Agency, Department of Natural Resources, Environmental Quality Board, Board of Water and Soil Resources, Petroleum Tank Release Compensation Board, Harmful Substances Compensation Board, and Agricultural Chemical Response Compensation Board and certain powers and duties of Departments of

Agriculture, Health, Transportation, and Commerce; modifying method of determining value of acquired stream easements; providing for certain historic property exemption; modifying state forest acquisition provisions; modifying certain requirements for land sales; adding to and deleting from state parks and state forests; authorizing public and private sales, conveyances, and exchanges of certain state land; amending the definition of "green economy" to include the concept of "green chemistry;" clarifying that an appropriation is to the commissioner of commerce; establishing a program to provide rebates for solar photovoltaic modules; providing for community energy planning; modifying Legislative Energy Commission and Public Utilities Commission provisions; eliminating a legislative guide; appropriating money; amending Minnesota Statutes 2008, sections 3.8851, subdivision 7; 84.025, subdivision 9; 84.027, subdivision 15; 84.0272, subdivision 2; 84.0856; 84.0857; 84.777, subdivision 2; 84.82, subdivision 3, by adding a subdivision; 84.92, subdivisions 9, 10; 84.922, subdivision 5, by adding a subdivision; 84.925, subdivision 1; 84.9256, subdivision 1; 84.928, subdivision 5; 85.012, subdivision 40; 85.015, subdivision 14; 85.22, subdivision 5; 85.32, subdivision 1; 85.41, subdivision 3; 85.42; 85.43; 85.46, as amended; 88.17, subdivisions 1, 3; 88.79, subdivision 2; 89.032, subdivision 2; 90.041, by adding a subdivision; 90.121; 90.14; 97B.665, subdivision 2; 103A.305; 103G.271, subdivision 3; 103G.285, subdivision 5; 103G.301, subdivision 6; 103G.305, subdivision 2; 103G.315, subdivision 11; 103G.515, subdivision 5; 103G.615, subdivision 2; 115A.02; 116.07, subdivisions 4, 4h; 116J.437, subdivision 1; 216B.62, by adding a subdivision; 290.431; 290.432; 473.1565, subdivision 2; Minnesota Statutes 2009 Supplement, sections 84.415, subdivision 6; 84.793, subdivision 1; 84.9275, subdivision 1; 84.928, subdivision 1; 85.015, subdivision 13; 86A.09, subdivision 1; 103G.201; Laws 2008, chapter 368, article 1, section 34, as amended; Laws 2009, chapter 37, article 2, section 13; Laws 2009, chapter 176, article 4, section 9; Laws 2010, chapter 215, article 3, section 4, subdivision 10; proposing coding for new law in Minnesota Statutes, chapters 85; 103G; 116C; repealing Minnesota Statutes 2008, sections 84.02, subdivisions 1, 2, 3, 4, 5, 6, 7, 8; 90.172; 97B.665, subdivision 1; 103G.295; 103G.650; Minnesota Statutes 2009 Supplement, sections 3.3006; 84.02, subdivisions 4a, 6a, 6b; Laws 2009, chapter 172, article 5, section 8.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2008, section 84.025, subdivision 9, is amended to read:

Subd. 9. **Professional services support account.** The commissioner of natural resources may bill other governmental units, including tribal governments, and the various programs carried out by the commissioner for the costs of providing them with professional support services. Except as provided under section 89.421, receipts must be credited to a special account in the state treasury and are appropriated to the commissioner to pay the costs for which the billings were made.

The commissioner of natural resources shall submit to the commissioner of management and budget before the start of each fiscal year a work plan showing the estimated work to be done during the coming year, the estimated cost of doing the work, and the positions and fees that will be necessary. This account is exempted from statewide and agency indirect cost payments.

Sec. 2. Minnesota Statutes 2008, section 84.027, is amended by adding a subdivision to read:

Subd. 14a. **Permitting efficiency.** (a) It is the goal of the state that environmental and resource management permits be issued or denied within 150 days of the submission of a completed permit application. The commissioner of natural resources shall redesign management systems, if necessary, to achieve the goal. Nothing in this subdivision modifies or abrogates the provisions of chapter 116D.

(b) The commissioner shall prepare semiannual permitting efficiency reports that include statistics on meeting the goal in paragraph (a). The reports are due February 1 and August 1 each year. For permit applications that have not met the goal, the report must state the reasons for not meeting the goal, steps that will be taken to complete

action on the application, and the expected timeline. In stating the reasons for not meeting the goal, the commissioner shall separately identify delays caused by the responsiveness of the proposer, lack of staff, scientific or technical disagreements, or the level of public engagement. The report must also specify the number of days from initial submission of the application to the day of determination that the application is complete. The report for the final half of the fiscal year must aggregate the data for the year and assess whether program or system changes are necessary to achieve the goal. The report must be posted on the department Web site and submitted to the governor and the chairs and committee members of the house of representatives and senate committees and divisions having jurisdiction over natural resources policy and finance.

Sec. 3. Minnesota Statutes 2008, section 84.027, subdivision 15, is amended to read:

Subd. 15. **Electronic transactions.** (a) The commissioner may receive an application for, sell, and issue any license, stamp, permit, pass, sticker, ~~duplicate gift card~~, safety training certification, registration, or transfer under the jurisdiction of the commissioner by electronic means, including by telephone. Notwithstanding section 97A.472, electronic and telephone transactions may be made outside of the state. The commissioner may:

- (1) provide for the electronic transfer of funds generated by electronic transactions, including by telephone;
  - (2) assign an identification number to an applicant who purchases a hunting or fishing license or recreational vehicle registration by electronic means, to serve as temporary authorization to engage in the activity requiring a license or registration until the license or registration is received or expires;
  - (3) charge and permit agents to charge a fee of individuals who make electronic transactions and transactions by telephone or Internet, including issuing fees and an additional transaction fee not to exceed \$3.50;
  - (4) charge and permit agents to charge a convenience fee not to exceed three percent of the cost of the license to individuals who use electronic bank cards for payment. An electronic licensing system agent charging a fee of individuals making an electronic bank card transaction in person must post a sign informing individuals of the fee. The sign must be near the point of payment, clearly visible, include the amount of the fee, and state: "License agents are allowed by state law to charge a fee not to exceed three percent of the cost of state licenses to persons who use electronic bank cards for payment. The fee is not required by state law.";
  - (5) establish, by written order, an electronic licensing system commission to be paid by revenues generated from all sales made through the electronic licensing system. The commissioner shall establish the commission in a manner that neither significantly overrecovers nor underrecovers costs involved in providing the electronic licensing system; and
  - (6) adopt rules to administer the provisions of this subdivision.
- (b) The fees established under paragraph (a), clauses (3) and (4), and the commission established under paragraph (a), clause (5), are not subject to the rulemaking procedures of chapter 14 and section 14.386 does not apply.
- (c) Money received from fees and commissions collected under this subdivision, including interest earned, is annually appropriated from the game and fish fund and the natural resources fund to the commissioner for the cost of electronic licensing.

Sec. 4. Minnesota Statutes 2008, section 84.0856, is amended to read:

**84.0856 FLEET MANAGEMENT ACCOUNT.**

The commissioner of natural resources may bill organizational units within the Department of Natural Resources and other governmental units, including tribal governments, for the costs of providing them with equipment. Costs billed may include acquisition, licensing, insurance, maintenance, repair, and other direct costs as determined by the commissioner. Receipts and interest earned on the receipts shall be credited to a special account in the state treasury and are appropriated to the commissioner to pay the costs for which the billings were made.

Sec. 5. Minnesota Statutes 2008, section 84.0857, is amended to read:

**84.0857 FACILITIES MANAGEMENT ACCOUNT.**

(a) The commissioner of natural resources may bill organizational units within the Department of Natural Resources and other governmental units, including tribal governments, for the costs of providing them with building and infrastructure facilities. Costs billed may include modifications and adaptations to allow for appropriate building occupancy, building code compliance, insurance, utility services, maintenance, repair, and other direct costs as determined by the commissioner. Receipts shall be credited to a special account in the state treasury and are appropriated to the commissioner to pay the costs for which the billings were made.

(b) Money deposited in the special account from the proceeds of a sale under section 94.16, subdivision 3, paragraph (b), is appropriated to the commissioner to acquire facilities or renovate existing buildings for administrative use or to acquire land for, design, and construct administrative buildings for the Department of Natural Resources.

Sec. 6. Minnesota Statutes 2008, section 84.415, is amended by adding a subdivision to read:

Subd. 3a. **Joint applications for residential use.** An application for a utility license may cover more than one type of utility if the utility lines are being installed for residential use only. Separate applications submitted by utilities for the same crossing shall be joined together and processed as one application, provided that the applications are submitted within one year of each other and the utility lines are for residential use only. The application fees for a joint application or separate applications subsequently joined together shall be as if only one application was submitted.

Sec. 7. Minnesota Statutes 2009 Supplement, section 84.415, subdivision 6, is amended to read:

Subd. 6. **Supplemental application fee and monitoring fee.** (a) In addition to the application fee and utility crossing fees specified in Minnesota Rules, the commissioner of natural resources shall assess the applicant for a utility license the following fees:

(1) a supplemental application fee of ~~\$1,500~~ \$2,000 for a public water crossing license and a supplemental application fee of ~~\$4,500~~ \$2,000 for a public lands crossing license, to cover reasonable costs for reviewing the application and preparing the license; and

(2) a monitoring fee to cover the projected reasonable costs for monitoring the construction of the utility line and preparing special terms and conditions of the license to ensure proper construction. The commissioner must give the applicant an estimate of the monitoring fee before the applicant submits the fee.

(b) The applicant shall pay fees under this subdivision to the commissioner of natural resources. The commissioner shall not issue the license until the applicant has paid all fees in full.

(c) Upon completion of construction of the improvement for which the license or permit was issued, the commissioner shall refund the unobligated balance from the monitoring fee revenue. The commissioner shall not return the application fees, even if the application is withdrawn or denied.

(d) If the fees collected under paragraph (a), clause (1), are not sufficient to cover the costs of reviewing the applications and preparing the licenses, the commissioner shall improve efficiencies and otherwise reduce department costs and activities to ensure the revenues raised under paragraph (a), clause (1), are sufficient, and that no other funds are necessary to carry out the requirements.

Sec. 8. Minnesota Statutes 2008, section 84.777, subdivision 2, is amended to read:

Subd. 2. **Off-highway vehicle seasons seasonal restrictions.** ~~(a) The commissioner shall prescribe seasons for off-highway vehicle use on state forest lands. Except for designated forest roads, a person must not operate an off-highway vehicle on state forest lands outside of the seasons prescribed under this paragraph. during the firearms deer hunting season in areas of the state where deer may be taken by rifle. This paragraph does not apply to a person in possession of a valid deer hunting license operating an off-highway vehicle before or after legal shooting hours or from 11:00 a.m. to 2:00 p.m.~~

(b) The commissioner may designate and post winter trails on state forest lands for use by off-highway vehicles.

(c) For the purposes of this subdivision, "state forest lands" means forest lands under the authority of the commissioner as defined in section 89.001, subdivision 13, and lands managed by the commissioner under section 282.011.

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

Sec. 9. Minnesota Statutes 2008, section 84.788, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** Registration is not required for off-highway motorcycles:

(1) owned and used by the United States, an Indian tribal government, the state, another state, or a political subdivision;

(2) registered in another state or country that have not been within this state for more than 30 consecutive days; or

(3) registered under chapter 168, when operated on forest roads to gain access to a state forest campground.

Sec. 10. Minnesota Statutes 2009 Supplement, section 84.793, subdivision 1, is amended to read:

Subdivision 1. **Prohibitions on youthful operators.** ~~(a) After January 1, 1995,~~ A person less than 16 years of age operating an off-highway motorcycle on public lands or waters must possess a valid off-highway motorcycle safety certificate issued by the commissioner.

(b) Except for operation on public road rights-of-way that is permitted under section 84.795, subdivision 1, a driver's license issued by the state or another state is required to operate an off-highway motorcycle along or on a public road right-of-way.

(c) A person under 12 years of age may not:

(1) make a direct crossing of a public road right-of-way;

(2) operate an off-highway motorcycle on a public road right-of-way in the state; or

(3) operate an off-highway motorcycle on public lands or waters unless accompanied by a person 18 years of age or older or participating in an event for which the commissioner has issued a special use permit.

(d) Except for public road rights-of-way of interstate highways, a person less than 16 years of age may make a direct crossing of a public road right-of-way of a trunk, county state-aid, or county highway only if that person is accompanied by a person 18 years of age or older who holds a valid driver's license.

(e) A person less than 16 years of age may operate an off-highway motorcycle on public road rights-of-way in accordance with section 84.795, subdivision 1, paragraph (a), only if that person is accompanied by a person 18 years of age or older who holds a valid driver's license.

(f) Notwithstanding paragraph (a), a nonresident less than 16 years of age may operate an off-highway motorcycle on public lands or waters if the nonresident youth has in possession evidence of completing an off-road safety course offered by the Motorcycle Safety Foundation or another state as provided in section 84.791, subdivision 4.

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

Sec. 11. Minnesota Statutes 2008, section 84.798, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** Registration is not required for an off-road vehicle that is:

(1) owned and used by the United States, an Indian tribal government, the state, another state, or a political subdivision; or

(2) registered in another state or country and has not been in this state for more than 30 consecutive days.

Sec. 12. Minnesota Statutes 2008, section 84.82, subdivision 3, is amended to read:

Subd. 3. **Fees for registration.** (a) The fee for registration of each snowmobile, other than those used for an agricultural purpose, as defined in section 84.92, subdivision 1c, or those registered by a dealer or manufacturer pursuant to clause (b) or (c) shall be as follows: \$45 for three years and \$4 for a duplicate or transfer.

(b) The total registration fee for all snowmobiles owned by a dealer and operated for demonstration or testing purposes shall be \$50 per year.

(c) The total registration fee for all snowmobiles owned by a manufacturer and operated for research, testing, experimentation, or demonstration purposes shall be \$150 per year. Dealer and manufacturer registrations are not transferable.

(d) The onetime fee for registration of an exempt snowmobile under subdivision 6a is \$6.

Sec. 13. Minnesota Statutes 2008, section 84.82, subdivision 6, is amended to read:

Subd. 6. **Exemptions.** Registration is not required under this section for:

(1) a snowmobile owned and used by the United States, an Indian tribal government, another state, or a political subdivision thereof;

- (2) a snowmobile registered in a country other than the United States temporarily used within this state;
- (3) a snowmobile that is covered by a valid license of another state and has not been within this state for more than 30 consecutive days;
- (4) a snowmobile used exclusively in organized track racing events;
- (5) a snowmobile in transit by a manufacturer, distributor, or dealer;
- (6) a snowmobile at least 15 years old in transit by an individual for use only on land owned or leased by the individual; or
- (7) a snowmobile while being used to groom a state or grant-in-aid trail.

Sec. 14. Minnesota Statutes 2008, section 84.82, is amended by adding a subdivision to read:

Subd. 6a. **Exemption; collector unlimited snowmobile use.** Snowmobiles may be issued an exempt registration if the machine is at least 25 years old. Exempt registration is valid from the date of issuance until ownership of the snowmobile is transferred. Exempt registrations are not transferable.

Sec. 15. Minnesota Statutes 2008, section 84.8205, subdivision 1, is amended to read:

Subdivision 1. **Sticker required; fee.** (a) Except as provided in paragraph (b), a person may not operate a snowmobile on a state or grant-in-aid snowmobile trail unless a snowmobile state trail sticker is affixed to the snowmobile. The commissioner of natural resources shall issue a sticker upon application and payment of a \$15 fee. The fee for a three-year snowmobile state trail sticker that is purchased at the time of snowmobile registration is \$30. In addition to other penalties prescribed by law, a person in violation of this subdivision must purchase an annual state trail sticker for a fee of \$30. The sticker is valid from November 1 through June 30. Fees collected under this section, except for the issuing fee for licensing agents, shall be deposited in the state treasury and credited to the snowmobile trails and enforcement account in the natural resources fund and, except for the electronic licensing system commission established by the commissioner under section 84.027, subdivision 15, must be used for grants-in-aid, trail maintenance, grooming, and easement acquisition.

(b) A state trail sticker is not required under this section for:

- (1) a snowmobile owned by the state or a political subdivision of the state that is registered under section 84.82, subdivision 5;
  - (2) a snowmobile that is owned and used by the United States, an Indian tribal government, another state, or a political subdivision thereof that is exempt from registration under section 84.82, subdivision 6;
  - (3) a collector snowmobile that is operated as provided in a special permit issued for the collector snowmobile under section 84.82, subdivision 7a;
  - (4) a person operating a snowmobile only on the portion of a trail that is owned by the person or the person's spouse, child, or parent; or
  - (5) a snowmobile while being used to groom a state or grant-in-aid trail.
- (c) A temporary registration permit issued by a dealer under section 84.82, subdivision 2, may include a snowmobile state trail sticker if the trail sticker fee is included with the registration application fee.

Sec. 16. Minnesota Statutes 2008, section 84.92, subdivision 9, is amended to read:

Subd. 9. **Class 1 all-terrain vehicle.** "Class 1 all-terrain vehicle" means an all-terrain vehicle that has a total dry weight of less than ~~900~~ 1,000 pounds.

Sec. 17. Minnesota Statutes 2008, section 84.92, subdivision 10, is amended to read:

Subd. 10. **Class 2 all-terrain vehicle.** "Class 2 all-terrain vehicle" means an all-terrain vehicle that has a total dry weight of ~~900~~ 1,000 to ~~1,500~~ 1,800 pounds.

Sec. 18. Minnesota Statutes 2009 Supplement, section 84.922, subdivision 1a, is amended to read:

Subd. 1a. **Exemptions.** All-terrain vehicles exempt from registration are:

(1) vehicles owned and used by the United States, an Indian tribal government, the state, another state, or a political subdivision;

(2) vehicles registered in another state or country that have not been in this state for more than 30 consecutive days;

(3) vehicles that:

(i) are owned by a resident of another state or country that does not require registration of all-terrain vehicles;

(ii) have not been in this state for more than 30 consecutive days; and

(iii) are operated on state and grant-in-aid trails by a nonresident possessing a nonresident all-terrain vehicle state trail pass;

(4) vehicles used exclusively in organized track racing events; and

(5) vehicles that are 25 years old or older and were originally produced as a separate identifiable make by a manufacturer.

Sec. 19. Minnesota Statutes 2008, section 84.922, is amended by adding a subdivision to read:

Subd. 2b. **Collector unlimited use; exempt registration.** All-terrain vehicles may be issued an exempt registration if requested and the machine is at least 25 years old. Exempt registration is valid from the date of issuance until ownership of the all-terrain vehicle is transferred. Exempt registrations are not transferable.

Sec. 20. Minnesota Statutes 2008, section 84.922, subdivision 5, is amended to read:

Subd. 5. **Fees for registration.** (a) The fee for a three-year registration of an all-terrain vehicle under this section, other than those registered by a dealer or manufacturer under paragraph (b) or (c), is:

(1) for public use, \$45;

(2) for private use, \$6; and

(3) for a duplicate or transfer, \$4.



(b) The total registration fee for all-terrain vehicles owned by a dealer and operated for demonstration or testing purposes is \$50 per year. Dealer registrations are not transferable.

(c) The total registration fee for all-terrain vehicles owned by a manufacturer and operated for research, testing, experimentation, or demonstration purposes is \$150 per year. Manufacturer registrations are not transferable.

(d) The onetime fee for registration of an all-terrain vehicle under subdivision 2b is \$6.

(e) The fees collected under this subdivision must be credited to the all-terrain vehicle account.

Sec. 21. Minnesota Statutes 2008, section 84.925, subdivision 1, is amended to read:

Subdivision 1. **Program established.** (a) The commissioner shall establish a comprehensive all-terrain vehicle environmental and safety education and training program, including the preparation and dissemination of vehicle information and safety advice to the public, the training of all-terrain vehicle operators, and the issuance of all-terrain vehicle safety certificates to vehicle operators over the age of 12 years who successfully complete the all-terrain vehicle environmental and safety education and training course.

(b) For the purpose of administering the program and to defray a portion of the expenses of training and certifying vehicle operators, the commissioner shall collect a fee of \$15 from each person who receives the training. The commissioner shall collect a fee, to include a \$1 issuing fee for licensing agents, for issuing a duplicate all-terrain vehicle safety certificate. The commissioner shall establish the fee for a duplicate all-terrain vehicle safety certificate that neither significantly overrecovers nor underrecovers costs, including overhead costs, involved in providing the service. Fee proceeds, except for the issuing fee for licensing agents under this subdivision, shall be deposited in the all-terrain vehicle account in the natural resources fund. In addition to the fee established by the commissioner, instructors may charge each person ~~the cost of~~ up to the established fee amount for class material materials and expenses.

(c) The commissioner shall cooperate with private organizations and associations, private and public corporations, and local governmental units in furtherance of the program established under this section. School districts may cooperate with the commissioner and volunteer instructors to provide space for the classroom portion of the training. The commissioner shall consult with the commissioner of public safety in regard to training program subject matter and performance testing that leads to the certification of vehicle operators. By June 30, 2003, the commissioner shall incorporate a riding component in the safety education and training program.

Sec. 22. Minnesota Statutes 2008, section 84.9256, subdivision 1, is amended to read:

Subdivision 1. **Prohibitions on youthful operators.** (a) Except for operation on public road rights-of-way that is permitted under section 84.928, a driver's license issued by the state or another state is required to operate an all-terrain vehicle along or on a public road right-of-way.

(b) A person under 12 years of age shall not:

(1) make a direct crossing of a public road right-of-way;

(2) operate an all-terrain vehicle on a public road right-of-way in the state; or

(3) operate an all-terrain vehicle on public lands or waters, except as provided in paragraph (f).

(c) Except for public road rights-of-way of interstate highways, a person 12 years of age but less than 16 years may make a direct crossing of a public road right-of-way of a trunk, county state-aid, or county highway or operate on public lands and waters or state or grant-in-aid trails, only if that person possesses a valid all-terrain vehicle safety certificate issued by the commissioner and is accompanied ~~on another all-terrain vehicle~~ by a person 18 years of age or older who holds a valid driver's license.

(d) To be issued an all-terrain vehicle safety certificate, a person at least 12 years old, but less than 16 years old, must:

(1) successfully complete the safety education and training program under section 84.925, subdivision 1, including a riding component; and

(2) be able to properly reach and control the handle bars and reach the foot pegs while sitting upright on the seat of the all-terrain vehicle.

(e) A person at least 11 years of age may take the safety education and training program and may receive an all-terrain vehicle safety certificate under paragraph (d), but the certificate is not valid until the person reaches age 12.

(f) A person at least ten years of age but under 12 years of age may operate an all-terrain vehicle with an engine capacity up to 90cc on public lands or waters if accompanied by a parent or legal guardian.

(g) A person under 15 years of age shall not operate a class 2 all-terrain vehicle.

(h) A person under the age of 16 may not operate an all-terrain vehicle on public lands or waters or on state or grant-in-aid trails if the person cannot properly reach and control the handle bars and reach the foot pegs while sitting upright on the seat of the all-terrain vehicle.

(i) Notwithstanding paragraph (c), a nonresident at least 12 years old, but less than 16 years old, may make a direct crossing of a public road right-of-way of a trunk, county state-aid, or county highway or operate an all-terrain vehicle on public lands and waters or state or grant-in-aid trails if:

(1) the nonresident youth has in possession evidence of completing an all-terrain safety course offered by the ATV Safety Institute or another state as provided in section 84.925, subdivision 3; and

(2) the nonresident youth is accompanied by a person 18 years of age or older who holds a valid driver's license.

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

Sec. 23. Minnesota Statutes 2009 Supplement, section 84.9275, subdivision 1, is amended to read:

Subdivision 1. **Pass required; fee.** (a) A nonresident may not operate an all-terrain vehicle on a state or grant-in-aid all-terrain vehicle trail unless the operator carries a valid nonresident all-terrain vehicle state trail pass in immediate possession. The pass must be available for inspection by a peace officer, a conservation officer, or an employee designated under section 84.0835.

(b) The commissioner of natural resources shall issue a pass upon application and payment of a \$20 fee. The pass is valid from January 1 through December 31. Fees collected under this section, except for the issuing fee for licensing agents, shall be deposited in the state treasury and credited to the all-terrain vehicle account in the natural resources fund and, except for the electronic licensing system commission established by the commissioner under section 84.027, subdivision 15, must be used for grants-in-aid to counties and municipalities for all-terrain vehicle organizations to construct and maintain all-terrain vehicle trails and use areas.

(c) A nonresident all-terrain vehicle state trail pass is not required for:

(1) an all-terrain vehicle that is owned and used by the United States, another state, or a political subdivision thereof that is exempt from registration under section 84.922, subdivision 1a; ~~or~~

(2) a person operating an all-terrain vehicle only on the portion of a trail that is owned by the person or the person's spouse, child, or parent; or

(3) a nonresident operating an all-terrain vehicle that is registered according to section 84.922.

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

Sec. 24. Minnesota Statutes 2009 Supplement, section 84.928, subdivision 1, is amended to read:

Subdivision 1. **Operation on roads and rights-of-way.** (a) Unless otherwise allowed in sections 84.92 to 84.928, a person shall not operate an all-terrain vehicle in this state along or on the roadway, shoulder, or inside bank or slope of a public road right-of-way of a trunk, county state-aid, or county highway.

(b) A person may operate a class 1 all-terrain vehicle in the ditch or the outside bank or slope of a trunk, county state-aid, or county highway unless prohibited under paragraph (d) or (f).

(c) A person may operate a class 2 all-terrain vehicle within the public road right-of-way of a county state-aid or county highway on the extreme right-hand side of the road and left turns may be made from any part of the road if it is safe to do so under the prevailing conditions, unless prohibited under paragraph (d) or (f). A person may operate a class 2 all-terrain vehicle on the bank or ditch of a public road right-of-way on a designated class 2 all-terrain vehicle trail.

(d) A road authority as defined under section 160.02, subdivision 25, may after a public hearing restrict the use of all-terrain vehicles in the public road right-of-way under its jurisdiction.

(e) The restrictions in paragraphs (a), (d), (h), (i), and (j) do not apply to the operation of an all-terrain vehicle on the shoulder, inside bank or slope, ditch, or outside bank or slope of a trunk, interstate, county state-aid, or county highway;

(1) that is part of a funded grant-in-aid trail; or

(2) when the all-terrain vehicle is:

~~(1)~~ owned by or operated under contract with a publicly or privately owned utility or pipeline company; and

~~(2)~~ used for work on utilities or pipelines.

(f) The commissioner may limit the use of a right-of-way for a period of time if the commissioner determines that use of the right-of-way causes:

(1) degradation of vegetation on adjacent public property;

(2) siltation of waters of the state;

(3) impairment or enhancement to the act of taking game; or

(4) a threat to safety of the right-of-way users or to individuals on adjacent public property.

The commissioner must notify the road authority as soon as it is known that a closure will be ordered. The notice must state the reasons and duration of the closure.

(g) A person may operate an all-terrain vehicle registered for private use and used for agricultural purposes on a public road right-of-way of a trunk, county state-aid, or county highway in this state if the all-terrain vehicle is operated on the extreme right-hand side of the road, and left turns may be made from any part of the road if it is safe to do so under the prevailing conditions.

(h) A person shall not operate an all-terrain vehicle within the public road right-of-way of a trunk, county state-aid, or county highway from April 1 to August 1 in the agricultural zone unless the vehicle is being used exclusively as transportation to and from work on agricultural lands. This paragraph does not apply to an agent or employee of a road authority, as defined in section 160.02, subdivision 25, or the Department of Natural Resources when performing or exercising official duties or powers.

(i) A person shall not operate an all-terrain vehicle within the public road right-of-way of a trunk, county state-aid, or county highway between the hours of one-half hour after sunset to one-half hour before sunrise, except on the right-hand side of the right-of-way and in the same direction as the highway traffic on the nearest lane of the adjacent roadway.

(j) A person shall not operate an all-terrain vehicle at any time within the right-of-way of an interstate highway or freeway within this state.

Sec. 25. Minnesota Statutes 2008, section 84.928, subdivision 5, is amended to read:

Subd. 5. **Organized contests, use of highways and public lands and waters.** (a) Nothing in this section or chapter 169 prohibits the use of all-terrain vehicles within the right-of-way of a state trunk or county state-aid highway or upon public lands or waters under the jurisdiction of the commissioner of natural resources, in an organized contest or event, subject to the consent of the official or board having jurisdiction over the highway or public lands or waters.

(b) In permitting the contest or event, the official or board having jurisdiction may prescribe restrictions or conditions as they may deem advisable.

(c) Notwithstanding section 84.9256, subdivision 1, paragraph (b), a person under 12 years of age may operate an all-terrain vehicle in an organized contest on public lands or waters, if the all-terrain vehicle has an engine capacity of 90cc or less, the person complies with section 84.9256, subdivision 1, paragraph (h), and the person is supervised by a person 18 years of age or older.

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

Sec. 26. Minnesota Statutes 2008, section 84D.10, is amended by adding a subdivision to read:

Subd. 4. **Persons leaving public waters.** A person leaving waters of the state must drain bait containers, other boating-related equipment holding water excluding marine sanitary systems, and live wells and bilges by removing the drain plug before transporting the watercraft and associated equipment on public roads. Drain plugs, bailers, valves, or other devices used to control the draining of water from ballast tanks, bilges, and live wells must be removed or opened while transporting watercraft on a public road. Marine sanitary systems are excluded from this requirement.

Sec. 27. Minnesota Statutes 2008, section 84D.13, subdivision 5, is amended to read:

Subd. 5. **Civil penalties.** A civil citation issued under this section must impose the following penalty amounts:

(1) for transporting aquatic macrophytes on a forest road as defined by section 89.001, subdivision 14, road or highway as defined by section 160.02, subdivision 26, or any other public road, \$50;

(2) for placing or attempting to place into waters of the state a watercraft, a trailer, or aquatic plant harvesting equipment that has aquatic macrophytes attached, \$100;

(3) for unlawfully possessing or transporting a prohibited invasive species other than an aquatic macrophyte, \$250;

(4) for placing or attempting to place into waters of the state a watercraft, a trailer, or aquatic plant harvesting equipment that has prohibited invasive species attached when the waters are not designated by the commissioner as being infested with that invasive species, \$500 for the first offense and \$1,000 for each subsequent offense;

(5) for intentionally damaging, moving, removing, or sinking a buoy marking, as prescribed by rule, Eurasian water milfoil, \$100;

(6) for failing to drain water, ~~as required by rule,~~ from watercraft and equipment before leaving ~~designated zebra mussel, spiny water flea, or other invasive plankton infested~~ waters of the state, \$50; and

(7) for transporting infested water off riparian property without a permit as required by rule, \$200.

Sec. 28. Minnesota Statutes 2009 Supplement, section 85.015, subdivision 13, is amended to read:

Subd. 13. **Arrowhead Region Trails, in Cook, Lake, St. Louis, Pine, Carlton, Koochiching, and Itasca Counties.** (a)(1) The Taconite Trail shall originate at Ely in St. Louis County and extend southwesterly to Tower in St. Louis County, thence westerly to McCarthy Beach State Park in St. Louis County, thence southwesterly to Grand Rapids in Itasca County and there terminate;

(2) The C. J. Ramstad/Northshore Trail shall originate in Duluth in St. Louis County and extend northeasterly to Two Harbors in Lake County, thence northeasterly to Grand Marais in Cook County, thence northeasterly to the international boundary in the vicinity of the north shore of Lake Superior, and there terminate;

(3) The Grand Marais to International Falls Trail shall originate in Grand Marais in Cook County and extend northwesterly, outside of the Boundary Waters Canoe Area, to Ely in St. Louis County, thence southwesterly along the route of the Taconite Trail to Tower in St. Louis County, thence northwesterly through the Pelican Lake area in St. Louis County to International Falls in Koochiching County, and there terminate;

(4) The Minnesota-Wisconsin Boundary Trail shall originate in Duluth in St. Louis County and extend southerly to St. Croix State Forest in Pine County.

(b) The trails shall be developed primarily for riding and hiking.

(c) In addition to the authority granted in subdivision 1, lands and interests in lands for the Arrowhead Region trails may be acquired by eminent domain. Before acquiring any land or interest in land by eminent domain the commissioner of administration shall obtain the approval of the governor. The governor shall consult with the Legislative Advisory Commission before granting approval. Recommendations of the Legislative Advisory Commission shall be advisory only. Failure or refusal of the commission to make a recommendation shall be deemed a negative recommendation.

Sec. 29. Minnesota Statutes 2008, section 85.015, subdivision 14, is amended to read:

Subd. 14. **Willard Munger Trail System, Chisago, Ramsey, Pine, St. Louis, Carlton, and Washington Counties.** (a) The trail shall consist of six segments. One segment shall be known as the Gateway Trail and shall originate at the State Capitol and extend northerly and northeasterly to William O'Brien State Park, thence northerly to Taylors Falls in Chisago County. One segment shall ~~be known as the Boundary Trail and shall~~ originate in Chisago County and extend into ~~Duluth in St. Louis~~ Hinckley in Pine County. One segment shall be known as the Browns Creek Trail and shall originate at Duluth Junction and extend into Stillwater in Washington County. One segment shall be known as the Munger Trail and shall originate at Hinckley in Pine County and extend through Moose Lake in Carlton County to Duluth in St. Louis County. One segment shall be known as the Alex Laveau Trail and shall originate in Carlton County at Carlton and extend through Wrenshall to the Minnesota-Wisconsin border. One segment shall be established that extends the trail to include the cities of Proctor, Duluth, and Hermantown in St. Louis County.

(b) The Gateway and Browns Creek Trails shall be developed primarily for hiking and nonmotorized riding and the remaining trails shall be developed primarily for riding and hiking.

(c) In addition to the authority granted in subdivision 1, lands and interests in lands for the Gateway and Browns Creek Trails may be acquired by eminent domain.

Sec. 30. Minnesota Statutes 2008, section 85.052, subdivision 4, is amended to read:

Subd. 4. **Deposit of fees.** (a) Fees paid for providing contracted products and services within a state park, state recreation area, or wayside, and for special state park uses under this section shall be deposited in the natural resources fund and credited to a state parks account.

(b) Gross receipts derived from sales, rentals, or leases of natural resources within state parks, recreation areas, and waysides, other than those on trust fund lands, must be deposited in the state treasury and credited to the ~~general fund~~ state parks working capital account.

(c) Notwithstanding paragraph (b), the gross receipts from the sale of stockpile materials, aggregate, or other earth materials from the Iron Range Off-Highway Vehicle Recreation Area shall be deposited in the dedicated accounts in the natural resources fund from which the purchase of the stockpile material was made.

Sec. 31. Minnesota Statutes 2009 Supplement, section 85.053, subdivision 10, is amended to read:

Subd. 10. **Free entrance; ~~totally and permanently disabled veterans.~~** The commissioner shall issue an annual park permit for no charge to any veteran with a total and permanent service-connected disability, and a daily park permit to any resident veteran with any level of service-connected disability, as determined by the United States Department of Veterans Affairs, who presents each year a copy of ~~their~~ the veteran's determination letter to a park attendant or commissioner's designee. For the purposes of this section, "veteran" has the meaning given in section 197.447.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 32. Minnesota Statutes 2008, section 85.22, subdivision 5, is amended to read:

Subd. 5. **Exemption.** Purchases for resale or rental made from the state parks working capital ~~fund~~ account are exempt from competitive bidding, notwithstanding chapter 16C.

Sec. 33. Minnesota Statutes 2008, section 85.32, subdivision 1, is amended to read:

Subdivision 1. **Areas marked.** The commissioner of natural resources is authorized in cooperation with local units of government and private individuals and groups when feasible to mark ~~canoe and boating routes~~ state water trails on the Little Fork, Big Fork, Minnesota, St. Croix, Snake, Mississippi, Red Lake, Cannon, Straight, Des Moines, Crow Wing, St. Louis, Pine, Rum, Kettle, Cloquet, Root, Zumbro, Pomme de Terre within Swift County, Watonwan, Cottonwood, Whitewater, Chippewa from Benson in Swift County to Montevideo in Chippewa County, Long Prairie, Red River of the North, Sauk, Otter Tail, Redwood, Blue Earth, and Crow Rivers which have historic and scenic values and to mark appropriately points of interest, portages, camp sites, and all dams, rapids, waterfalls, whirlpools, and other serious hazards which are dangerous to canoe, kayak, and watercraft travelers.

Sec. 34. Minnesota Statutes 2008, section 85.41, subdivision 3, is amended to read:

Subd. 3. **Exemptions.** (a) Participants in cross-country ski races and official school activities and residents of a state or local government operated correctional facility are exempt from the pass requirement in subdivision 1 if a special use permit has been obtained by the organizers of the event or those in an official capacity in advance from the agency with jurisdiction over the cross-country ski trail. Permits shall require that permit holders return the trail and any associated facility to its original condition if any damage is done by the permittee. Limited permits for special events may be issued and shall require the removal of any trail markers, banners, and other material used in connection with the special event.

(b) Unless otherwise exempted under paragraph (a), students, teachers, and supervising adults engaged in school-sanctioned activities or other youth activities sponsored by a nonprofit organization are exempt from the pass requirements in subdivision 1.

Sec. 35. Minnesota Statutes 2008, section 85.42, is amended to read:

#### **85.42 USER FEE; VALIDITY.**

(a) The fee for an annual cross-country ski pass is ~~\$14~~ \$19 for an individual age 16 and over. The fee for a three-year pass is ~~\$39~~ \$54 for an individual age 16 and over. This fee shall be collected at the time the pass is purchased. Three-year passes are valid for three years beginning the previous July 1. Annual passes are valid for one year beginning the previous July 1.

(b) The cost for a daily cross-country skier pass is ~~\$4~~ \$5 for an individual age 16 and over. This fee shall be collected at the time the pass is purchased. The daily pass is valid only for the date designated on the pass form.

(c) A pass must be signed by the skier across the front of the pass to be valid and becomes nontransferable on signing.

Sec. 36. Minnesota Statutes 2008, section 85.43, is amended to read:

#### **85.43 DISPOSITION OF RECEIPTS; PURPOSE.**

(a) Fees from cross-country ski passes shall be deposited in the state treasury and credited to a cross-country ski account in the natural resources fund and, except for the electronic licensing system commission established by the commissioner under section 84.027, subdivision 15, are appropriated to the commissioner of natural resources for the following purposes:

(1) grants-in-aid for cross-country ski trails sponsored by local units of government to:

(i) counties and municipalities for construction and maintenance of cross-country ski trails; and

(ii) special park districts as provided in section 85.44 for construction and maintenance of cross-country ski trails; and

(2) administration of the cross-country ski trail grant-in-aid program.

(b) Development and maintenance of state cross-country ski trails are eligible for funding from the cross-country ski account if the money is appropriated by law.

Sec. 37. Minnesota Statutes 2008, section 85.46, as amended by Laws 2009, chapter 37, article 1, sections 22 to 24, is amended to read:

#### **85.46 HORSE TRAIL PASS.**

Subdivision 1. **Pass in possession.** (a) Except as provided in paragraph (b), while riding, leading, or driving a horse ~~on horse trails and associated day-use areas on state trails, in state parks, in state recreation areas, and in state forests, on lands administered by the commissioner, except forest roads,~~ a person 16 years of age or over shall carry in immediate possession a valid horse ~~trail~~ pass. The pass must be available for inspection by a peace officer, a conservation officer, or an employee designated under section 84.0835.

(b) A valid horse ~~trail~~ pass is not required under this section for a person riding, leading, or driving a horse ~~only on the portion of a horse trail property~~ that is owned by the person or the person's spouse, child, parent, or guardian.

Subd. 2. **License agents.** (a) The commissioner of natural resources may appoint agents to issue and sell horse ~~trail~~ passes. The commissioner may revoke the appointment of an agent at any time.

(b) The commissioner may adopt additional rules as provided in section 97A.485, subdivision 11. An agent shall observe all rules adopted by the commissioner for the accounting and handling of passes according to section 97A.485, subdivision 11.

(c) An agent must promptly deposit and remit all money received from the sale of passes, except issuing fees, to the commissioner.

Subd. 3. **Issuance.** The commissioner of natural resources and agents shall issue and sell horse ~~trail~~ passes. The pass shall include the applicant's signature and other information deemed necessary by the commissioner. To be valid, a daily or annual pass must be signed by the person riding, leading, or driving the horse, and a commercial annual pass must be signed by the owner of the commercial ~~trail~~ riding facility.

Subd. 4. **Pass fees.** (a) The fee for an annual horse ~~trail~~ pass is \$20 for an individual 16 years of age and over. The fee shall be collected at the time the pass is purchased. Annual passes are valid for one year beginning January 1 and ending December 31.

(b) The fee for a daily horse ~~trail~~ pass is \$4 for an individual 16 years of age and over. The fee shall be collected at the time the pass is purchased. The daily pass is valid only for the date designated on the pass form.

(c) The fee for a commercial annual horse ~~trail~~ pass is \$200 and includes issuance of 15 passes. Additional or individual commercial annual horse ~~trail~~ passes may be purchased by the commercial ~~trail~~ riding facility owner at a fee of \$20 each. Commercial annual horse ~~trail~~ passes are valid for one year beginning January 1 and ending December 31 and may be affixed to the horse tack, saddle, or person. Commercial annual horse ~~trail~~ passes are not transferable to another commercial ~~trail~~ riding facility. For the purposes of this section, a "commercial ~~trail~~ riding facility" is an operation where horses are used for riding instruction or other equestrian activities for hire or use by others.



Subd. 5. **Issuing fee.** In addition to the fee for a horse ~~trail~~ pass, an issuing fee of \$1 per pass shall be charged. The issuing fee shall be retained by the seller of the pass. Issuing fees for passes sold by the commissioner of natural resources shall be deposited in the state treasury and credited to the horse ~~trail~~ pass account in the natural resources fund and are appropriated to the commissioner for the operation of the electronic licensing system. A pass shall indicate the amount of the fee that is retained by the seller.

Subd. 6. **Disposition of receipts.** Fees collected under this section, except for the issuing fee, shall be deposited in the state treasury and credited to the horse ~~trail~~ pass account in the natural resources fund. Except for the electronic licensing system commission established by the commissioner under section 84.027, subdivision 15, the fees are appropriated to the commissioner of natural resources for trail acquisition, trail and facility development, and maintenance, enforcement, and rehabilitation of horse trails or trails authorized for horse use, whether for riding, leading, or driving, on state trails and in state parks, state recreation areas, and state forests land administered by the commissioner.

Subd. 7. **Duplicate horse ~~trail~~ passes.** The commissioner of natural resources and agents shall issue a duplicate pass to a person or commercial ~~trail~~ riding facility owner whose pass is lost or destroyed using the process established under section 97A.405, subdivision 3, and rules adopted thereunder. The fee for a duplicate horse ~~trail~~ pass is \$2, with an issuing fee of 50 cents.

Sec. 38. Minnesota Statutes 2009 Supplement, section 86A.09, subdivision 1, is amended to read:

Subdivision 1. **Master plan required.** No construction of new facilities or other development of an authorized unit, other than repairs and maintenance, shall commence until the managing agency has prepared and submitted to the commissioner of natural resources and the commissioner has reviewed, pursuant to this section, a master plan for administration of the unit in conformity with this section. No master plan is required for wildlife management areas that do not have resident managers, for scientific and natural areas, for water access sites, for aquatic management areas, for rest areas, or for boater waysides.

Sec. 39. Minnesota Statutes 2008, section 86B.301, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** A watercraft license is not required for:

(1) a watercraft that is covered by a license or number in full force and effect under federal law or a federally approved licensing or numbering system of another state, and has not been within this state for more than 90 consecutive days, which does not include days that a watercraft is laid up at dock over winter or for repairs at a Lake Superior port or another port in the state;

(2) a watercraft from a country other than the United States that has not been within this state for more than 90 consecutive days, which does not include days that a watercraft is laid up at dock over winter or for repairs at a Lake Superior port or another port in the state;

(3) a watercraft owned by the United States, an Indian tribal government, a state, or a political subdivision of a state, except watercraft used for recreational purposes;

(4) a ship's lifeboat;

(5) a watercraft that has been issued a valid marine document by the United States government;

(6) a duck boat during duck hunting season;

(7) a rice boat during the harvest season;

(8) a seaplane; and

(9) a nonmotorized watercraft nine feet in length or less.

**EFFECTIVE DATE.** This section is effective upon the state receiving written approval from the United States Coast Guard, as provided in United States Code, title 46, section 12303, and Code of Federal Regulations, title 33, section 174.7.

Sec. 40. Minnesota Statutes 2008, section 88.17, subdivision 1, is amended to read:

Subdivision 1. **Permit Permission required.** (a) ~~A permit~~ Permission to start a fire to burn vegetative materials and other materials allowed by Minnesota Statutes or official state rules and regulations may be given by the commissioner or the commissioner's agent. This permission shall be in the form of:

(1) a written permit issued by a forest officer, fire warden, or other person authorized by the commissioner; ~~or~~

(2) an electronic permit issued by the commissioner, an agent authorized by the commissioner, or an Internet site authorized by the commissioner; or

(3) a general permit adopted by the county board of commissioners according to paragraph (c).

(b) Written and electronic burning permits shall set the time and conditions by which the fire may be started and burned. The permit shall also specifically list the materials that may be burned. The permittee must have the permit on their person and shall produce the permit for inspection when requested to do so by a forest officer, conservation officer, or other peace officer. The permittee shall remain with the fire at all times and before leaving the site shall completely extinguish the fire. A person shall not start or cause a fire to be started on any land that is not owned or under their legal control without the written permission of the owner, lessee, or an agent of the owner or lessee of the land. Violating or exceeding the permit conditions shall constitute a misdemeanor and shall be cause for the permit to be revoked.

(c) A general burning permit may be adopted by the county board of commissioners in counties that are determined by the commissioner either to not be wildfire areas as defined in section 88.01, subdivision 6, or to otherwise have low potential for damage to life and property from wildfire. The commissioner shall consider the history of and potential for wildfire; the distribution of trees, brush, grasslands, and other vegetative material; and the distribution of property subject to damage from escaped fires. Upon a determination by the commissioner and adoption by a vote of the county board, permission for open burning is extended to all residents in the county without the need for individual written or electronic permits, provided burning conforms to all other provisions of this chapter, including those related to responsibility to control and extinguish fires, no burning of prohibited materials, and liability for damages caused by violations of this chapter.

(d) Upon adoption of a general burning permit, a county must establish specific regulations by ordinance, to include at a minimum the time when and conditions under which fires may be started and burned. No ordinance may be less restrictive than state law.

(e) At any time when the commissioner or the county board determines that a general burning permit is no longer in the public interest, the general permit may be canceled by mutual agreement of the commissioner and the county board.

Sec. 41. Minnesota Statutes 2008, section 88.17, subdivision 3, is amended to read:

Subd. 3. **Special permits.** The following special permits are required at all times, including when the ground is snow-covered:

(a) **Fire training.** A permit to start a fire for the instruction and training of firefighters, including liquid fuels training, may be given by the commissioner or agent of the commissioner. Except for owners or operators conducting fire training in specialized industrial settings pursuant to applicable federal, state, or local standards, owners or operators conducting open burning for the purpose of instruction and training of firefighters with regard to structures must follow the techniques described in a document entitled: Structural Burn Training Procedures for the Minnesota Technical College System.

(b) **Permanent tree and brush open burning sites.** A permit for the operation of a permanent tree and brush burning site may be given by the commissioner or agent of the commissioner. Applicants for a permanent open burning site permit shall submit a complete application on a form provided by the commissioner. Existing permanent tree and brush open burning sites must submit for a permit within 90 days of the passage of this statute for a burning permit. New site applications must be submitted at least 90 days before the date of the proposed operation of the permanent open burning site. The application must be submitted to the commissioner and must contain:

(1) the name, address, and telephone number of all owners of the site proposed for use as the permanent open burning site;

(2) if the operator for the proposed permanent open burning site is different from the owner, the name, address, and telephone number of the operator;

(3) a general description of the materials to be burned, including the source and estimated quantity, dimensions of the site and burn pile areas, hours and dates of operation, and provisions for smoke management; and

(4) a topographic or similarly detailed map of the site and surrounding area within a one mile circumference showing all structures that might be affected by the operation of the site.

Only trees, tree trimmings, or brush that cannot be disposed of by an alternative method such as chipping, composting, or other method shall be permitted to be burned at a permanent open burning site. A permanent tree and brush open burning site must be located and operated so as not to create a nuisance or endanger water quality. The commissioner shall revoke the permit or order actions to mitigate threats to public health, safety, and the environment in the event that permit conditions are violated.

Sec. 42. Minnesota Statutes 2008, section 88.79, subdivision 2, is amended to read:

Subd. 2. **Charge for service; receipts to special revenue fund.** Notwithstanding section 16A.1283, the commissioner of natural resources may charge the owner, by written order published in the State Register, establish fees the commissioner determines to be fair and reasonable that are charged to owners receiving such services such sums as the commissioner shall determine to be fair and reasonable under subdivision 1. The charges must account for differences in the value of timber and other benefits. The receipts from such services shall be credited to the special revenue fund and are annually appropriated to the commissioner for the purposes specified in subdivision 1.

Sec. 43. Minnesota Statutes 2008, section 89.17, is amended to read:

**89.17 LEASES AND PERMITS.**

Notwithstanding the permit procedures of chapter 90, the commissioner shall have power to grant and execute, in the name of the state, leases and permits for the use of any forest lands under the authority of the commissioner for any purpose which in the commissioner's opinion is not inconsistent with the maintenance and management of the forest lands, on forestry principles for timber production. Every such lease or permit shall be revocable at the discretion of the commissioner at any time subject to such conditions as may be agreed on in the lease. The approval of the commissioner of administration shall not be required upon any such lease or permit. No such lease or permit for a period exceeding ~~ten~~ 50 years shall be granted except with the approval of the Executive Council.

~~Hunting of wild game is prohibited on any land which has been posted by the lessee to prohibit hunting. Such prohibition shall apply to all persons including the lessee. Public access to the leased land for outdoor recreation shall be the same as access would be under state management.~~

Sec. 44. Minnesota Statutes 2008, section 90.041, is amended by adding a subdivision to read:

Subd. 9. **Reoffering unsold timber.** To maintain and enhance forest ecosystems on state forest lands, the commissioner may reoffer timber tracts remaining unsold under the provisions of section 90.101 below appraised value at public auction with the required 30-day notice under section 90.101, subdivision 2.

Sec. 45. Minnesota Statutes 2008, section 90.121, is amended to read:

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

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

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

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

(3) no sale may be made to a person having more than ~~20~~ 30 employees. For the purposes of this clause, "employee" means an individual working in the timber or wood products industry for salary or wages on a full-time or part-time basis.

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

(c) Another bidder or the commissioner may request that the number of employees a bidder has pursuant to paragraph (a), clause (3), be confirmed if there is evidence that the bidder may be ineligible due to exceeding the employee threshold. The commissioner shall request information from the commissioners of labor and industry and employment and economic development including the premiums paid by the bidder in question for workers' compensation insurance coverage for all employees of the bidder. The commissioner shall review the information

submitted by the commissioners of labor and industry and employment and economic development and make a determination based on that information as to whether the bidder is eligible. A bidder is considered eligible and may participate in intermediate auctions until determined ineligible under this paragraph.

**EFFECTIVE DATE.** This section is effective retroactively from July 1, 2006.

Sec. 46. Minnesota Statutes 2008, section 90.14, is amended to read:

**90.14 AUCTION SALE PROCEDURE.**

(a) All state timber shall be offered and sold by the same unit of measurement as it was appraised. No tract shall be sold to any person other than the purchaser in whose name the bid was made. The commissioner may refuse to approve any and all bids received and cancel a sale of state timber for good and sufficient reasons.

(b) The purchaser at any sale of timber shall, immediately upon the approval of the bid, or, if unsold at public auction, at the time of purchase at a subsequent sale under section 90.101, subdivision 1, pay to the commissioner a down payment of 15 percent of the appraised value. In case any purchaser fails to make such payment, the purchaser shall be liable therefor to the state in a civil action, and the commissioner may reoffer the timber for sale as though no bid or sale under section 90.101, subdivision 1, therefor had been made.

(c) In lieu of the scaling of state timber required by this chapter, a purchaser of state timber may, at the time of payment by the purchaser to the commissioner of 15 percent of the appraised value, elect in writing on a form prescribed by the attorney general to purchase a permit based solely on the appraiser's estimate of the volume of timber described in the permit, provided that the commissioner has expressly designated the availability of such option for that tract on the list of tracts available for sale as required under section 90.101. A purchaser who elects in writing on a form prescribed by the attorney general to purchase a permit based solely on the appraiser's estimate of the volume of timber described on the permit does not have recourse to the provisions of section 90.281.

(d) In the case of a public auction sale conducted by a sealed bid process, tracts shall be awarded to the high bidder, who shall pay to the commissioner a down payment of 15 percent of the appraised value ~~within ten business days of receiving a written award notice that must be received or postmarked within 14 days of the date of the sealed bid opening.~~ If a purchaser fails to make the down payment, the purchaser is liable for the down payment to the state and the commissioner may offer the timber for sale to the next highest bidder as though no higher bid had been made.

(e) Except as otherwise provided by law, at the time the purchaser signs a permit issued under section 90.151, the commissioner shall require the purchaser shall to make a bid guarantee payment to the commissioner in an amount equal to 15 percent of the total purchase price of the permit less the down payment amount required by paragraph (b) for any bid increase in excess of \$5,000 of the appraised value. If ~~the~~ a required bid guarantee payment is not submitted with the signed permit, no harvesting may occur, the permit cancels, and the down payment for timber forfeits to the state. The bid guarantee payment forfeits to the state if the purchaser and successors in interest fail to execute an effective permit.

Sec. 47. Minnesota Statutes 2008, section 97B.015, subdivision 5a, is amended to read:

Subd. 5a. **Exemption for military personnel.** (a) Notwithstanding subdivision 5~~;~~:

(1) a person who has successfully completed basic training in the United States armed forces is exempt from the range and shooting exercise portion of the required course of instruction for the firearms safety certificate; and

(2) a person who has successfully completed basic training and training as a sniper in the United States armed forces is exempt from both the classroom instruction and the range and shooting exercise portions of the required course of instruction for the firearms safety certificate.

(b) The commissioner may require written proof of the person's military training, as deemed appropriate for implementing this subdivision. The commissioner shall publicly announce ~~this exemption~~ these exemptions from the ~~range and shooting exercise requirement~~ respective requirements for the firearms safety certificate and the availability of the department's online, remote study option for adults seeking firearms safety certification. Except as provided in paragraph (a), military personnel and veterans are not exempt from ~~any other requirement~~ the requirements of this section for obtaining a firearms safety certificate.

**EFFECTIVE DATE.** This section is effective July 1, 2010, for applications for firearms safety certificates received on or after that date.

Sec. 48. Minnesota Statutes 2008, section 103A.305, is amended to read:

#### **103A.305 JURISDICTION.**

Sections 103A.301 to 103A.341 apply if the decision of an agency in a proceeding involves a question of water policy in one or more of the areas of water conservation, water pollution, preservation and management of wildlife, drainage, soil conservation, public recreation, forest management, and municipal planning under section 97A.135; 103A.411; 103E.011; 103E.015; 103G.245; 103G.261; 103G.271; 103G.275; 103G.281; ~~103G.295, subdivisions 1 and 2;~~ 103G.287; 103G.297 to 103G.311; 103G.315, subdivisions 1, 10, 11, and 12; 103G.401; 103G.405; 103I.681, subdivision 1; 115.04; or 115.05.

Sec. 49. Minnesota Statutes 2008, section 103F.325, is amended by adding a subdivision to read:

**Subd. 6. District boundary adjustments.** (a) Notwithstanding subdivision 1, the commissioner may, by written order, amend the boundary of the designated area according to this subdivision. At least 30 days prior to issuing the order, the commissioner must give notice of the proposed boundary amendment to the local governmental unit and property owners in the designated area directly affected by the amendment and publish notice in an official newspaper of general circulation in the county. The commissioner must consider comments received on the proposed boundary amendment and must make findings and issue a written order. The findings must address the consistency of the proposed amendment with the values for which the river was included in the system, and potential impacts to the scenic, recreational, natural, historical, and scientific values of the land and water within the designated area.

(b) The commissioner's order is effective 30 days after issuing the order. Before the effective date, a local unit of government with jurisdiction in the affected area may contest the order under chapter 14.

(c) Boundary amendments under this subdivision remain subject to the acreage limitations in this section.

Sec. 50. Minnesota Statutes 2008, section 103F.335, subdivision 1, is amended to read:

**Subdivision 1. Compliance of ordinances with system.** (a) Within six months after establishment of a wild, scenic, or recreational river system, or within six months after revision of the management plan, each local governmental unit with jurisdiction over a portion of the system shall adopt or amend its ordinances and land use district maps to the extent necessary to substantially comply with the standards and criteria of the commissioner and the management plan.

(b) If a local government fails to adopt ~~adequate~~ substantially compliant ordinances, maps, or amendments within six months, the commissioner shall adopt the ordinances, maps, or amendments in the manner and with the effect specified in section 103F.215.

(c) The commissioner shall assist local governments in the preparation, implementation, and enforcement of the ordinances.

Sec. 51. Minnesota Statutes 2009 Supplement, section 103G.201, is amended to read:

**103G.201 PUBLIC WATERS INVENTORY.**

(a) The commissioner shall maintain a public waters inventory map of each county that shows the waters of this state that are designated as public waters under the public waters inventory and classification procedures prescribed under Laws 1979, chapter 199, and shall provide access to a copy of the maps ~~and lists~~. As county public waters inventory maps ~~and lists~~ are revised according to this section, the commissioner shall send a notification or a copy of the maps ~~and lists~~ to the auditor of each affected county.

(b) The commissioner is authorized to revise the ~~list~~ map of public waters established under Laws 1979, chapter 199, to reclassify those types 3, 4, and 5 wetlands previously identified as public waters wetlands under Laws 1979, chapter 199, as public waters or as wetlands under section 103G.005, subdivision 19. The commissioner may only reclassify public waters wetlands as public waters if:

(1) they are assigned a shoreland management classification by the commissioner under sections 103F.201 to 103F.221;

(2) they are classified as lacustrine wetlands or deepwater habitats according to Classification of Wetlands and Deepwater Habitats of the United States (Cowardin, et al., 1979 edition); or

(3) the state or federal government has become titleholder to any of the beds or shores of the public waters wetlands, subsequent to the preparation of the public waters inventory map filed with the auditor of the county, pursuant to paragraph (a), and the responsible state or federal agency declares that the water is necessary for the purposes of the public ownership.

(c) The commissioner must provide notice of the reclassification to the local government unit, the county board, the watershed district, if one exists for the area, and the soil and water conservation district. Within 60 days of receiving notice from the commissioner, a party required to receive the notice may provide a resolution stating objections to the reclassification. If the commissioner receives an objection from a party required to receive the notice, the reclassification is not effective. If the commissioner does not receive an objection from a party required to receive the notice, the reclassification of a wetland under paragraph (b) is effective 60 days after the notice is received by all of the parties.

(d) The commissioner shall give priority to the reclassification of public waters wetlands that are or have the potential to be affected by public works projects.

(e) The commissioner may revise the public waters inventory map ~~and list~~ of each county:

(1) to reflect the changes authorized in paragraph (b); and

(2) as needed, to:

(i) correct errors in the original inventory;

(ii) add or subtract trout stream tributaries within sections that contain a designated trout stream following written notice to the landowner;

(iii) add depleted quarries, and sand and gravel pits, when the body of water exceeds 50 acres and the shoreland has been zoned for residential development; and

(iv) add or subtract public waters that have been created or eliminated as a requirement of a permit authorized by the commissioner under section 103G.245.

Sec. 52. Minnesota Statutes 2008, section 103G.271, subdivision 3, is amended to read:

Subd. 3. **Permit restriction during summer months.** The commissioner must not modify or restrict the amount of appropriation from a groundwater source authorized in a water use permit issued to irrigate agricultural land ~~under section 103G.295, subdivision 2,~~ between May 1 and October 1, unless the commissioner determines the authorized amount of appropriation endangers a domestic water supply.

Sec. 53. **[103G.282] MONITORING TO EVALUATE IMPACTS FROM APPROPRIATIONS.**

Subdivision 1. **Monitoring equipment.** The commissioner may require the installation and maintenance of monitoring equipment to evaluate water resource impacts from permitted appropriations and proposed projects that require a permit. Monitoring for water resources that supply more than one appropriator must be designed to minimize costs to individual appropriators.

Subd. 2. **Measuring devices required.** Monitoring installations required under subdivision 1 must be equipped with automated measuring devices to measure water levels, flows, or conditions. The commissioner may determine the frequency of measurements and other measuring methods based on the quantity of water appropriated or used, the source of water, potential connections to other water resources, the method of appropriating or using water, seasonal and long-term changes in water levels, and any other facts supplied to the commissioner.

Subd. 3. **Reports and costs.** (a) Records of water measurements under subdivision 2 must be kept for each installation. The measurements must be reported annually to the commissioner on or before February 15 of the following year in a format or on forms prescribed by the commissioner.

(b) The owner or person in charge of an installation for appropriating or using waters of the state or a proposal that requires a permit is responsible for all costs related to establishing and maintaining monitoring installations and to measuring and reporting data. Monitoring costs for water resources that supply more than one appropriator may be distributed among all users within a monitoring area determined by the commissioner and assessed based on volumes of water appropriated and proximity to resources of concern.

Sec. 54. Minnesota Statutes 2008, section 103G.285, subdivision 5, is amended to read:

Subd. 5. **Trout streams.** Permits issued after June 3, 1977, to appropriate water from streams designated trout streams by the commissioner's orders under section ~~97C.021~~ 97C.005 must be limited to temporary appropriations.

Sec. 55. **[103G.287] GROUNDWATER APPROPRIATIONS.**

Subdivision 1. **Applications for groundwater appropriations.** (a) Groundwater use permit applications are not complete until the applicant has supplied:



(1) a water well record as required by section 103I.205, subdivision 9, information on the subsurface geologic formations penetrated by the well and the formation or aquifer that will serve as the water source, and geologic information from test holes drilled to locate the site of the production well;

(2) the maximum daily, seasonal, and annual pumpage rates and volumes being requested;

(3) information on groundwater quality in terms of the measures of quality commonly specified for the proposed water use and details on water treatment necessary for the proposed use;

(4) an inventory of existing wells within 1-1/2 miles of the proposed production well or within the area of influence, as determined by the commissioner. The inventory must include information on well locations, depths, geologic formations, depth of the pump or intake, pumping and nonpumping water levels, and details of well construction; and

(5) the results of an aquifer test completed according to specifications approved by the commissioner. The test must be conducted at the maximum pumping rate requested in the application and for a length of time adequate to assess or predict impacts to other wells and surface water and groundwater resources. The permit applicant is responsible for all costs related to the aquifer test, including the construction of groundwater and surface water monitoring installations, and water level readings before, during, and after the aquifer test.

(b) The commissioner may waive an application requirement in this subdivision if the information provided with the application is adequate to determine whether the proposed appropriation and use of water is sustainable and will protect ecosystems, water quality, and the ability of future generations to meet their own needs.

Subd. 2. **Relationship to surface water resources.** Groundwater appropriations that have potential impacts to surface waters are subject to applicable provisions in section 103G.285.

Subd. 3. **Protection of groundwater supplies.** The commissioner may establish water appropriation limits to protect groundwater resources. When establishing water appropriation limits to protect groundwater resources, the commissioner must consider the sustainability of the groundwater resource, including the current and projected water levels, water quality, whether the use protects ecosystems, and the ability of future generations to meet their own needs.

Subd. 4. **Groundwater management areas.** The commissioner may designate groundwater management areas and limit total annual water appropriations and uses within a designated area to ensure sustainable use of groundwater that protects ecosystems, water quality, and the ability of future generations to meet their own needs. Water appropriations and uses within a designated management area must be consistent with a plan approved by the commissioner that addresses water conservation requirements and water allocation priorities established in section 103G.261.

Subd. 5. **Interference with other wells.** The commissioner may issue water use permits for appropriation from groundwater only if the commissioner determines that the groundwater use is sustainable to supply the needs of future generations and the proposed use will not harm ecosystems, degrade water, or reduce water levels beyond the reach of public water supply and private domestic wells constructed according to Minnesota Rules, chapter 4725.

Sec. 56. Minnesota Statutes 2008, section 103G.301, subdivision 6, is amended to read:

Subd. 6. **Filing application.** (a) An application for a permit must be filed with the commissioner and if the proposed activity for which the permit is requested is within a municipality, or is within or affects a watershed district or a soil and water conservation district, a copy of the application with maps, plans, and specifications must be served on the mayor of the municipality, the secretary of the board of managers of the watershed district, and the secretary of the board of supervisors of the soil and water conservation district.

~~(b) If the application is required to be served on a local governmental unit under this subdivision, proof of service must be included with the application and filed with the commissioner.~~

Sec. 57. Minnesota Statutes 2008, section 103G.305, subdivision 2, is amended to read:

Subd. 2. **Exception.** The requirements of subdivision 1 do not apply to applications for a water use permit for:

~~(1) appropriations from waters of the state for irrigation, under section 103G.295;~~

~~(2) appropriations for diversion from the basin of origin of more than 2,000,000 gallons per day average in a 30-day period; or~~

~~(3) (2) appropriations with a consumptive use of more than 2,000,000 gallons per day average for a 30-day period.~~

Sec. 58. Minnesota Statutes 2008, section 103G.315, subdivision 11, is amended to read:

Subd. 11. **Limitations on permits.** (a) Except as otherwise expressly provided by law, a permit issued by the commissioner under this chapter is subject to:

(1) cancellation by the commissioner at any time if necessary to protect the public interests;

(2) further conditions on the term of the permit or its cancellation as the commissioner may prescribe and amend and reissue the permit; and

(3) applicable law existing before or after the issuance of the permit.

(b) Permits issued to irrigate agricultural land ~~under section 103G.295, or considered issued,~~ are subject to this subdivision and are subject to cancellation by the commissioner upon the recommendation of the supervisors of the soil and water conservation district where the land to be irrigated is located.

Sec. 59. Minnesota Statutes 2008, section 103G.515, subdivision 5, is amended to read:

Subd. 5. **Removal of hazardous dams.** Notwithstanding any provision of this section or of section 103G.511 relating to cost sharing or apportionment, the commissioner, within the limits of legislative appropriation, may assume or pay the entire cost of removal of a privately or publicly owned dam upon determining removal provides the lowest cost solution and:

(1) that continued existence of the structure presents a significant public safety hazard, or prevents restoration of an important fisheries resource; or

(2) that public or private property is being damaged due to partial failure of the structure, and that an attempt to assess costs of removal against the private or public owner would be of no avail.

Sec. 60. **[103G.651] REMOVING SUNKEN LOGS FROM PUBLIC WATERS.**

The commissioner of natural resources must not issue leases to remove sunken logs or issue permits for the removal of sunken logs from public waters.

Sec. 61. Minnesota Statutes 2008, section 115.55, is amended by adding a subdivision to read:

**Subd. 13. Subsurface sewage treatment systems implementation and enforcement task force.** (a) By September 1, 2010, the agency shall appoint a subsurface sewage treatment systems implementation and enforcement task force in collaboration with the Association of Minnesota Counties, Minnesota Association of Realtors, Minnesota Association of County Planning and Zoning Administrators, and the Minnesota Onsite Wastewater Association. The agency shall work in collaboration with the task force to develop effective and timely implementation and enforcement methods in order to rapidly reduce the number of subsurface sewage treatment systems that are an imminent threat to public health or safety and effectively enforce all violations of the subsurface sewage treatment system rules. The agency shall meet at least three times per year with the task force to address implementation and enforcement issues. The meetings shall be scheduled so that they do not interfere with the construction season.

(b) The agency, in collaboration with the task force and in consultation with the attorney general, county attorneys, and county planning and zoning staff, shall develop, periodically update, and provide to counties enforcement protocols and a checklist that county inspectors, field staff, and others may use when inspecting subsurface sewage treatment systems and enforcing subsurface sewage treatment system rules.

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

Sec. 62. Minnesota Statutes 2008, section 116.03, is amended by adding a subdivision to read:

**Subd. 2b. Permitting efficiency.** (a) It is the goal of the state that environmental and resource management permits be issued or denied within 150 days of the submission of a completed permit application. The commissioner of the Pollution Control Agency shall redesign management systems, if necessary, to achieve the goal. Nothing in this subdivision modifies or abrogates the provisions of chapter 116D.

(b) The commissioner shall prepare semiannual permitting efficiency reports that include statistics on meeting the goal in paragraph (a). The reports are due February 1 and August 1 each year. For permit applications that have not met the goal, the report must state the reasons for not meeting the goal, steps that will be taken to complete action on the application, and the expected timeline. In stating the reasons for not meeting the goal, the commissioner shall separately identify delays caused by the responsiveness of the proposer, lack of staff, scientific or technical disagreements, or the level of public engagement. The report must also specify the number of days from initial submission of the application to the day of determination that the application is complete. The report for the final half of the fiscal year must aggregate the data for the year and assess whether program or system changes are necessary to achieve the goal. The report must be posted on the agency Web site and submitted to the governor and the chairs and members of the house of representatives and senate committees and divisions having jurisdiction over environment policy and finance.

Sec. 63. Minnesota Statutes 2008, section 116.07, subdivision 4, is amended to read:

**Subd. 4. Rules and standards.** Pursuant and subject to the provisions of chapter 14, and the provisions hereof, the Pollution Control Agency may adopt, amend and rescind rules and standards having the force of law relating to any purpose within the provisions of Laws 1967, chapter 882, for the prevention, abatement, or control of air pollution. Any such rule or standard may be of general application throughout the state, or may be limited as to times, places, circumstances, or conditions in order to make due allowance for variations therein. Without limitation, rules or standards may relate to sources or emissions of air contamination or air pollution, to the quality or composition of such emissions, or to the quality of or composition of the ambient air or outdoor atmosphere or to any other matter relevant to the prevention, abatement, or control of air pollution.

Pursuant and subject to the provisions of chapter 14, and the provisions hereof, the Pollution Control Agency may adopt, amend, and rescind rules and standards having the force of law relating to any purpose within the provisions of Laws 1969, chapter 1046, for the collection, transportation, storage, processing, and disposal of solid waste and the prevention, abatement, or control of water, air, and land pollution which may be related thereto, and the deposit in or on land of any other material that may tend to cause pollution. The agency shall adopt such rules and standards for sewage sludge, addressing the intrinsic suitability of land, the volume and rate of application of sewage sludge of various degrees of intrinsic hazard, design of facilities, and operation of facilities and sites. Any such rule or standard may be of general application throughout the state or may be limited as to times, places, circumstances, or conditions in order to make due allowance for variations therein. Without limitation, rules or standards may relate to collection, transportation, processing, disposal, equipment, location, procedures, methods, systems or techniques or to any other matter relevant to the prevention, abatement or control of water, air, and land pollution which may be advised through the control of collection, transportation, processing, and disposal of solid waste and sewage sludge, and the deposit in or on land of any other material that may tend to cause pollution. By January 1, 1983, the rules for the management of sewage sludge shall include an analysis of the sewage sludge determined by the commissioner of agriculture to be necessary to meet the soil amendment labeling requirements of section 18C.215. The rules for the disposal of solid waste shall include site-specific criteria to prohibit solid waste disposal based on the area's sensitivity to groundwater contamination, including site-specific testing. The rules shall provide criteria to prohibit locating landfills based on a site's sensitivity to groundwater contamination. Sensitivity to groundwater contamination is based on the predicted minimum time of travel of groundwater contaminants from the solid waste to the compliance boundary. The rules shall prohibit landfills in areas where karst is likely to develop. The rules shall specify testable or otherwise objective thresholds for these criteria. The rules shall also include modifications to financial assurance requirements under subdivision 4h that ensure the state is protected from financial responsibility for future groundwater contamination. The financial assurance and siting modifications to the rules specified in this act do not apply to solid waste facilities initially permitted before January 1, 2011, including future contiguous expansions and noncontiguous expansions within 600 yards of a permitted boundary. The rule modification shall not affect solid waste disposal facilities that accept only construction and demolition debris and incidental nonrecyclable packaging, and facilities that accept only industrial waste that is limited to wood, concrete, porcelain fixtures, shingles, or window glass resulting from the manufacture of construction materials. The rule amendment shall not require new siting or financial assurance requirements for permit by rule solid waste disposal facilities. The modifications to the financial assurance rules specified in this act must require that a solid waste disposal facility subject to them maintain financial assurance so long as the facility poses a potential environmental risk to human health, wildlife, or the environment, as determined by the agency following an empirical assessment. Until the rules are modified to include site-specific criteria to prohibit areas from solid waste disposal due to groundwater contamination sensitivity, as required under this section, the agency shall not issue a permit for a new solid waste disposal facility, except for:

- (1) the reissuance of a permit for a land disposal facility operating as of March 1, 2008;
- (2) a permit to expand a land disposal facility operating as of March 1, 2008, beyond its permitted boundaries, including expansion on land that is not contiguous to, but is located within 600 yards of, the land disposal facility's permitted boundaries;
- (3) a permit to modify the type of waste accepted at a land disposal facility operating as of March 1, 2008;
- (4) a permit to locate a disposal facility that accepts only construction debris as defined in section 115A.03, subdivision 7;
- (5) a permit to locate a disposal facility that:
  - (i) accepts boiler ash from an electric energy power plant that has wet scrubbed units or has units that have been converted from wet scrubbed units to dry scrubbed units as those terms are defined in section 216B.68;

(ii) is on land that was owned on May 1, 2008, by the utility operating the electric energy power plant; and

(iii) is located within three miles of the existing ash disposal facility for the power plant; or

(6) a permit to locate a new solid waste disposal facility for ferrous metallic minerals regulated under Minnesota Rules, chapter 6130, or for nonferrous metallic minerals regulated under Minnesota Rules, chapter 6132.

Pursuant and subject to the provisions of chapter 14, and the provisions hereof, the Pollution Control Agency may adopt, amend and rescind rules and standards having the force of law relating to any purpose within the provisions of Laws 1971, chapter 727, for the prevention, abatement, or control of noise pollution. Any such rule or standard may be of general application throughout the state, or may be limited as to times, places, circumstances or conditions in order to make due allowances for variations therein. Without limitation, rules or standards may relate to sources or emissions of noise or noise pollution, to the quality or composition of noises in the natural environment, or to any other matter relevant to the prevention, abatement, or control of noise pollution.

As to any matters subject to this chapter, local units of government may set emission regulations with respect to stationary sources which are more stringent than those set by the Pollution Control Agency.

Pursuant to chapter 14, the Pollution Control Agency may adopt, amend, and rescind rules and standards having the force of law relating to any purpose within the provisions of this chapter for generators of hazardous waste, the management, identification, labeling, classification, storage, collection, treatment, transportation, processing, and disposal of hazardous waste and the location of hazardous waste facilities. A rule or standard may be of general application throughout the state or may be limited as to time, places, circumstances, or conditions. In implementing its hazardous waste rules, the Pollution Control Agency shall give high priority to providing planning and technical assistance to hazardous waste generators. The agency shall assist generators in investigating the availability and feasibility of both interim and long-term hazardous waste management methods. The methods shall include waste reduction, waste separation, waste processing, resource recovery, and temporary storage.

The Pollution Control Agency shall give highest priority in the consideration of permits to authorize disposal of diseased shade trees by open burning at designated sites to evidence concerning economic costs of transportation and disposal of diseased shade trees by alternative methods.

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

Sec. 64. Minnesota Statutes 2008, section 116.07, subdivision 4h, is amended to read:

Subd. 4h. **Financial responsibility rules.** (a) The agency shall adopt rules requiring the operator or owner of a solid waste disposal facility to submit to the agency proof of the operator's or owner's financial capability to provide reasonable and necessary response during the operating life of the facility and for 30 years after closure for a mixed municipal solid waste disposal facility or for a minimum of 20 years after closure, as determined by agency rules, for any other solid waste disposal facility, and to provide for the closure of the facility and postclosure care required under agency rules. Proof of financial responsibility is required of the operator or owner of a facility receiving an original permit or a permit for expansion after adoption of the rules. Within 180 days of the effective date of the rules or by July 1, 1987, whichever is later, proof of financial responsibility is required of an operator or owner of a facility with a remaining capacity of more than five years or 500,000 cubic yards that is in operation at the time the rules are adopted. Compliance with the rules and the requirements of paragraph (b) is a condition of obtaining or retaining a permit to operate the facility.

(b) A municipality, as defined in section 475.51, subdivision 2, including a sanitary district, that owns or operates a solid waste disposal facility that was in operation on May 15, 1989, may meet its financial responsibility for all or a portion of the contingency action portion of the reasonable and necessary response costs at the facility by pledging its full faith and credit to meet its responsibility.

The pledge must be made in accordance with the requirements in chapter 475 for issuing bonds of the municipality, and the following additional requirements:

(1) The governing body of the municipality shall enact an ordinance that clearly accepts responsibility for the costs of contingency action at the facility and that reserves, during the operating life of the facility and for the time period required in paragraph (a) after closure, a portion of the debt limit of the municipality, as established under section 475.53 or other law, that is equal to the total contingency action costs.

(2) The municipality shall require that all collectors that haul to the facility implement a plan for reducing solid waste by using volume-based pricing, recycling incentives, or other means.

(3) When a municipality opts to meet a portion of its financial responsibility by relying on its authority to issue bonds, it shall also begin setting aside in a dedicated long-term care trust fund money that will cover a portion of the potential contingency action costs at the facility, the amount to be determined by the agency for each facility based on at least the amount of waste deposited in the disposal facility each year, and the likelihood and potential timing of conditions arising at the facility that will necessitate response action. The agency may not require a municipality to set aside more than five percent of the total cost in a single year.

(4) A municipality shall have and consistently maintain an investment grade bond rating as a condition of using bonding authority to meet financial responsibility under this section.

(5) The municipality shall file with the commissioner of revenue its consent to have the amount of its contingency action costs deducted from state aid payments otherwise due the municipality and paid instead to the remediation fund created in section 116.155, if the municipality fails to conduct the contingency action at the facility when ordered by the agency. If the agency notifies the commissioner that the municipality has failed to conduct contingency action when ordered by the agency, the commissioner shall deduct the amounts indicated by the agency from the state aids in accordance with the consent filed with the commissioner.

(6) The municipality shall file with the agency written proof that it has complied with the requirements of paragraph (b).

(c) The method for proving financial responsibility under paragraph (b) may not be applied to a new solid waste disposal facility or to expansion of an existing facility, unless the expansion is a vertical expansion. Vertical expansions of qualifying existing facilities cannot be permitted for a duration of longer than three years.

(d) The commissioner shall consult with the commissioner of management and budget for guidance on the forms of financial assurance that are acceptable for private owners and public owners, and in carrying out a periodic review of the adequacy of financial assurance for solid waste disposal facilities. Financial assurance rules shall allow financial mechanisms to public owners of solid waste disposal facilities that are appropriate to their status as subdivisions of the state.

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

Sec. 65. Minnesota Statutes 2008, section 116D.04, subdivision 2a, is amended to read:

Subd. 2a. **When prepared.** Where there is potential for significant environmental effects resulting from any major governmental action, the action shall be preceded by a detailed environmental impact statement prepared by the responsible governmental unit. The environmental impact statement shall be an analytical rather than an encyclopedic document which describes the proposed action in detail, analyzes its significant environmental impacts, discusses appropriate alternatives to the proposed action and their impacts, and explores methods by which adverse environmental impacts of an action could be mitigated. The environmental impact statement shall also analyze those economic, employment and sociological effects that cannot be avoided should the action be implemented. To ensure its use in the decision-making process, the environmental impact statement shall be prepared as early as practical in the formulation of an action. No mandatory environmental impact statement may be required for an ethanol plant, as defined in section 41A.09, subdivision 2a, paragraph (b), that produces less than 125,000,000 gallons of ethanol annually and is located outside of the seven-county metropolitan area.

(a) The board shall by rule establish categories of actions for which environmental impact statements and for which environmental assessment worksheets shall be prepared as well as categories of actions for which no environmental review is required under this section.

(b) The responsible governmental unit shall promptly publish notice of the completion of an environmental assessment worksheet in a manner to be determined by the board and shall provide copies of the environmental assessment worksheet to the board and its member agencies. Comments on the need for an environmental impact statement may be submitted to the responsible governmental unit during a 30 day period following publication of the notice that an environmental assessment worksheet has been completed. The responsible governmental unit's decision on the need for an environmental impact statement shall be based on the environmental assessment worksheet and the comments received during the comment period, and shall be made within 15 days after the close of the comment period. The board's chair may extend the 15 day period by not more than 15 additional days upon the request of the responsible governmental unit.

(c) An environmental assessment worksheet shall also be prepared for a proposed action whenever material evidence accompanying a petition by not less than 25 individuals, submitted before the proposed project has received final approval by the appropriate governmental units, demonstrates that, because of the nature or location of a proposed action, there may be potential for significant environmental effects. Petitions requesting the preparation of an environmental assessment worksheet shall be submitted to the board. The chair of the board shall determine the appropriate responsible governmental unit and forward the petition to it. A decision on the need for an environmental assessment worksheet shall be made by the responsible governmental unit within 15 days after the petition is received by the responsible governmental unit. The board's chair may extend the 15 day period by not more than 15 additional days upon request of the responsible governmental unit.

(d) Except in an environmentally sensitive location where Minnesota Rules, part 4410.4300, subpart 29, item B, applies, the proposed action is exempt from environmental review under this chapter and rules of the board, if:

(1) the proposed action is:

(i) an animal feedlot facility with a capacity of less than 1,000 animal units; or

(ii) an expansion of an existing animal feedlot facility with a total cumulative capacity of less than 1,000 animal units;

(2) the application for the animal feedlot facility includes a written commitment by the proposer to design, construct, and operate the facility in full compliance with Pollution Control Agency feedlot rules; and

(3) the county board holds a public meeting for citizen input at least ten business days prior to the Pollution Control Agency or county issuing a feedlot permit for the animal feedlot facility unless another public meeting for citizen input has been held with regard to the feedlot facility to be permitted. The exemption in this paragraph is in addition to other exemptions provided under other law and rules of the board.

(e) The board may, prior to final approval of a proposed project, require preparation of an environmental assessment worksheet by a responsible governmental unit selected by the board for any action where environmental review under this section has not been specifically provided for by rule or otherwise initiated.

(f) An early and open process shall be utilized to limit the scope of the environmental impact statement to a discussion of those impacts, which, because of the nature or location of the project, have the potential for significant environmental effects. The same process shall be utilized to determine the form, content and level of detail of the statement as well as the alternatives which are appropriate for consideration in the statement. In addition, the permits which will be required for the proposed action shall be identified during the scoping process. Further, the process shall identify those permits for which information will be developed concurrently with the environmental impact statement. The board shall provide in its rules for the expeditious completion of the scoping process. The determinations reached in the process shall be incorporated into the order requiring the preparation of an environmental impact statement.

(g) The responsible governmental unit shall, to the extent practicable, avoid duplication and ensure coordination between state and federal environmental review and between environmental review and environmental permitting. Whenever practical, information needed by a governmental unit for making final decisions on permits or other actions required for a proposed project shall be developed in conjunction with the preparation of an environmental impact statement.

(h) An environmental impact statement shall be prepared and its adequacy determined within 280 days after notice of its preparation unless the time is extended by consent of the parties or by the governor for good cause. The responsible governmental unit shall determine the adequacy of an environmental impact statement, unless within 60 days after notice is published that an environmental impact statement will be prepared, the board chooses to determine the adequacy of an environmental impact statement. If an environmental impact statement is found to be inadequate, the responsible governmental unit shall have 60 days to prepare an adequate environmental impact statement.

Sec. 66. Minnesota Statutes 2008, section 116D.04, is amended by adding a subdivision to read:

Subd. 14. **Customized environmental assessment worksheet forms; electronic submission.** (a) The commissioners of natural resources and the Pollution Control Agency and the board shall periodically review mandatory environmental assessment worksheet categories under rules adopted under this section, and other project types that are frequently subject to environmental review, and develop customized environmental assessment worksheet forms for the category or project type. The forms must include specific questions that focus on key environmental issues for the category or project type. In assessing categories and project types and developing forms, the board shall seek the input of governmental units that are frequently responsible for the preparation of a worksheet for the particular category or project type. The commissioners and the board shall also seek input from the general public on the development of customized forms. The commissioners and board shall make the customized forms available online.

(b) The commissioners of natural resources and the Pollution Control Agency shall allow for the electronic submission of environmental assessment worksheets and permits.



Sec. 67. Minnesota Statutes 2008, section 290.431, is amended to read:

**290.431 NONGAME WILDLIFE CHECKOFF.**

Every individual who files an income tax return or property tax refund claim form may designate on their original return that \$1 or more shall be added to the tax or deducted from the refund that would otherwise be payable by or to that individual and paid into an account to be established for the management of nongame wildlife. The commissioner of revenue shall, on the income tax return and the property tax refund claim form, notify filers of their right to designate that a portion of their tax or refund shall be paid into the nongame wildlife management account. The sum of the amounts so designated to be paid shall be credited to the nongame wildlife management account for use by the nongame program ~~of the section of wildlife~~ in the Department of Natural Resources. All interest earned on money accrued, gifts to the program, contributions to the program, and reimbursements of expenditures in the nongame wildlife management account shall be credited to the account by the commissioner of management and budget, except that gifts or contributions received directly by the commissioner of natural resources and directed by the contributor for use in specific nongame field projects or geographic areas shall be handled according to section 84.085, subdivision 1. The commissioner of natural resources shall submit a work program for each fiscal year and semiannual progress reports to the Legislative-Citizen Commission on Minnesota Resources in the form determined by the commission. ~~None of the money provided in this section may be expended unless the commission has approved the work program.~~

The state pledges and agrees with all contributors to the nongame wildlife management account to use the funds contributed solely for the management of nongame wildlife projects and further agrees that it will not impose additional conditions or restrictions that will limit or otherwise restrict the ability of the commissioner of natural resources to use the available funds for the most efficient and effective management of nongame wildlife. The commissioner may use funds appropriated for nongame wildlife programs for the purpose of developing, preserving, restoring, and maintaining wintering habitat for neotropical migrant birds in Latin America and the Caribbean under agreement or contract with any nonprofit organization dedicated to the construction, maintenance, and repair of such projects that are acceptable to the governmental agency having jurisdiction over the land and water affected by the projects. Under this authority, the commissioner may execute agreements and contracts if the commissioner determines that the use of the funds will benefit neotropical migrant birds that breed in or migrate through the state.

Sec. 68. Minnesota Statutes 2008, section 290.432, is amended to read:

**290.432 CORPORATE NONGAME WILDLIFE CHECKOFF.**

A corporation that files an income tax return may designate on its original return that \$1 or more shall be added to the tax or deducted from the refund that would otherwise be payable by or to that corporation and paid into the nongame wildlife management account established by section 290.431 for use by ~~the section of wildlife in~~ the Department of Natural Resources for its nongame wildlife program. The commissioner of revenue shall, on the corporate tax return, notify filers of their right to designate that a portion of their tax return be paid into the nongame wildlife management account for the protection of endangered natural resources. All interest earned on money accrued, gifts to the program, contributions to the program, and reimbursements of expenditures in the nongame wildlife management account shall be credited to the account by the commissioner of management and budget, except that gifts or contributions received directly by the commissioner of natural resources and directed by the contributor for use in specific nongame field projects or geographic areas shall be handled according to section 84.085, subdivision 1. The commissioner of natural resources shall submit a work program for each fiscal year to the Legislative-Citizen Commission on Minnesota Resources in the form determined by the commission. ~~None of the money provided in this section may be spent unless the commission has approved the work program.~~

The state pledges and agrees with all corporate contributors to the nongame wildlife account to use the funds contributed solely for the nongame wildlife program and further agrees that it will not impose additional conditions or restrictions that will limit or otherwise restrict the ability of the commissioner of natural resources to use the available funds for the most efficient and effective management of those programs.

Sec. 69. **DEPARTMENT OF NATURAL RESOURCES LONG-RANGE BUDGET ANALYSIS.**

(a) The commissioner of natural resources, in consultation with the commissioner of management and budget, shall estimate the total amount of funding available from all sources for each of the following land management categories: wildlife management areas; state forests; scientific and natural areas; aquatic management areas; public water access sites; and prairie bank easements. The commissioner of natural resources shall prepare a ten-year budget analysis of the department's ongoing land management needs, including restoration of each parcel needing restoration. The analysis shall include:

(1) an analysis of the needs of wildlife management areas, including identification of internal systemwide guidelines on the proper frequency for activities such as controlled burns, tree and woody biomass removal, and brushland management;

(2) an analysis of state forest needs, including identification of internal systemwide guidelines on the proper frequency for forest management activities;

(3) an analysis of scientific and natural area needs, including identification of internal systemwide guidelines on the proper frequency for management activities;

(4) an analysis of aquatic management area needs, including identification of internal systemwide guidelines on the proper frequency for management activities; and

(5) an analysis of the needs of the state's public water access sites, including identification of internal systemwide guidelines on the proper frequency for management activities.

(b) The commissioner shall compare the estimate of the total amount of funding available to the department's ongoing management needs to determine:

(1) the amount necessary to manage, restore, and maintain existing wildlife management areas, state forests, scientific and natural areas, aquatic management areas, public water access sites, and prairie bank easements; and

(2) the amount necessary to expand upon the existing wildlife management areas, state forests, scientific and natural areas, aquatic management areas, public water access sites, and prairie bank easement programs, including the feasibility of the department's existing long-range plans, if applicable, for each program.

(c) The commissioner of natural resources shall submit the analysis to the chairs of the house of representatives and senate committees with jurisdiction over environment and natural resources finance and cultural and outdoor resources finance by November 15, 2010.

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

Sec. 70. **SCHOOL TRUST LANDS STUDY.**

By July 15, 2010, the commissioner of natural resources shall provide to the chairs of the house of representatives and the senate committees and divisions with primary jurisdiction over natural resources finance and education finance information necessary to evaluate the effectiveness of the commissioner in managing school trust lands to successfully meet the goals contained in Minnesota Statutes, section 127A.31. The information to be provided shall include, but is not limited to:

(1) an accurate description of the school trust lands and their land classification;

(2) policies and procedures in place designed to meet the requirements of the fiduciary responsibility of the commissioner in management of the school trust lands; and

(3) financial information identifying the current revenues from the land classifications and the potential for future maximization of those revenues.

Sec. 71. **COMPENSATION FOR PUBLIC ACCESS TO SCHOOL TRUST LAND.**

By January 15, 2011, the commissioner of natural resources shall provide recommendations to the chairs of the house of representatives and the senate committees and divisions with primary jurisdiction over natural resources finance and education finance on a funding mechanism for compensating the permanent school fund for the public use of school trust lands for outdoor recreation.

Sec. 72. **COON RAPIDS DAM COMMISSION.**

Subdivision 1. **Establishment.** (a) The Coon Rapids Dam Commission is established to perform the duties specified in subdivision 2.

(b) The commission consists of 14 voting members and three nonvoting members as follows:

(1) two members of the house of representatives, appointed by the speaker of the house;

(2) one member of the senate appointed by the president of the senate;

(3) the commissioner of natural resources or the commissioner's designee;

(4) the commissioner of energy or the commissioner's designee;

(5) two representatives of Three Rivers Park District, appointed by the Three Rivers Park District Board of Commissioners;

(6) one representative each from the counties of Anoka and Hennepin, appointed by the respective county boards;

(7) one representative each from the cities of Anoka, Brooklyn Park, Champlin, and Coon Rapids, appointed by the respective mayors;

(8) one representative from the Metropolitan Council, appointed by the council chair;

(9) one representative of the Mississippi National River and Recreation Area, appointed by the superintendent of the Mississippi National River and Recreation Area, who shall serve as a nonvoting member;

(10) one representative of the United States Army Corps of Engineers, appointed by the commander of the St. Paul District, United States Army Corps of Engineers, who shall serve as a nonvoting member; and

(11) one representative from the United States Fish and Wildlife Service, appointed by the regional director of the United States Fish and Wildlife Service, who shall serve as a nonvoting member.

(c) The commission shall elect a chair from among its members.

(d) Members of the commission shall serve a term of one year and may be reappointed for any successive number of terms.

(e) The Three Rivers Park District shall provide the commission with office space and staff and administrative services.

(f) Commission members shall serve without compensation.

Subd. 2. **Duties.** The commission shall study options and make recommendations for the future of the Coon Rapids Dam, including its suitable public uses, governance, operation, and maintenance and financing of the dam and its operations. The commission shall consider economic, environmental, ecological, and other pertinent factors. The commission shall, by March 1, 2011, develop and present to the legislature and the governor an analysis and recommendations for the Coon Rapids Dam. The commission shall present its findings to the house of representatives and senate committees and divisions having jurisdiction over natural resources and energy policy.

Subd. 3. **Expiration.** This section expires upon presentation of the commission's analysis and recommendations according to subdivision 2.

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

**Sec. 73. SOLID WASTE FACILITY FINANCIAL ASSURANCE MECHANISMS; INPUT.**

Within six months after the effective date of this section, and before publishing the rules required for groundwater sensitivity and financial assurance in Minnesota Statutes, section 116.07, subdivision 4, the Pollution Control Agency shall consult with experts and interested persons on financial assurance adequacy for solid waste facilities, including, but not limited to, staff from the Department of Natural Resources, Minnesota Management and Budget, local governments, private and public landfill operators, and environmental groups. The commissioner shall seek the input to determine the adequacy of existing financial assurance rules to address environmental risks, the length of time financial assurance is needed based on the threat to human health and the environment, the reliability of financial assurance in covering risks from land disposal of waste in Minnesota and other states, and the role of private insurance.

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

**Sec. 74. SUBSURFACE SEWAGE TREATMENT SYSTEMS ORDINANCE ADOPTION DELAY.**

Notwithstanding Minnesota Statutes, section 115.55, subdivision 2, a county has ten months from the date final rule amendments to the February 4, 2008, subsurface sewage treatment system rules are adopted by the Pollution Control Agency to adopt an ordinance to comply with the rules. A county must continue to enforce its current ordinance until a new ordinance has been adopted.

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

**Sec. 75. HAZARDOUS WASTE INCINERATION FACILITY MORATORIUM.**

Until March 1, 2011, the commissioner of the Pollution Control Agency shall not issue a permit for a hazardous waste incineration facility that accepts hazardous waste for incineration within the seven-county metropolitan area from generators other than the owner and operator of the facility, unless the hazardous wastes accepted are small quantities of hazardous wastes from a public body on an emergency basis at no cost to the public body and if the commissioner approves the acceptance from the public body.

**Sec. 76. APPROPRIATIONS.**

(a) \$60,000 is appropriated in fiscal year 2011 from the water recreation account in the natural resources fund to the commissioner of natural resources to cooperate with local units of government in marking state water trails under Minnesota Statutes, section 85.32; acquiring and developing river accesses and campsites; and removing obstructions that may cause public safety hazards. This is a onetime appropriation and available until spent.

(b) \$250,000 in fiscal year 2011 is appropriated from the game and fish fund to the commissioner of natural resources to maintain and expand the ecological classification system program on state forest lands. This is a onetime appropriation.

(c) \$145,000 in fiscal year 2011 is appropriated from the game and fish fund to the commissioner of natural resources for peace officer training for employees of the Department of Natural Resources who are licensed under Minnesota Statutes, sections 626.84 to 626.863, to enforce game and fish laws. This appropriation is from the money credited to the game and fish fund under Minnesota Statutes, section 357.021, subdivision 7, paragraph (a), clause (1), from surcharges assessed to criminal and traffic offenders. By January 15, 2012, the commissioner of natural resources shall submit a report to the chairs of the committees and divisions with jurisdiction over natural resources and public safety on the expenditure of these funds, including the effectiveness of the activities funded in improving the enforcement of game and fish laws and the resulting outcomes for the state's natural resources.

**Sec. 77. REVISOR'S INSTRUCTION.**

(a) The revisor of statutes shall change the term "horse trail pass" to "horse pass" wherever it appears in Minnesota Statutes and Minnesota Rules.

(b) The revisor of statutes shall change the term "canoe and boating routes" or similar term to "water trail routes" or similar term wherever it appears in Minnesota Statutes and Minnesota Rules.

(c) The revisor of statutes shall change the term "Minnesota Conservation Corps" to "Conservation Corps Minnesota" wherever it appears in Minnesota Statutes and Minnesota Rules.

**Sec. 78. REPEALER.**

(a) Minnesota Statutes 2008, sections 90.172; 103G.295; and 103G.650, are repealed.

(b) Minnesota Statutes 2009 Supplement, section 88.795, is repealed."

Delete the title and insert:

"A bill for an act relating to environment and natural resources; modifying certain administrative accounts; modifying electronic transaction provisions; providing for certain registration, training, and licensing exemptions; requiring drainage of watercraft equipment when leaving public waters; modifying off-highway vehicle and snowmobile provisions; modifying state trails and canoe and boating routes; modifying fees and disposition of certain receipts; delaying local ordinance adoption requirements and establishing a task force; modifying certain competitive bidding exemptions; modifying horse trail pass provisions; modifying master plan requirements; expanding eligibility for free state park permit; modifying cross-country ski trail provisions; providing for general burning permits; modifying authority to establish forestry services fees; modifying authority to issue leases and permits; modifying timber sales provisions; eliminating certain pilot projects and reports; modifying the Water Law; modifying utility license provisions; modifying rulemaking authority; providing for certain permitting and review efficiencies; modifying nongame wildlife checkoffs; requiring long-range land management budgeting; requiring studies and reports; creating Coon Rapids Dam Commission; imposing incineration facility moratorium;

appropriating money; amending Minnesota Statutes 2008, sections 84.025, subdivision 9; 84.027, subdivision 15, by adding a subdivision; 84.0856; 84.0857; 84.415, by adding a subdivision; 84.777, subdivision 2; 84.788, subdivision 2; 84.798, subdivision 2; 84.82, subdivisions 3, 6, by adding a subdivision; 84.8205, subdivision 1; 84.92, subdivisions 9, 10; 84.922, subdivision 5, by adding a subdivision; 84.925, subdivision 1; 84.9256, subdivision 1; 84.928, subdivision 5; 84D.10, by adding a subdivision; 84D.13, subdivision 5; 85.015, subdivision 14; 85.052, subdivision 4; 85.22, subdivision 5; 85.32, subdivision 1; 85.41, subdivision 3; 85.42; 85.43; 85.46, as amended; 86B.301, subdivision 2; 88.17, subdivisions 1, 3; 88.79, subdivision 2; 89.17; 90.041, by adding a subdivision; 90.121; 90.14; 97B.015, subdivision 5a; 103A.305; 103F.325, by adding a subdivision; 103F.335, subdivision 1; 103G.271, subdivision 3; 103G.285, subdivision 5; 103G.301, subdivision 6; 103G.305, subdivision 2; 103G.315, subdivision 11; 103G.515, subdivision 5; 115.55, by adding a subdivision; 116.03, by adding a subdivision; 116.07, subdivisions 4, 4h; 116D.04, subdivision 2a, by adding a subdivision; 290.431; 290.432; Minnesota Statutes 2009 Supplement, sections 84.415, subdivision 6; 84.793, subdivision 1; 84.922, subdivision 1a; 84.9275, subdivision 1; 84.928, subdivision 1; 85.015, subdivision 13; 85.053, subdivision 10; 86A.09, subdivision 1; 103G.201; proposing coding for new law in Minnesota Statutes, chapter 103G; repealing Minnesota Statutes 2008, sections 90.172; 103G.295; 103G.650; Minnesota Statutes 2009 Supplement, section 88.795."

With the recommendation that when so amended the bill pass.

The report was adopted.

## **SECOND READING OF HOUSE BILLS**

H. F. No. 3281 was read for the second time.

## **SECOND READING OF SENATE BILLS**

S. F. Nos. 3055, 1761, 2505 and 3275 were read for the second time.

## **INTRODUCTION AND FIRST READING OF HOUSE BILLS**

The following House Files were introduced:

Peterson, Davnie, Swails and Carlson introduced:

H. F. No. 3823, A bill for an act relating to insurance; requiring surcharge disclosure for homeowner's insurance; proposing coding for new law in Minnesota Statutes, chapter 65A.

The bill was read for the first time and referred to the Committee on Commerce and Labor.

Davnie, Rukavina, Obermueller, Hortman, Mahoney and Kahn introduced:

H. F. No. 3824, A bill for an act relating to labor and industry; requiring the commissioner of labor and industry to convene a window cleaning safety advisory panel.

The bill was read for the first time and referred to the Committee on Commerce and Labor.

Solberg, Hoppe, Lanning, Nelson and Atkins introduced:

H. F. No. 3825, A bill for an act relating to stadiums; providing alternative plans for a new National Football League stadium in Minnesota; establishing the Minnesota Stadium Authority; abolishing the Metropolitan Sports Facilities Commission; amending Minnesota Statutes 2008, sections 13.55, subdivision 1; 297A.71, by adding a subdivision; 352.01, subdivision 2a; 473.121, subdivision 5a; 473.164; 473.551, by adding subdivisions; 473.552; 473.553, subdivisions 2, 3; 473.556, subdivision 5; 473.561; 473.581, subdivision 2; 473.5995, by adding a subdivision; Minnesota Statutes 2009 Supplement, sections 3.971, subdivision 6; 10A.01, subdivision 35; 340A.404, subdivision 1; Laws 1986, chapter 396, section 4, subdivision 3; proposing coding for new law in Minnesota Statutes, chapters 349A; 473; proposing coding for new law as Minnesota Statutes, chapter 473J; repealing Minnesota Statutes 2008, sections 137.50, subdivision 5; 473.551; 473.552; 473.553, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13; 473.564, subdivisions 2, 3; 473.5995; 473.755; 473.76; 473.763.

The bill was read for the first time and referred to the Committee on State and Local Government Operations Reform, Technology and Elections.

Brown introduced:

H. F. No. 3826, A bill for an act relating to veterans; requiring a health study of the health effects of wind turbine movement on certain veterans.

The bill was read for the first time and referred to the Committee on Agriculture, Rural Economies and Veterans Affairs.

Peppin introduced:

H. F. No. 3827, A bill for an act relating to commerce; regulating gasoline sales below cost; amending Minnesota Statutes 2008, section 325D.01, subdivision 5; repealing Minnesota Statutes 2008, sections 325D.01, subdivisions 11, 12; 325D.71.

The bill was read for the first time and referred to the Committee on Commerce and Labor.

The Speaker called Bigham to the Chair.

## MESSAGES FROM THE SENATE

The following messages were received from the Senate:

Madam Speaker:

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

H. F. No. 3318, A bill for an act relating to judiciary; enacting the Uniform Unsworn Foreign Declarations Act proposed for adoption by the National Conference of Commissioners on Uniform State Laws; providing for penalties; amending Minnesota Statutes 2008, section 609.48, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 358.

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.

COLLEEN J. PACHECO, First Assistant Secretary of the Senate

Madam Speaker:

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

H. F. No. 3591, A bill for an act relating to local government; authorizing the city of Minneapolis to adopt an ordinance to define the annual duration of operation of mobile food units; amending Minnesota Statutes 2008, section 157.15, subdivision 9.

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.

COLLEEN J. PACHECO, First Assistant Secretary of the Senate

Madam Speaker:

I hereby announce that the Senate accedes to the request of the House for the appointment of a Conference Committee on the amendments adopted by the Senate to the following House File:

H. F. No. 2624, A bill for an act relating to state government; appropriating money for environment and natural resources.

The Senate has appointed as such committee:

Senators Anderson, Frederickson and Vickerman.

Said House File is herewith returned to the House.

COLLEEN J. PACHECO, First Assistant Secretary of the Senate

Madam 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. 1209, A bill for an act relating to motor vehicles; removing expiration date relating to corporate deputy registrars; amending Minnesota Statutes 2008, section 168.33, subdivision 2.

COLLEEN J. PACHECO, First Assistant Secretary of the Senate

### CONCURRENCE AND REPASSAGE

Demmer moved that the House concur in the Senate amendments to H. F. No. 1209 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 1209, A bill for an act relating to motor vehicles; removing expiration date relating to corporate deputy registrars; providing for new location in Burnsville for deputy registrar; amending Minnesota Statutes 2008, section 168.33, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 383D.

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. There were 133 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dettmer	Hayden	Lenczewski	Norton	Slawik
Anderson, B.	Dill	Hilstrom	Lesch	Obermueller	Slocum
Anderson, P.	Dittrich	Hilty	Liebling	Olin	Smith
Anderson, S.	Doepke	Holberg	Lieder	Otremba	Solberg
Anzelc	Doty	Hoppe	Lillie	Paymar	Sterner
Atkins	Downey	Hornstein	Loeffler	Pelowski	Swails
Beard	Drazkowski	Hortman	Loon	Peppin	Thao
Benson	Eastlund	Hosch	Mack	Persell	Thissen
Bigham	Eken	Howes	Mahoney	Peterson	Tillberry
Bly	Emmer	Huntley	Mariani	Poppe	Torkelson
Brod	Falk	Jackson	Marquart	Reinert	Urdahl
Brown	Faust	Johnson	Masin	Rosenthal	Wagenius
Brynaert	Fritz	Juhnke	McFarlane	Rukavina	Ward
Buesgens	Gardner	Kahn	McNamara	Ruud	Welti
Bunn	Garofalo	Kalin	Morgan	Sailer	Westrom
Carlson	Gottwalt	Kath	Morrow	Sanders	Winkler
Champion	Greiling	Kelly	Mullery	Scalze	Zellers
Clark	Gunther	Kiffmeyer	Murdock	Scott	Spk. Kelliher
Cornish	Hackbarth	Knuth	Murphy, E.	Seifert	
Davids	Hamilton	Koenen	Murphy, M.	Sertich	
Davnie	Hansen	Kohls	Nelson	Severson	
Dean	Hausman	Laine	Newton	Shimanski	
Demmer	Haws	Lanning	Nornes	Simon	

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

Madam 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. 2899, A bill for an act relating to data practices; providing an administrative remedy for certain data practices law violations; providing civil penalties; appropriating money; amending Minnesota Statutes 2008, sections 13.072, subdivision 2; 13.08, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 13.

COLLEEN J. PACHECO, First Assistant Secretary of the Senate

### CONCURRENCE AND REPASSAGE

Pelowski moved that the House concur in the Senate amendments to H. F. No. 2899 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 2899, A bill for an act relating to data practices; providing an administrative remedy for certain data practices violations; providing for data sharing agreements with the department of education; providing civil penalties; appropriating money; amending Minnesota Statutes 2008, sections 13.072, subdivision 2; 13.08, subdivision 4; 13.319, by adding a subdivision; 122A.18, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 13.

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. There were 133 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Davnie	Gunther	Kalin	Masin	Peterson
Anderson, B.	Dean	Hackbarth	Kath	McFarlane	Poppe
Anderson, P.	Demmer	Hamilton	Kelly	McNamara	Reinert
Anderson, S.	Dettmer	Hansen	Kiffmeyer	Morgan	Rosenthal
Anzelc	Dill	Hausman	Knuth	Morrow	Rukavina
Atkins	Dittrich	Haws	Koenen	Mullery	Ruud
Beard	Doepke	Hayden	Kohls	Murdock	Sailer
Benson	Doty	Hilstrom	Laine	Murphy, E.	Sanders
Bigham	Downey	Hilty	Lanning	Murphy, M.	Scalze
Bly	Drazkowski	Holberg	Lenczewski	Nelson	Scott
Brod	Eastlund	Hoppe	Lesch	Newton	Seifert
Brown	Eken	Hornstein	Liebling	Nornes	Sertich
Brynaert	Emmer	Hortman	Lieder	Norton	Severson
Buesgens	Falk	Hosch	Lillie	Obermueller	Shimanski
Bunn	Faust	Howes	Loeffler	Olin	Simon
Carlson	Fritz	Huntley	Loon	Otremba	Slawik
Champion	Gardner	Jackson	Mack	Paymar	Slocum
Clark	Garofalo	Johnson	Mahoney	Pelowski	Smith
Cornish	Gottwalt	Juhnke	Mariani	Peppin	Solberg
Davids	Greiling	Kahn	Marquart	Persell	Sterner

Swails	Tillberry	Wagenius	Westrom	Spk. Kelliher
Thao	Torkelson	Ward	Winkler	
Thissen	Urdahl	Wolti	Zellers	

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

Madam Speaker:

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

S. F. No. 364.

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.

COLLEEN J. PACHECO, First Assistant Secretary of the Senate

#### CONFERENCE COMMITTEE REPORT ON S. F. NO. 364

A bill for an act relating to waters; modifying drainage system provisions; amending Minnesota Statutes 2008, sections 103B.101, by adding a subdivision; 103E.065; 103E.227; 103E.401, subdivision 3; 103E.505, subdivision 3; 103E.611, subdivision 1; 103E.735, subdivision 1; 103E.805; proposing coding for new law in Minnesota Statutes, chapter 103E.

April 27, 2010

The Honorable James P. Metzen  
President of the Senate

The Honorable Margaret Anderson Kelliher  
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 364 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate concur in the House amendment.

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

Senate Conferees: DAN SPARKS, SATVEER CHAUDHARY and DENNIS FREDERICKSON.

House Conferees: RICK HANSEN, KENT EKEN and BOB GUNTHER.

Hansen moved that the report of the Conference Committee on S. F. No. 364 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 364, A bill for an act relating to waters; modifying drainage system provisions; amending Minnesota Statutes 2008, sections 103B.101, by adding a subdivision; 103E.065; 103E.227; 103E.401, subdivision 3; 103E.505, subdivision 3; 103E.611, subdivision 1; 103E.735, subdivision 1; 103E.805; proposing coding for new law in Minnesota Statutes, chapter 103E.

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 110 yeas and 23 nays as follows:

Those who voted in the affirmative were:

Abeler	Dill	Hornstein	Lillie	Norton	Slocum
Anderson, P.	Dittrich	Hortman	Loeffler	Obermueller	Smith
Anderson, S.	Doepke	Hosch	Loon	Olin	Solberg
Anzelc	Doty	Howes	Mack	Otremba	Sterner
Atkins	Downey	Huntley	Mahoney	Paymar	Swails
Benson	Eken	Jackson	Mariani	Pelowski	Thao
Bigham	Falk	Johnson	Marquart	Persell	Thissen
Bly	Faust	Juhnke	Masin	Peterson	Tillberry
Brown	Fritz	Kahn	McFarlane	Poppe	Torkelson
Brynaert	Gardner	Kalin	McNamara	Reinert	Urdahl
Bunn	Greiling	Kath	Morgan	Rosenthal	Wagenius
Carlson	Gunther	Knuth	Morrow	Rukavina	Ward
Champion	Hamilton	Koenen	Mullery	Ruud	Welti
Clark	Hansen	Laine	Murdock	Sailer	Winkler
Cornish	Hausman	Lanning	Murphy, E.	Sanders	Spk. Kelliher
Davids	Haws	Lenczewski	Murphy, M.	Scalze	
Davnie	Hayden	Lesch	Nelson	Sertich	
Demmer	Hilstrom	Liebling	Newton	Simon	
Dettmer	Hilty	Lieder	Nornes	Slawik	

Those who voted in the negative were:

Anderson, B.	Dean	Garofalo	Hoppe	Peppin	Shimanski
Beard	Drazkowski	Gottwalt	Kelly	Scott	Westrom
Brod	Eastlund	Hackbarth	Kiffmeyer	Seifert	Zellers
Buesgens	Emmer	Holberg	Kohls	Severson	

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

Madam Speaker:

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

S. F. No. 2437.

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.

COLLEEN J. PACHECO, First Assistant Secretary of the Senate

## CONFERENCE COMMITTEE REPORT ON S. F. NO. 2437

A bill for an act relating to public safety; recodifying and clarifying the domestic abuse no contact order law; expanding the tampering with a witness crime; increasing the maximum bail for nonfelony domestic assault and domestic abuse order for protection violations; clarifying the requirement that the data communications network include orders for protection and no contact orders; exempting certain domestic abuse or sexual attack programs from data practices requirements; extending area for protection to a reasonable area around residence or dwelling in ex parte orders for protection; modifying crime of stalking; authorizing a pilot project to allow judges to order electronic monitoring for domestic abuse offenders on pretrial release; imposing criminal penalties; amending Minnesota Statutes 2008, sections 299C.46, subdivision 6; 518B.01, subdivision 7; 609.498, subdivision 3, by adding a subdivision; 609.749; 629.471, subdivision 3, by adding a subdivision; 629.72, subdivisions 1, 2a; proposing coding for new law in Minnesota Statutes, chapters 13; 629; repealing Minnesota Statutes 2008, section 518B.01, subdivision 22.

April 26, 2010

The Honorable James P. Metzen  
President of the Senate

The Honorable Margaret Anderson Kelliher  
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 2437 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate concur in the House amendment and that S. F. No. 2437 be further amended as follows:

Page 1, delete section 1 and insert:

"Section 1. **[13.823] DOMESTIC ABUSE OR SEXUAL ATTACK PROGRAMS.**

Subdivision 1. **Definitions.** For purposes of this section:

(1) "domestic abuse" has the meaning given in section 518B.01, subdivision 2; and

(2) "sexual attack" has the meaning given in section 611A.21, subdivision 2.

Subd. 2. **Provisions not applicable.** Except as otherwise provided in this subdivision, a program that provides shelter or support services to victims of domestic abuse or a sexual attack and whose employees or volunteers are not under the direct supervision of a government entity is not subject to this chapter, except that the program shall comply with sections 13.822, 611A.32, subdivision 5, 611A.371, subdivision 3, and 611A.46."

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

Senate Conferees: MEE MOUA, WARREN LIMMER and MARY OLSON.

House Conferees: DEBRA HILSTROM, MICHAEL PAYMAR and MARY LIZ HOLBERG.

Hilstrom moved that the report of the Conference Committee on S. F. No. 2437 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 2437, A bill for an act relating to public safety; recodifying and clarifying the domestic abuse no contact order law; expanding the tampering with a witness crime; increasing the maximum bail for nonfelony domestic assault and domestic abuse order for protection violations; clarifying the requirement that the data communications network include orders for protection and no contact orders; exempting certain domestic abuse or sexual attack programs from data practices requirements; extending area for protection to a reasonable area around residence or dwelling in ex parte orders for protection; modifying crime of stalking; authorizing a pilot project to allow judges to order electronic monitoring for domestic abuse offenders on pretrial release; imposing criminal penalties; amending Minnesota Statutes 2008, sections 299C.46, subdivision 6; 518B.01, subdivision 7; 609.498, subdivision 3, by adding a subdivision; 609.749; 629.471, subdivision 3, by adding a subdivision; 629.72, subdivisions 1, 2a; proposing coding for new law in Minnesota Statutes, chapters 13; 629; repealing Minnesota Statutes 2008, section 518B.01, subdivision 22.

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 133 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dettmer	Hayden	Lenczewski	Norton	Slawik
Anderson, B.	Dill	Hilstrom	Lesch	Obermueller	Slocum
Anderson, P.	Dittrich	Hilty	Liebling	Olin	Smith
Anderson, S.	Doepke	Holberg	Lieder	Otremba	Solberg
Anzelc	Doty	Hoppe	Lillie	Paymar	Sterner
Atkins	Downey	Hornstein	Loeffler	Pelowski	Swails
Beard	Drazkowski	Hortman	Loon	Peppin	Thao
Benson	Eastlund	Hosch	Mack	Persell	Thissen
Bigham	Eken	Howes	Mahoney	Peterson	Tillberry
Bly	Emmer	Huntley	Mariani	Poppe	Torkelson
Brod	Falk	Jackson	Marquart	Reinert	Urdahl
Brown	Faust	Johnson	Masin	Rosenthal	Wagenius
Brynaert	Fritz	Juhnke	McFarlane	Rukavina	Ward
Buesgens	Gardner	Kahn	McNamara	Ruud	Welti
Bunn	Garofalo	Kalin	Morgan	Sailer	Westrom
Carlson	Gottwalt	Kath	Morrow	Sanders	Winkler
Champion	Greiling	Kelly	Mullery	Scalze	Zellers
Clark	Gunther	Kiffmeyer	Murdock	Scott	Spk. Kelliher
Cornish	Hackbarth	Knuth	Murphy, E.	Seifert	
Davids	Hamilton	Koenen	Murphy, M.	Sertich	
Davnie	Hansen	Kohls	Nelson	Severson	
Dean	Hausman	Laine	Newton	Shimanski	
Demmer	Haws	Lanning	Nornes	Simon	

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

Madam Speaker:

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

S. F. No. 2713.

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.

COLLEEN J. PACHECO, First Assistant Secretary of the Senate

## CONFERENCE COMMITTEE REPORT ON S. F. NO. 2713

A bill for an act relating to human services; amending provisions relating to judicial holds in commitment cases; amending Minnesota Statutes 2008, section 253B.07, subdivision 2b.

April 20, 2010

The Honorable James P. Metzen  
President of the Senate

The Honorable Margaret Anderson Kelliher  
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 2713 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. 2713 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2009 Supplement, section 246B.01, subdivision 1a, is amended to read:

Subd. 1a. ~~Client~~ **Civily committed sex offender.** "~~Client~~" "Civily committed sex offender" means a person who is admitted to the Minnesota sex offender program ~~or subject to a court hold order~~ under section 253B.185 for the purpose of assessment, diagnosis, care, treatment, supervision, or other services provided by the Minnesota sex offender program.

Sec. 2. Minnesota Statutes 2009 Supplement, section 246B.01, subdivision 1b, is amended to read:

Subd. 1b. ~~Client's~~ **Civily committed sex offender's county.** "~~Client's~~" "Civily committed sex offender's county" means the county of the ~~client's~~ civily committed sex offender's legal settlement for poor relief purposes at the time of commitment. If the ~~client~~ civily committed sex offender has no legal settlement for poor relief in this state, it means the county of commitment, except that when a ~~client~~ civily committed sex offender with no legal settlement for poor relief is committed while serving a sentence at a penal institution, it means the county from which the ~~client~~ civily committed sex offender was sentenced.

Sec. 3. Minnesota Statutes 2009 Supplement, section 246B.01, subdivision 2a, is amended to read:

Subd. 2a. **Community preparation services.** Community preparation services are specialized residential services or programs operated or administered by the Minnesota sex offender program outside of a secure treatment facility. Community preparation services are designed to assist ~~clients~~ civily committed sex offenders in developing the appropriate skills and resources necessary for an eventual successful reintegration into a community. A ~~client~~ civily committed sex offender may be placed in community preparation services only upon an order of the judicial appeal panel under section 253B.19.

Sec. 4. Minnesota Statutes 2009 Supplement, section 246B.01, subdivision 2d, is amended to read:

Subd. 2d. **Local social services agency.** "Local social services agency" means the local social services agency of the ~~client's~~ civily committed sex offender's county as defined in subdivision 1b and of the county of commitment, and any other local social services agency possessing information regarding, or requested by the commissioner to investigate, the financial circumstances of a ~~client~~ civily committed sex offender.

Sec. 5. Minnesota Statutes 2009 Supplement, section 246B.02, is amended to read:

**246B.02 ESTABLISHMENT OF MINNESOTA SEX OFFENDER PROGRAM.**

The commissioner of human services shall establish and maintain the Minnesota sex offender program. The program shall provide specialized sex offender assessment, diagnosis, care, treatment, supervision, and other services to ~~clients~~ civily committed sex offenders as defined in section 246B.01, subdivision 1a. Services may include specialized programs at secure treatment facilities as defined in section 253B.02, subdivision 18a, consultative services, aftercare services, community-based services and programs, transition services, or other services consistent with the mission of the Department of Human Services.

Sec. 6. Minnesota Statutes 2009 Supplement, section 246B.03, subdivision 2, is amended to read:

Subd. 2. **Minnesota sex offender program evaluation.** (a) The commissioner shall contract with national sex offender experts to evaluate the sex offender treatment program. The consultant group shall consist of four national experts, including:

(1) three experts who are licensed psychologists, psychiatrists, clinical therapists, or other mental health treatment providers with established and recognized training and experience in the assessment and treatment of sexual offenders; and

(2) one nontreatment professional with relevant training and experience regarding the oversight or licensing of sex offender treatment programs or other relevant mental health treatment programs.

(b) These experts shall, in consultation with the executive clinical director of the sex offender treatment program:

(1) review and identify relevant information and evidence-based best practices and methodologies for effectively assessing, diagnosing, and treating ~~clients~~ civily committed sex offenders;

(2) on at least an annual basis, complete a site visit and comprehensive program evaluation that may include a review of program policies and procedures to determine the program's level of compliance, address specific areas of concern brought to the panel's attention by the executive clinical director or executive director, offer recommendations, and complete a written report of its findings to the executive director and clinical director; and

(3) in addition to the annual site visit and review, provide advice, input, and assistance as requested by the executive clinical director or executive director.

(c) The commissioner or commissioner's designee shall enter into contracts as necessary to fulfill the responsibilities under this subdivision.

Sec. 7. Minnesota Statutes 2009 Supplement, section 246B.03, subdivision 3, is amended to read:

Subd. 3. **~~Client~~ Civily committed sex offender grievance resolution process.** (a) The executive director shall establish a grievance policy and related procedures that address and attempt to resolve ~~client~~ civily committed sex offender concerns and complaints. The grievance resolution process must include procedures for assessing or investigating a ~~client's~~ civily committed sex offender's concerns or complaints, for attempting to resolve issues informally, and for appealing for a review and determination by the executive director or designee.

(b) Any ~~client~~ civily committed sex offender who believes a right that is applicable to ~~a client~~ an individual under section 144.651 has been violated may file a grievance under paragraph (a) and attempt to resolve the issue internally, or by a complaint with the Minnesota Department of Health, Office of Health Facility Complaints, or both. Complaints filed with the Office of Health Facility Complaints under this paragraph must be processed according to section 144.652.



Sec. 8. Minnesota Statutes 2009 Supplement, section 246B.04, subdivision 3, is amended to read:

Subd. 3. **Access to data.** The Minnesota sex offender program shall have access to private data contained in the statewide supervision system under section 241.065, as necessary for the administration and management of current ~~Minnesota sex offender clients~~ civily committed sex offenders for the purposes of admissions, treatment, security, and supervision. The program shall develop a policy to allow individuals who conduct assessment, develop treatment plans, oversee security, or develop reintegration plans to have access to the data. The commissioner of corrections shall conduct periodic audits to determine whether the policy is being followed.

Sec. 9. Minnesota Statutes 2009 Supplement, section 246B.05, subdivision 1, is amended to read:

Subdivision 1. **Vocational work program option.** The commissioner of human services shall develop a vocational work program for persons admitted to the Minnesota sex offender program. The ~~vocation~~ vocational work program is an extension of therapeutic treatment in order for ~~clients~~ civily committed sex offenders to learn valuable work skills and work habits while contributing to their cost of care. The vocational work program may include work maintaining the center or work that is brought to the center by an outside source. The earnings generated from the vocational work program must be deposited into the account created in subdivision 2.

Sec. 10. Minnesota Statutes 2009 Supplement, section 246B.06, subdivision 1, is amended to read:

Subdivision 1. **Establishment; purpose.** (a) The commissioner of human services may establish, equip, maintain, and operate a vocational work program at any Minnesota sex offender program facility under this chapter. The commissioner may establish vocational activities for sex offender treatment ~~clients~~ for civily committed sex offenders as the commissioner deems necessary and suitable to the meaningful work skills training, educational training, and development of proper work habits and extended treatment services for ~~clients~~ civily committed sex offenders consistent with the requirements in section 246B.05. The industrial and commercial activities authorized by this section are designated Minnesota State Industries and must be for the primary purpose of sustaining and ensuring Minnesota State Industries' self-sufficiency, providing educational training, meaningful employment, and the teaching of proper work habits to the ~~patients of~~ individuals in the Minnesota sex offender program under this chapter, and not solely as competitive business ventures.

(b) The net profits from the vocational work program must be used for the benefit of the ~~clients~~ civily committed sex offenders as it relates to building education and self-sufficiency skills. Prior to the establishment of any vocational activity, the commissioner of human services shall consult with stakeholders including representatives of business, industry, organized labor, the commissioner of education, the state Apprenticeship Council, the commissioner of labor and industry, the commissioner of employment and economic development, the commissioner of administration, and other stakeholders the commissioner deems qualified. The purpose of the stakeholder consultation is to determine the quantity and nature of the goods, wares, merchandise, and services to be made or provided, and the types of processes to be used in their manufacture, processing, repair, and production consistent with the greatest opportunity for the reform and educational training of the ~~clients~~ civily committed sex offenders, and with the best interests of the state, business, industry, and labor.

(c) The commissioner of human services shall, at all times in the conduct of any vocational activity authorized by this section, utilize ~~client~~ civily committed sex offender labor to the greatest extent feasible, provided that the commissioner may employ all administrative, supervisory, and other skilled workers necessary to the proper instruction of the ~~clients~~ civily committed sex offenders and the efficient operation of the vocational activities authorized by this section.

(d) The commissioner of human services may authorize the director of any Minnesota sex offender treatment facility under the commissioner's control to accept work projects from outside sources for processing, fabrication, or repair, provided that preference is given to the performance of work projects for state departments and agencies.

Sec. 11. Minnesota Statutes 2009 Supplement, section 246B.06, subdivision 6, is amended to read:

Subd. 6. **Wages.** Notwithstanding section 177.24 or any other law to the contrary, the commissioner of human services has the discretion to set the pay rate for ~~clients~~ individuals participating in the vocational work program. The commissioner has the authority to retain up to 50 percent of any payments made to ~~a client~~ an individual participating in the vocational work program for the purpose of reducing state costs associated with operating the Minnesota sex offender program.

Sec. 12. Minnesota Statutes 2009 Supplement, section 246B.06, subdivision 7, is amended to read:

Subd. 7. **Status of ~~clients~~ civily committed sex offenders.** ~~Clients~~ Civily committed sex offenders participating in the vocational work program are not employees of the Minnesota sex offender program, the Department of Human Services, or the state, and are not subject to fair labor standards under sections 177.21 to 177.35; workers compensation under sections 176.011 to 176.862; the Minnesota Human Rights Act under sections 363A.001 to 363A.41; laws governing state employees under chapter 43A; labor relations under chapter 179A; or the successors to any of these sections and any other laws pertaining to employees and employment.

Sec. 13. Minnesota Statutes 2009 Supplement, section 246B.06, subdivision 8, is amended to read:

Subd. 8. **Claims.** Claims and demands arising out of injury to or death of a ~~client~~ civily committed sex offender while that ~~client~~ individual is participating in the vocational work program or performing a work assignment maintaining the facility must be presented to, heard, and determined exclusively by the legislature as provided in section 3.738.

Sec. 14. Minnesota Statutes 2009 Supplement, section 246B.07, subdivision 1, is amended to read:

Subdivision 1. **Procedures.** The commissioner shall determine or redetermine, if necessary, what amount of the cost of care, if any, the ~~client~~ civily committed sex offender is able to pay. The ~~client~~ civily committed sex offender shall provide to the commissioner documents and proof necessary to determine the ability to pay. Failure to provide the commissioner with sufficient information to determine ability to pay may make the ~~client~~ civily committed sex offender liable for the full cost of care until the time when sufficient information is provided.

Sec. 15. Minnesota Statutes 2009 Supplement, section 246B.07, subdivision 2, is amended to read:

Subd. 2. **Rules.** The commissioner shall use the standards in section 246.51, subdivision 2, to determine the ~~client's~~ civily committed sex offender's liability for the care provided by the Minnesota sex offender program.

Sec. 16. Minnesota Statutes 2009 Supplement, section 246B.08, is amended to read:

**246B.08 PAYMENT FOR CARE; ORDER; ACTION.**

The commissioner shall issue an order to the ~~client~~ civily committed sex offender or the guardian of the estate, if there is one, requiring the ~~client~~ civily committed sex offender or guardian to pay to the state the amounts determined, the total of which must not exceed the full cost of care. The order must specifically state the commissioner's determination and must be conclusive, unless appealed. If a ~~client~~ civily committed sex offender fails to pay the amount due, the attorney general, upon request of the commissioner, may institute, or direct the appropriate county attorney to institute, a civil action to recover the amount.

Sec. 17. Minnesota Statutes 2009 Supplement, section 246B.09, is amended to read:

**246B.09 CLAIM AGAINST ESTATE OF DECEASED ~~CLIENT~~ CIVILLY COMMITTED SEX OFFENDER.**

Subdivision 1. **Client's Estate of a civilly committed sex offender.** Upon the death of a ~~client~~ civilly committed sex offender, or a former ~~client~~ civilly committed sex offender, the total cost of care provided to the ~~client~~ individual, less the amount actually paid toward the cost of care by the ~~client~~ civilly committed sex offender, must be filed by the commissioner as a claim against the estate of the ~~client~~ civilly committed sex offender with the court having jurisdiction to probate the estate, and all proceeds collected by the state in the case must be divided between the state and county in proportion to the cost of care each has borne.

Subd. 2. **Preferred status.** An estate claim in subdivision 1 must be considered an expense of the last illness for purposes of section 524.3-805.

If the commissioner determines that the property or estate of a ~~client~~ civilly committed sex offender is not more than needed to care for and maintain the spouse and minor or dependent children of a deceased ~~client~~ civilly committed sex offender, the commissioner has the power to compromise the claim of the state in a manner deemed just and proper.

Subd. 3. **Exception from statute of limitations.** Any statute of limitations that limits the commissioner in recovering the cost of care obligation incurred by a ~~client~~ civilly committed sex offender or former ~~client~~ civilly committed sex offender must not apply to any claim against an estate made under this section to recover cost of care.

Sec. 18. Minnesota Statutes 2009 Supplement, section 246B.10, is amended to read:

**246B.10 LIABILITY OF COUNTY; REIMBURSEMENT.**

The ~~client's~~ civilly committed sex offender's county shall pay to the state a portion of the cost of care provided in the Minnesota sex offender program to a ~~client~~ civilly committed sex offender who has legally settled in that county. A county's payment must be made from the county's own sources of revenue and payments must equal ten percent of the cost of care, as determined by the commissioner, for each day or portion of a day, that the ~~client~~ civilly committed sex offender spends at the facility. If payments received by the state under this chapter exceed 90 percent of the cost of care, the county is responsible for paying the state the remaining amount. The county is not entitled to reimbursement from the ~~client~~ civilly committed sex offender, the ~~client's~~ civilly committed sex offender's estate, or from the ~~client's~~ civilly committed sex offender's relatives, except as provided in section 246B.07.

Sec. 19. Minnesota Statutes 2008, section 253B.05, subdivision 1, is amended to read:

Subdivision 1. **Emergency hold.** (a) Any person may be admitted or held for emergency care and treatment in a treatment facility, except to a facility operated by the Minnesota sex offender program, with the consent of the head of the treatment facility upon a written statement by an examiner that:

- (1) the examiner has examined the person not more than 15 days prior to admission;
- (2) the examiner is of the opinion, for stated reasons, that the person is mentally ill, developmentally disabled, or chemically dependent, and is in danger of causing injury to self or others if not immediately detained; and
- (3) an order of the court cannot be obtained in time to prevent the anticipated injury.

(b) If the proposed patient has been brought to the treatment facility by another person, the examiner shall make a good faith effort to obtain a statement of information that is available from that person, which must be taken into consideration in deciding whether to place the proposed patient on an emergency hold. The statement of information must include, to the extent available, direct observations of the proposed patient's behaviors, reliable knowledge of recent and past behavior, and information regarding psychiatric history, past treatment, and current mental health providers. The examiner shall also inquire into the existence of health care directives under chapter 145, and advance psychiatric directives under section 253B.03, subdivision 6d.

(c) The examiner's statement shall be: (1) sufficient authority for a peace or health officer to transport a patient to a treatment facility, (2) stated in behavioral terms and not in conclusory language, and (3) of sufficient specificity to provide an adequate record for review. If danger to specific individuals is a basis for the emergency hold, the statement must identify those individuals, to the extent practicable. A copy of the examiner's statement shall be personally served on the person immediately upon admission and a copy shall be maintained by the treatment facility.

Sec. 20. Minnesota Statutes 2008, section 253B.07, subdivision 2b, is amended to read:

Subd. 2b. **Apprehend and hold orders.** The court may order the treatment facility to hold the person in a treatment facility or direct a health officer, peace officer, or other person to take the proposed patient into custody and transport the proposed patient to a treatment facility for observation, evaluation, diagnosis, care, treatment, and, if necessary, confinement, when:

(1) there has been a particularized showing by the petitioner that serious physical harm to the proposed patient or others is likely unless the proposed patient is immediately apprehended;

(2) the proposed patient has not voluntarily appeared for the examination or the commitment hearing pursuant to the summons; or

(3) a person is held pursuant to section 253B.05 and a request for a petition for commitment has been filed.

The order of the court may be executed on any day and at any time by the use of all necessary means including the imposition of necessary restraint upon the proposed patient. Where possible, a peace officer taking the proposed patient into custody pursuant to this subdivision shall not be in uniform and shall not use a motor vehicle visibly marked as a police vehicle. Except as provided in section 253B.045, subdivision 1a, in the case of an individual on a judicial hold due to a petition for civil commitment under section 253B.185, assignment of custody during the hold is to the commissioner of human services. The commissioner is responsible for determining the appropriate placement within a secure treatment facility under the authority of the commissioner.

Sec. 21. Minnesota Statutes 2008, section 253B.10, subdivision 5, is amended to read:

Subd. 5. **Transfer to voluntary status.** At any time prior to the expiration of the initial commitment period, a patient who has not been committed as mentally ill and dangerous to the public or as a sexually dangerous person or as a sexual psychopathic personality may be transferred to voluntary status upon the patient's application in writing with the consent of the head of the facility. Upon transfer, the head of the treatment facility shall immediately notify the court in writing and the court shall terminate the proceedings.

Sec. 22. Minnesota Statutes 2009 Supplement, section 253B.14, is amended to read:

**253B.14 TRANSFER OF COMMITTED PERSONS.**

The commissioner may transfer any committed person, other than a person committed as mentally ill and dangerous to the public, or as a sexually dangerous person or as a sexual psychopathic personality, from one regional treatment center to any other treatment facility under the commissioner's jurisdiction which is capable of providing proper care and treatment. When a committed person is transferred from one treatment facility to another, written notice shall be given to the committing court, the county attorney, the patient's counsel, and to the person's parent, health care agent, or spouse or, if none is known, to an interested person, and the designated agency.

Sec. 23. Minnesota Statutes 2008, section 253B.15, subdivision 1, is amended to read:

Subdivision 1. **Provisional discharge.** The head of the treatment facility may provisionally discharge any patient without discharging the commitment, unless the patient was found by the committing court to be a person who is mentally ill and dangerous to the public, or a sexually dangerous person or a sexual psychopathic personality.

Each patient released on provisional discharge shall have a written aftercare plan developed which specifies the services and treatment to be provided as part of the aftercare plan, the financial resources available to pay for the services specified, the expected period of provisional discharge, the precise goals for the granting of a final discharge, and conditions or restrictions on the patient during the period of the provisional discharge. The aftercare plan shall be provided to the patient, the patient's attorney, and the designated agency.

The aftercare plan shall be reviewed on a quarterly basis by the patient, designated agency and other appropriate persons. The aftercare plan shall contain the grounds upon which a provisional discharge may be revoked. The provisional discharge shall terminate on the date specified in the plan unless specific action is taken to revoke or extend it.

Sec. 24. Minnesota Statutes 2008, section 253B.18, subdivision 4a, is amended to read:

Subd. 4a. **Release on pass; notification.** A patient who has been committed as a person who is mentally ill and dangerous and who is confined at a secure treatment facility or has been transferred out of a state-operated services facility according to section 253B.18, subdivision 6, shall not be released on a pass unless the pass is part of a pass plan that has been approved by the medical director of the secure treatment facility. The pass plan must have a specific therapeutic purpose consistent with the treatment plan, must be established for a specific period of time, and must have specific levels of liberty delineated. The county case manager must be invited to participate in the development of the pass plan. At least ten days prior to a determination on the plan, the medical director shall notify the designated agency, the committing court, the county attorney of the county of commitment, an interested person, the local law enforcement agency where the facility is located, the county attorney and the local law enforcement agency in the location where the pass is to occur, the petitioner, and the petitioner's counsel of the plan, the nature of the passes proposed, and their right to object to the plan. If any notified person objects prior to the proposed date of implementation, the person shall have an opportunity to appear, personally or in writing, before the medical director, within ten days of the objection, to present grounds for opposing the plan. The pass plan shall not be implemented until the objecting person has been furnished that opportunity. Nothing in this subdivision shall be construed to give a patient an affirmative right to a pass plan.

Sec. 25. Minnesota Statutes 2008, section 253B.18, subdivision 5a, is amended to read:

Subd. 5a. **Victim notification of petition and release; right to submit statement.** (a) As used in this subdivision:

(1) "crime" has the meaning given to "violent crime" in section 609.1095, and includes criminal sexual conduct in the fifth degree and offenses within the definition of "crime against the person" in section 253B.02, subdivision 4a, and also includes offenses listed in section 253B.02, subdivision 7a, paragraph (b), regardless of whether they are sexually motivated;

(2) "victim" means a person who has incurred loss or harm as a result of a crime the behavior for which forms the basis for a commitment under this section or section 253B.185; and

(3) "convicted" and "conviction" have the meanings given in section 609.02, subdivision 5, and also include juvenile court adjudications, findings under Minnesota Rules of Criminal Procedure, rule 20.02, that the elements of a crime have been proved, and findings in commitment cases under this section or section 253B.185 that an act or acts constituting a crime occurred.

(b) A county attorney who files a petition to commit a person under this section or section 253B.185 shall make a reasonable effort to provide prompt notice of filing the petition to any victim of a crime for which the person was convicted. In addition, the county attorney shall make a reasonable effort to promptly notify the victim of the resolution of the petition.

(c) Before provisionally discharging, discharging, granting pass-eligible status, approving a pass plan, or otherwise permanently or temporarily releasing a person committed under this section ~~or section 253B.185~~ from a treatment facility, the head of the treatment facility shall make a reasonable effort to notify any victim of a crime for which the person was convicted that the person may be discharged or released and that the victim has a right to submit a written statement regarding decisions of the medical director, special review board, or commissioner with respect to the person. To the extent possible, the notice must be provided at least 14 days before any special review board hearing or before a determination on a pass plan. Notwithstanding section 611A.06, subdivision 4, the commissioner shall provide the judicial appeal panel with victim information in order to comply with the provisions of this section. The judicial appeal panel shall ensure that the data on victims remains private as provided for in section 611A.06, subdivision 4.

(d) This subdivision applies only to victims who have requested notification by contacting, in writing, the county attorney in the county where the conviction for the crime occurred. A county attorney who receives a request for notification under this paragraph shall promptly forward the request to the commissioner of human services.

(e) The rights under this subdivision are in addition to rights available to a victim under chapter 611A. This provision does not give a victim all the rights of a "notified person" or a person "entitled to statutory notice" under subdivision 4a, 4b, or 5 or section 253B.185, subdivision 10.

Sec. 26. Minnesota Statutes 2008, section 253B.185, is amended to read:

**253B.185 SEXUAL PSYCHOPATHIC PERSONALITY; SEXUALLY DANGEROUS.**

Subdivision 1. **Commitment generally.** (a) Except as otherwise provided in this section, the provisions of this chapter pertaining to persons who are mentally ill and dangerous to the public apply with like force and effect to persons who are alleged or found to be sexually dangerous persons or persons with a sexual psychopathic personality. For purposes of this section, "sexual psychopathic personality" includes any individual committed as a "psychopathic personality" under Minnesota Statutes 1992, section 526.10.

(b) Before commitment proceedings are instituted, the facts shall first be submitted to the county attorney, who, if satisfied that good cause exists, will prepare the petition. The county attorney may request a prepetition screening report. The petition is to be executed by a person having knowledge of the facts and filed with the committing court of the county in which the patient has a settlement or is present. If the patient is in the custody of the commissioner of corrections, the petition may be filed in the county where the conviction for which the person is incarcerated was entered.

(c) Upon the filing of a petition alleging that a proposed patient is a sexually dangerous person or is a person with a sexual psychopathic personality, the court shall hear the petition as provided in section 253B.18.

(d) In commitments under this section, the court shall commit the patient to a secure treatment facility unless the patient establishes by clear and convincing evidence that a less restrictive treatment program is available that is consistent with the patient's treatment needs and the requirements of public safety.

(e) After a determination that a patient is a sexually dangerous person or sexual psychopathic personality, the court shall order commitment for an indeterminate period of time and the patient shall be transferred, provisionally discharged, or discharged, only as provided in this section.

Subd. 1a. **Temporary confinement.** During any hearing held under this section, or pending emergency revocation of a provisional discharge, the court may order the patient or proposed patient temporarily confined in a jail or lockup but only if:

- (1) there is no other feasible place of confinement for the patient within a reasonable distance;
- (2) the confinement is for less than 24 hours or, if during a hearing, less than 24 hours prior to commencement and after conclusion of the hearing; and
- (3) there are protections in place, including segregation of the patient, to ensure the safety of the patient.

Subd. 1b. **County attorney access to data.** Notwithstanding sections 144.291 to 144.298; 245.467, subdivision 6; 245.4876, subdivision 7; 260B.171; 260B.235, subdivision 8; 260C.171; and 609.749, subdivision 6, or any provision of chapter 13 or other state law, prior to filing a petition for commitment as a sexual psychopathic personality or as a sexually dangerous person, and upon notice to the proposed patient, the county attorney or the county attorney's designee may move the court for an order granting access to any records or data, to the extent it relates to the proposed patient, for the purpose of determining whether good cause exists to file a petition and, if a petition is filed, to support the allegations set forth in the petition.

The court may grant the motion if: (1) the Department of Corrections refers the case for commitment as a sexual psychopathic personality or a sexually dangerous person; or (2) upon a showing that the requested category of data or records may be relevant to the determination by the county attorney or designee. The court shall decide a motion under this subdivision within 48 hours after a hearing on the motion. Notice to the proposed patient need not be given upon a showing that such notice may result in harm or harassment of interested persons or potential witnesses.

Notwithstanding any provision of chapter 13 or other state law, a county attorney considering the civil commitment of a person under this section may obtain records and data from the Department of Corrections or any probation or parole agency in this state upon request, without a court order, for the purpose of determining whether good cause exists to file a petition and, if a petition is filed, to support the allegations set forth in the petition. At the time of the request for the records, the county attorney shall provide notice of the request to the person who is the subject of the records.

Data collected pursuant to this subdivision shall retain their original status and, if not public, are inadmissible in any court proceeding unrelated to civil commitment, unless otherwise permitted.

Subd. 2. **Transfer to correctional facility.** (a) If a person has been committed under this section and later is committed to the custody of the commissioner of corrections for any reason, including but not limited to, being sentenced for a crime or revocation of the person's supervised release or conditional release under section 244.05; 609.3455, subdivision 6, 7, or 8; Minnesota Statutes 2004, section 609.108, subdivision 6; or Minnesota Statutes 2004, section 609.109, subdivision 7, the person shall be transferred to a facility designated by the commissioner of corrections without regard to the procedures provided in ~~section 253B.18~~ subdivision 11.

(b) If a person is committed under this section after a commitment to the commissioner of corrections, the person shall first serve the sentence in a facility designated by the commissioner of corrections. After the person has served the sentence, the person shall be transferred to a treatment program designated by the commissioner of human services.

Subd. 3. **Not to constitute defense.** The existence in any person of a condition of a sexual psychopathic personality or the fact that a person is a sexually dangerous person shall not in any case constitute a defense to a charge of crime, nor relieve such person from liability to be tried upon a criminal charge.

Subd. 4. **Statewide judicial panel; commitment proceedings.** (a) The Supreme Court may establish a panel of district judges with statewide authority to preside over commitment proceedings of sexual psychopathic personalities and sexually dangerous persons. Only one judge of the panel is required to preside over a particular commitment proceeding. Panel members shall serve for one-year terms. One of the judges shall be designated as the chief judge of the panel, and is vested with the power to designate the presiding judge in a particular case, to set the proper venue for the proceedings, and to otherwise supervise and direct the operation of the panel. The chief judge shall designate one of the other judges to act as chief judge whenever the chief judge is unable to act.

(b) If the Supreme Court creates the judicial panel authorized by this section, all petitions for civil commitment brought under subdivision 1 shall be filed with the supreme court instead of with the district court in the county where the proposed patient is present, notwithstanding any provision of subdivision 1 to the contrary. Otherwise, all of the other applicable procedures contained in this chapter apply to commitment proceedings conducted by a judge on the panel.

Subd. 5. **Financial responsibility.** (a) For purposes of this subdivision, "state facility" has the meaning given in section 246.50 and also includes a Department of Corrections facility when the proposed patient is confined in such a facility pursuant to section 253B.045, subdivision 1a.

(b) Notwithstanding sections 246.54, 253B.045, and any other law to the contrary, when a petition is filed for commitment under this section pursuant to the notice required in section 244.05, subdivision 7, the state and county are each responsible for 50 percent of the cost of the person's confinement at a state facility or county jail, prior to commitment.

(c) The county shall submit an invoice to the state court administrator for reimbursement of the state's share of the cost of confinement.

(d) Notwithstanding paragraph (b), the state's responsibility for reimbursement is limited to the amount appropriated for this purpose.

~~Subd. 6. **Aftercare and case management.** The state, in collaboration with the designated agency, is responsible for arranging and funding the aftercare and case management services for persons under commitment as sexual psychopathic personalities and sexually dangerous persons discharged after July 1, 1999.~~

Subd. 7. **Rights of patients committed under this section.** (a) The commissioner or the commissioner's designee may limit the statutory rights described in paragraph (b) for patients committed to the Minnesota sex offender program under this section or with the commissioner's consent under section 246B.02. The statutory rights described in paragraph (b) may be limited only as necessary to maintain a therapeutic environment or the security of the facility or to protect the safety and well-being of patients, staff, and the public.

(b) The statutory rights that may be limited in accordance with paragraph (a) are those set forth in section 144.651, subdivision 19, personal privacy; section 144.651, subdivision 21, private communications; section 144.651, subdivision 22, retain and use of personal property; section 144.651, subdivision 25, manage personal



financial affairs; section 144.651, subdivision 26, meet with visitors and participate in groups; section 253B.03, subdivision 2, correspond with others; and section 253B.03, subdivision 3, receive visitors and make telephone calls. Other statutory rights enumerated by sections 144.651 and 253B.03, or any other law, may be limited as provided in those sections.

Subd. 8. **Petition and report required.** (a) Within 120 days of receipt of a preliminary determination from a court under section 609.1351, or a referral from the commissioner of corrections pursuant to section 244.05, subdivision 7, a county attorney shall determine whether good cause under this section exists to file a petition, and if good cause exists, the county attorney or designee shall file the petition with the court.

(b) Failure to meet the requirements of paragraph (a) does not bar filing a petition under subdivision 1 any time the county attorney determines pursuant to subdivision 1 that good cause for such a petition exists.

~~(c) By February 1 of each year, the commissioner of human services shall annually report to the respective chairs of the divisions or committees of the senate and house of representatives that oversee human services finance regarding compliance with this subdivision.~~

Subd. 9. **Petition for reduction in custody.** (a) This subdivision applies only to committed persons as defined in paragraph (b). The procedures in ~~section 253B.18, subdivision 5a, subdivision 10~~ for victim notification and right to submit a statement ~~under section 253B.18~~ apply to petitions filed and reductions in custody recommended under this subdivision.

(b) As used in this subdivision:

(1) "committed person" means an individual committed under this section, or under this section and under section 253B.18, as mentally ill and dangerous. It does not include persons committed only as mentally ill and dangerous under section 253B.18; and

(2) "reduction in custody" means transfer out of a secure treatment facility, a provisional discharge, or a discharge from commitment. A reduction in custody is considered to be a commitment proceeding under section 8.01.

(c) A petition for a reduction in custody or an appeal of a revocation of provisional discharge may be filed by either the committed person or by the head of the treatment facility and must be filed with and considered by a panel of the special review board authorized under section 253B.18, subdivision 4c. A committed person may not petition the special review board any sooner than six months following either:

(1) the entry of judgment in the district court of the order for commitment issued under section 253B.18, subdivision 3, or upon the exhaustion of all related appeal rights in state court relating to that order, whichever is later; or

(2) any recommendation of the special review board or order of the judicial appeal panel, or upon the exhaustion of all appeal rights in state court, whichever is later. ~~The medical director~~ head of the treatment facility may petition at any time. The special review board proceedings are not contested cases as defined in chapter 14.

(d) The special review board shall hold a hearing on each petition before issuing a recommendation under paragraph (f). Fourteen days before the hearing, the committing court, the county attorney of the county of commitment, the designated agency, an interested person, the petitioner and the petitioner's counsel, and the committed person and the committed person's counsel must be given written notice by the commissioner of the time and place of the hearing before the special review board. Only those entitled to statutory notice of the hearing or those administratively required to attend may be present at the hearing. The patient may designate interested persons to receive notice by providing the names and addresses to the commissioner at least 21 days before the hearing.

(e) A person or agency receiving notice that submits documentary evidence to the special review board before the hearing must also provide copies to the committed person, the committed person's counsel, the county attorney of the county of commitment, the case manager, and the commissioner. The special review board must consider any statements received from victims under section 253B.18, subdivision 5a subdivision 10.

(f) Within 30 days of the hearing, the special review board shall issue written findings of fact and shall recommend denial or approval of the petition to the judicial appeal panel established under section 253B.19. The commissioner shall forward the recommendation of the special review board to the judicial appeal panel and to every person entitled to statutory notice. No reduction in custody or reversal of a revocation of provisional discharge recommended by the special review board is effective until it has been reviewed by the judicial appeal panel and until 15 days after an order from the judicial appeal panel affirming, modifying, or denying the recommendation.

Subd. 10. **Victim notification of petition and release; right to submit statement.** (a) As used in this subdivision:

(1) "crime" has the meaning given to "violent crime" in section 609.1095, and includes criminal sexual conduct in the fifth degree and offenses within the definition of "crime against the person" in section 253B.02, subdivision 4a, and also includes offenses listed in section 253B.02, subdivision 7a, paragraph (b), regardless of whether they are sexually motivated;

(2) "victim" means a person who has incurred loss or harm as a result of a crime, the behavior for which forms the basis for a commitment under this section or section 253B.18; and

(3) "convicted" and "conviction" have the meanings given in section 609.02, subdivision 5, and also include juvenile court adjudications, findings under Minnesota Rules of Criminal Procedure, rule 20.02, that the elements of a crime have been proved, and findings in commitment cases under this section or section 253B.18, that an act or acts constituting a crime occurred.

(b) A county attorney who files a petition to commit a person under this section shall make a reasonable effort to provide prompt notice of filing the petition to any victim of a crime for which the person was convicted. In addition, the county attorney shall make a reasonable effort to promptly notify the victim of the resolution of the petition.

(c) Before provisionally discharging, discharging, granting pass-eligible status, approving a pass plan, or otherwise permanently or temporarily releasing a person committed under this section from a treatment facility, the head of the treatment facility shall make a reasonable effort to notify any victim of a crime for which the person was convicted that the person may be discharged or released and that the victim has a right to submit a written statement regarding decisions of the head of the treatment facility or designee, or special review board, with respect to the person. To the extent possible, the notice must be provided at least 14 days before any special review board hearing or before a determination on a pass plan. Notwithstanding section 611A.06, subdivision 4, the commissioner shall provide the judicial appeal panel with victim information in order to comply with the provisions of this section. The judicial appeal panel shall ensure that the data on victims remains private as provided for in section 611A.06, subdivision 4.

(d) This subdivision applies only to victims who have requested notification by contacting, in writing, the county attorney in the county where the conviction for the crime occurred or where the civil commitment was filed or, following commitment, the head of the treatment facility. A county attorney who receives a request for notification under this paragraph shall promptly forward the request to the commissioner of human services.

(e) Rights under this subdivision are in addition to rights available to a victim under chapter 611A. This provision does not give a victim all the rights of a "notified person" or a person "entitled to statutory notice" under subdivision 12 or 13 or section 253B.18, subdivision 4a, 4b, or 5.

Subd. 11. **Transfer.** (a) A patient who is committed as a sexually dangerous person or sexual psychopathic personality shall not be transferred out of a secure treatment facility unless it appears to the satisfaction of the judicial appeal panel, after a hearing and recommendation by a majority of the special review board, that the transfer is appropriate. Transfer may be to other treatment programs under the commissioner's control.

(b) The following factors must be considered in determining whether a transfer is appropriate:

(1) the person's clinical progress and present treatment needs;

(2) the need for security to accomplish continuing treatment;

(3) the need for continued institutionalization;

(4) which facility can best meet the person's needs; and

(5) whether transfer can be accomplished with a reasonable degree of safety for the public.

Subd. 12. **Provisional discharge.** A patient who is committed as a sexual psychopathic personality or sexually dangerous person shall not be provisionally discharged unless it appears to the satisfaction of the judicial appeal panel, after a hearing and a recommendation by a majority of the special review board, that the patient is capable of making an acceptable adjustment to open society.

The following factors are to be considered in determining whether a provisional discharge shall be recommended:

(1) whether the patient's course of treatment and present mental status indicate there is no longer a need for treatment and supervision in the patient's current treatment setting; and

(2) whether the conditions of the provisional discharge plan will provide a reasonable degree of protection to the public and will enable the patient to adjust successfully to the community.

Subd. 13. **Provisional discharge plan.** A provisional discharge plan shall be developed, implemented, and monitored by the head of the treatment facility or designee in conjunction with the patient and other appropriate persons. The head of the treatment facility or designee shall, at least quarterly, review the plan with the patient and submit a written report to the designated agency concerning the patient's status and compliance with each term of the plan.

Subd. 14. **Provisional discharge; review.** A provisional discharge pursuant to this section shall not automatically terminate. A full discharge shall occur only as provided in subdivision 18. The commissioner shall notify the patient that the terms of a provisional discharge continue unless the patient requests and is granted a change in the conditions of provisional discharge or unless the patient petitions the special review board for a full discharge and the discharge is granted by the judicial appeal panel.

Subd. 15. **Provisional discharge; revocation.** (a) The head of the treatment facility may revoke a provisional discharge if either of the following grounds exist:

(1) the patient has departed from the conditions of the provisional discharge plan; or

(2) the patient is exhibiting behavior which may be dangerous to self or others.

(b) The head of the treatment facility may revoke the provisional discharge and, either orally or in writing, order that the patient be immediately returned to the treatment facility. A report documenting reasons for revocation shall be issued by the head of the treatment facility within seven days after the patient is returned to the treatment facility. Advance notice to the patient of the revocation is not required.

(c) The patient must be provided a copy of the revocation report and informed, orally and in writing, of the rights of a patient under this section. The revocation report shall be served upon the patient, the patient's counsel, and the designated agency. The report shall outline the specific reasons for the revocation, including but not limited to the specific facts upon which the revocation recommendation is based.

(d) An individual who is revoked from provisional discharge must successfully re-petition the special review board and judicial appeal panel prior to being placed back on provisional discharge.

Subd. 16. **Return of absent patient.** If the patient is absent without authorization, the head of the treatment facility or designee may request a peace officer to return the patient to the treatment facility. The head of the treatment facility shall inform the committing court of the revocation or absence, and the court shall direct a peace officer in the county where the patient is located to return the patient to the treatment facility or to another treatment facility. The expense of returning the patient to a treatment facility shall be paid by the commissioner unless paid by the patient or other persons on the patient's behalf.

Subd. 17. **Appeal.** Any patient aggrieved by a revocation decision or any interested person may petition the special review board within seven days, exclusive of Saturdays, Sundays, and legal holidays, after receipt of the revocation report for a review of the revocation. The matter shall be scheduled within 30 days. The special review board shall review the circumstances leading to the revocation and shall recommend to the judicial appeal panel whether or not the revocation shall be upheld. The special review board may also recommend a new provisional discharge at the time of the revocation hearing.

Subd. 18. **Discharge.** A patient who is committed as a sexual psychopathic personality or sexually dangerous person shall not be discharged unless it appears to the satisfaction of the judicial appeal panel, after a hearing and recommendation by a majority of the special review board, that the patient is capable of making an acceptable adjustment to open society, is no longer dangerous to the public, and is no longer in need of inpatient treatment and supervision.

In determining whether a discharge shall be recommended, the special review board and judicial appeal panel shall consider whether specific conditions exist to provide a reasonable degree of protection to the public and to assist the patient in adjusting to the community. If the desired conditions do not exist, the discharge shall not be granted.

Subd. 19. **Aftercare services.** The Minnesota sex offender program shall provide the supervision, aftercare, and case management services for a person under commitment as sexual psychopathic personalities and sexually dangerous persons discharged after July 1, 1999. The designated agency shall assist with client eligibility for public welfare benefits and will provide those services that are currently available exclusively through county government.

Prior to the date of discharge or provisional discharge of any patient committed as a sexual psychopathic personality or sexually dangerous person, the head of the treatment facility or designee shall establish a continuing plan of aftercare services for the patient, including a plan for medical and behavioral health services, financial sustainability, housing, social supports, or other assistance the patient needs. The Minnesota sex offender program shall provide case management services and shall assist the patient in finding employment, suitable shelter, and adequate medical and behavioral health services and otherwise assist in the patient's readjustment to the community.

Sec. 27. Minnesota Statutes 2008, section 253B.19, subdivision 2, is amended to read:

Subd. 2. **Petition; hearing.** (a) A person committed as mentally ill and dangerous to the public under section 253B.18, or the county attorney of the county from which the person was committed or the county of financial responsibility, may petition the judicial appeal panel for a rehearing and reconsideration of a decision by the commissioner under section 253B.18, subdivision 5. The judicial appeal panel must not consider petitions for relief other than those considered by the commissioner from which the appeal is taken. The petition must be filed with the Supreme Court within 30 days after the decision of the commissioner is signed. The hearing must be held within 45 days of the filing of the petition unless an extension is granted for good cause.

(b) A person committed as a sexual psychopathic personality or as a sexually dangerous person under section 253B.185, or committed as both mentally ill and dangerous to the public under section 253B.18 and as a sexual psychopathic personality or as a sexually dangerous person under section 253B.185; the county attorney of the county from which the person was committed or the county of financial responsibility; or the commissioner may petition the judicial appeal panel for a rehearing and reconsideration of a decision of the special review board under section 253B.185, subdivision 9. The petition must be filed with the Supreme Court within 30 days after the decision is mailed by the commissioner as required in section 253B.185, subdivision 9, paragraph (f). The hearing must be held within 180 days of the filing of the petition unless an extension is granted for good cause. If no party petitions the judicial appeal panel for a rehearing or reconsideration within 30 days, the judicial appeal panel shall either issue an order adopting the recommendations of the special review board or set the matter on for a hearing pursuant to this paragraph.

(c) For an appeal under paragraph (a) or (b), the Supreme Court shall refer the petition to the chief judge of the judicial appeal panel. The chief judge shall notify the patient, the county attorney of the county of commitment, the designated agency, the commissioner, the head of the treatment facility, any interested person, and other persons the chief judge designates, of the time and place of the hearing on the petition. The notice shall be given at least 14 days prior to the date of the hearing.

(d) Any person may oppose the petition. The patient, the patient's counsel, the county attorney of the committing county or the county of financial responsibility, and the commissioner shall participate as parties to the proceeding pending before the judicial appeal panel, except when the patient is committed solely as mentally ill and dangerous, and shall, no later than 20 days before the hearing on the petition, inform the judicial appeal panel and the opposing party in writing whether they support or oppose the petition and provide a summary of facts in support of their position. The judicial appeal panel may appoint examiners and may adjourn the hearing from time to time. It shall hear and receive all relevant testimony and evidence and make a record of all proceedings. The patient, the patient's counsel, and the county attorney of the committing county or the county of financial responsibility have the right to be present and may present and cross-examine all witnesses and offer a factual and legal basis in support of their positions. The petitioning party seeking discharge or provisional discharge bears the burden of going forward with the evidence, which means presenting a prima facie case with competent evidence to show that the person is entitled to the requested relief. If the petitioning party has met this burden, the party opposing discharge or provisional discharge bears the burden of proof by clear and convincing evidence that the ~~respondent is in need of commitment~~ discharge or provisional discharge should be denied. A party seeking transfer under section 253B.18, subdivision 6, or 253B.185, subdivision 11, must establish by a preponderance of the evidence that the transfer is appropriate."

Delete the title and insert:

"A bill for an act relating to human services; modifying provisions relating to civilly committed sex offenders, sexually dangerous persons, and sexual psychopathic personalities; amending provisions relating to judicial holds in commitment cases; amending Minnesota Statutes 2008, sections 253B.05, subdivision 1; 253B.07, subdivision 2b; 253B.10, subdivision 5; 253B.15, subdivision 1; 253B.18, subdivisions 4a, 5a; 253B.185; 253B.19, subdivision 2;

Minnesota Statutes 2009 Supplement, sections 246B.01, subdivisions 1a, 1b, 2a, 2d; 246B.02; 246B.03, subdivisions 2, 3; 246B.04, subdivision 3; 246B.05, subdivision 1; 246B.06, subdivisions 1, 6, 7, 8; 246B.07, subdivisions 1, 2; 246B.08; 246B.09; 246B.10; 253B.14."

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

Senate Conferees: TONY LOUREY, LINDA BERGLIN and STEVE DILLE.

House Conferees: TERRY MORROW, MICHAEL PAYMAR and TIM KELLY.

Morrow moved that the report of the Conference Committee on S. F. No. 2713 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 2713, A bill for an act relating to human services; amending provisions relating to judicial holds in commitment cases; amending Minnesota Statutes 2008, section 253B.07, subdivision 2b.

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 115 yeas and 18 nays as follows:

Those who voted in the affirmative were:

Abeler	Doepke	Hornstein	Lieder	Norton	Smith
Anderson, P.	Doty	Hortman	Lillie	Obermueller	Solberg
Anderson, S.	Downey	Hosch	Loeffler	Olin	Sterner
Anzelc	Drazkowski	Howes	Loon	Otremba	Swails
Atkins	Eken	Huntley	Mack	Paymar	Thao
Beard	Falk	Jackson	Mahoney	Pelowski	Thissen
Benson	Faust	Johnson	Mariani	Persell	Tillberry
Bigham	Fritz	Juhnke	Marquart	Peterson	Torkelson
Bly	Gardner	Kahn	Masin	Poppe	Urdahl
Brown	Greiling	Kalin	McFarlane	Reinert	Wagenius
Brynaert	Gunther	Kath	McNamara	Rosenthal	Ward
Bunn	Hamilton	Kelly	Morgan	Rukavina	Welti
Carlson	Hansen	Knuth	Morrow	Ruud	Westrom
Champion	Hausman	Koenen	Mullery	Sailer	Winkler
Clark	Haws	Kohls	Murdock	Scalze	Spk. Kelliher
Cornish	Hayden	Laine	Murphy, E.	Scott	
Davnie	Hilstrom	Lanning	Murphy, M.	Sertich	
Demmer	Hilty	Lenczewski	Nelson	Simon	
Dill	Holberg	Lesch	Newton	Slawik	
Dittrich	Hoppe	Liebling	Nornes	Slocum	

Those who voted in the negative were:

Anderson, B.	Davids	Eastlund	Gottwalt	Peppin	Severson
Brod	Dean	Emmer	Hackbarth	Sanders	Shimanski
Buesgens	Dettmer	Garofalo	Kiffmeyer	Seifert	Zellers

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

Madam Speaker:

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

S. F. No. 2855.

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.

COLLEEN J. PACHECO, First Assistant Secretary of the Senate

#### CONFERENCE COMMITTEE REPORT ON S. F. NO. 2855

A bill for an act relating to human services; making changes to children and family services technical and policy provisions; Minnesota family investment program and adult supports; early childhood development; child welfare; amending Minnesota Statutes 2008, sections 119B.189, by adding subdivisions; 119B.19, subdivision 7; 119B.21, as amended; 245A.04, subdivision 11; 256.01, by adding a subdivision; 256.046, subdivision 1; 256.82, subdivision 3; 256.98, subdivision 8; 256J.24, subdivisions 3, 5a, 10; 256J.37, subdivision 3a; 256J.425, subdivision 5; 260C.007, subdivision 4; 260C.193, subdivision 6; 260C.201, subdivision 10; 260C.451; 626.556, subdivision 10; Minnesota Statutes 2009 Supplement, sections 256D.44, subdivision 3; 256J.24, subdivision 5; 256J.425, subdivision 2; 256J.521, subdivision 2; 256J.561, subdivision 3; 256J.66, subdivision 1; 256J.95, subdivisions 3, 11; 260.012; 260C.212, subdivision 7; repealing Minnesota Statutes 2008, section 256.82, subdivision 5; Minnesota Rules, part 9560.0660.

April 19, 2010

The Honorable James P. Metzen  
President of the Senate

The Honorable Margaret Anderson Kelliher  
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 2855 report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S. F. No. 2855 be further amended as follows:

Page 10, line 34, reinstate the stricken "meet" and delete "be referred to" and insert "with an"

Page 11, line 1, after "services" insert "job counselor"

Page 13, line 6, strike "within ten working days after" and insert "in the month after the month"

Page 13, line 10, reinstate the stricken "must be tailored to recognize"

Page 13, line 11, reinstate the stricken "the caregiving needs of the parent"

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

Senate Conferees: PATRICIA TORRES RAY, JULIE ROSEN and SHARON ERICKSON ROPES.

House Conferees: JEFF HAYDEN, PAUL ROSENTHAL and TIM KELLY.

Hayden moved that the report of the Conference Committee on S. F. No. 2855 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 2855, A bill for an act relating to human services; making changes to children and family services technical and policy provisions; Minnesota family investment program and adult supports; early childhood development; child welfare; amending Minnesota Statutes 2008, sections 119B.189, by adding subdivisions; 119B.19, subdivision 7; 119B.21, as amended; 245A.04, subdivision 11; 256.01, by adding a subdivision; 256.046, subdivision 1; 256.82, subdivision 3; 256.98, subdivision 8; 256J.24, subdivisions 3, 5a, 10; 256J.37, subdivision 3a; 256J.425, subdivision 5; 260C.007, subdivision 4; 260C.193, subdivision 6; 260C.201, subdivision 10; 260C.451; 626.556, subdivision 10; Minnesota Statutes 2009 Supplement, sections 256D.44, subdivision 3; 256J.24, subdivision 5; 256J.425, subdivision 2; 256J.521, subdivision 2; 256J.561, subdivision 3; 256J.66, subdivision 1; 256J.95, subdivisions 3, 11; 260.012; 260C.212, subdivision 7; repealing Minnesota Statutes 2008, section 256.82, subdivision 5; Minnesota Rules, part 9560.0660.

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 1 nay as follows:

Those who voted in the affirmative were:

Abeler	Dill	Hilstrom	Lesch	Obermueller	Slocum
Anderson, B.	Dittrich	Hilty	Liebling	Olin	Smith
Anderson, P.	Doepke	Holberg	Lieder	Otremba	Solberg
Anderson, S.	Doty	Hoppe	Lillie	Paymar	Sterner
Anzelc	Downey	Hornstein	Loeffler	Pelowski	Swails
Atkins	Draskowski	Hortman	Loon	Peppin	Thao
Beard	Eastlund	Hosch	Mack	Persell	Thissen
Benson	Eken	Howes	Mahoney	Peterson	Tillberry
Bigham	Emmer	Huntley	Mariani	Poppe	Torkelson
Bly	Falk	Jackson	Marquart	Reinert	Urdahl
Brod	Faust	Johnson	Masin	Rosenthal	Wagenius
Brown	Fritz	Juhnke	McFarlane	Rukavina	Ward
Brynaert	Gardner	Kahn	McNamara	Ruud	Welti
Bunn	Garofalo	Kalin	Morgan	Sailer	Westrom
Carlson	Gottwalt	Kath	Morrow	Sanders	Winkler
Champion	Greiling	Kelly	Mullery	Scalze	Zellers
Clark	Gunther	Kiffmeyer	Murdock	Scott	Spk. Kelliher
Cornish	Hackbarth	Knuth	Murphy, E.	Seifert	
Davids	Hamilton	Koenen	Murphy, M.	Sertich	
Davnie	Hansen	Kohls	Nelson	Severson	
Dean	Hausman	Laine	Newton	Shimanski	
Demmer	Haws	Lanning	Nornes	Simon	
Dettmer	Hayden	Lenczewski	Norton	Slawik	

Those who voted in the negative were:

Buesgens

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



Madam Speaker:

I hereby announce that the Senate refuses to concur in the House amendments to the following Senate File:

S. F. No. 184, A bill for an act relating to higher education; authorizing data matching; modifying institution eligibility; establishing award procedures; establishing scholarship priorities; establishing powers and duties; modifying security requirements; regulating the use of certain revenues; providing for refunds; defining terms; making technical corrections; amending Minnesota Statutes 2008, sections 136A.101, subdivision 10; 136A.126, subdivision 1, by adding a subdivision; 136A.127, subdivision 6, by adding subdivisions; 136A.15, subdivision 6; 136A.16, subdivision 14; 136A.62, subdivision 3; 136A.645; 136A.646; 136A.65, by adding a subdivision; 136F.581, by adding a subdivision; 141.25, subdivisions 7, 13, by adding a subdivision; 141.251, subdivision 2; 141.28, subdivision 2; Minnesota Statutes 2009 Supplement, sections 136A.01, subdivision 2; 136A.101, subdivision 4; 136A.127, subdivisions 2, 4; 299A.45, subdivision 1; 340A.404, subdivision 4a; Laws 2009, chapter 95, article 2, section 40; Laws 2010, chapter 215, article 2, sections 4, subdivision 3; 6; proposing coding for new law in Minnesota Statutes, chapters 136A; 137.

The Senate respectfully requests that a Conference Committee be appointed thereon. The Senate has appointed as such committee:

Senators Pappas, Robling and Latz.

Said Senate File is herewith transmitted to the House with the request that the House appoint a like committee.

COLLEEN J. PACHECO, First Assistant Secretary of the Senate

Rukavina moved that the House accede to the request of the Senate and that the Speaker appoint a Conference Committee of 3 members of the House to meet with a like committee appointed by the Senate on the disagreeing votes of the two houses on S. F. No. 184. The motion prevailed.

The following Conference Committee Report was received:

#### CONFERENCE COMMITTEE REPORT ON H. F. NO. 653

A bill for an act relating to elections; changing certain municipal precinct and ward boundary procedures and requirements; amending Minnesota Statutes 2008, sections 204B.135, subdivisions 1, 3; 204B.14, subdivisions 3, 4; 205.84, subdivisions 1, 2.

April 27, 2010

The Honorable Margaret Anderson Kelliher  
Speaker of the House of Representatives

The Honorable James P. Metzen  
President of the Senate

We, the undersigned conferees for H. F. No. 653 report that we have agreed upon the items in dispute and recommend as follows:

That the House concur in the Senate amendment and that H. F. No. 653 be further amended as follows:

Page 3, line 10, strike "May" and insert "June"

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

House Conferees: PHYLLIS KAHN, RYAN WINKLER and MARY LIZ HOLBERG.

Senate Conferees: SANDRA PAPPAS, KATIE SIEBEN and CHRIS GERLACH.

Kahn moved that the report of the Conference Committee on H. F. No. 653 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 653, A bill for an act relating to elections; changing certain municipal precinct and ward boundary procedures and requirements; amending Minnesota Statutes 2008, sections 204B.135, subdivisions 1, 3; 204B.14, subdivisions 3, 4; 205.84, subdivisions 1, 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 118 yeas and 15 nays as follows:

Those who voted in the affirmative were:

Abeler	Doepke	Hornstein	Liebling	Nornes	Simon
Anderson, P.	Doty	Hortman	Lieder	Norton	Slawik
Anzelc	Downey	Hosch	Lillie	Obermueller	Slocum
Atkins	Eken	Howes	Loeffler	Olin	Smith
Beard	Falk	Huntley	Loon	Otremba	Solberg
Benson	Faust	Jackson	Mack	Paymar	Sterner
Bigham	Fritz	Johnson	Mahoney	Pelowski	Swails
Bly	Gardner	Juhnke	Mariani	Peppin	Thao
Brown	Greiling	Kahn	Marquart	Persell	Thissen
Brynaert	Gunther	Kalin	Masin	Peterson	Tillberry
Buesgens	Hackbarth	Kath	McFarlane	Poppe	Urdahl
Bunn	Hamilton	Kelly	McNamara	Reinert	Wagenius
Carlson	Hansen	Kiffmeyer	Morgan	Rosenthal	Ward
Champion	Hausman	Knuth	Morrow	Rukavina	Welti
Clark	Haws	Koenen	Mullery	Ruud	Westrom
Davnie	Hayden	Kohls	Murdock	Sailer	Winkler
Dean	Hilstrom	Laine	Murphy, E.	Sanders	Zellers
Demmer	Hilty	Lanning	Murphy, M.	Scalze	Spk. Kelliher
Dill	Holberg	Lenczewski	Nelson	Scott	
Dittrich	Hoppe	Lesch	Newton	Sertich	

Those who voted in the negative were:

Anderson, B.	Cornish	Drzkowski	Garofalo	Severson
Anderson, S.	Dauids	Eastlund	Gottwalt	Shimanski
Brod	Dettmer	Emmer	Seifert	Torkelson

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

Speaker pro tempore Bigham called Sertich to the Chair.

REPORT FROM THE COMMITTEE ON RULES AND  
LEGISLATIVE ADMINISTRATION

Sertich from the Committee on Rules and Legislative Administration, pursuant to rule 1.21, designated the following bills to be placed on the Supplemental Calendar for the Day for Tuesday, May 4, 2010:

H. F. No. 2614; S. F. Nos. 3027 and 525; H. F. Nos. 2116 and 2037; and S. F. Nos. 2510 and 2974.

**CALENDAR FOR THE DAY**

S. F. No. 3027 was reported to the House.

Huntley moved to amend S. F. No. 3027, the first engrossment, as follows:

Delete everything after the enacting clause and insert the following language of H. F. No. 3237, the third engrossment:

"ARTICLE 1

INDIVIDUALIZED EDUCATION PLAN SERVICES

Section 1. Minnesota Statutes 2009 Supplement, section 256B.0625, subdivision 26, is amended to read:

Subd. 26. **Special education services.** (a) Medical assistance covers medical services identified in a recipient's individualized education plan and covered under the medical assistance state plan. Covered services include occupational therapy, physical therapy, speech-language therapy, clinical psychological services, nursing services, school psychological services, school social work services, personal care assistants serving as management aides, assistive technology devices, transportation services, health assessments, and other services covered under the medical assistance state plan. Mental health services eligible for medical assistance reimbursement must be provided or coordinated through a children's mental health collaborative where a collaborative exists if the child is included in the collaborative operational target population. The provision or coordination of services does not require that the individual education plan be developed by the collaborative.

The services may be provided by a Minnesota school district that is enrolled as a medical assistance provider or its subcontractor, and only if the services meet all the requirements otherwise applicable if the service had been provided by a provider other than a school district, in the following areas: medical necessity, physician's orders, documentation, personnel qualifications, and prior authorization requirements. The nonfederal share of costs for services provided under this subdivision is the responsibility of the local school district as provided in section 125A.74. Services listed in a child's individual education plan are eligible for medical assistance reimbursement only if those services meet criteria for federal financial participation under the Medicaid program.

(b) Approval of health-related services for inclusion in the individual education plan does not require prior authorization for purposes of reimbursement under this chapter. The commissioner may require physician review and approval of the plan not more than once annually or upon any modification of the individual education plan that reflects a change in health-related services.

(c) Services of a speech-language pathologist provided under this section are covered notwithstanding Minnesota Rules, part 9505.0390, subpart 1, item L, if the person:

(1) holds a masters degree in speech-language pathology;

(2) is licensed by the Minnesota Board of Teaching as an educational speech-language pathologist; and

(3) either has a certificate of clinical competence from the American Speech and Hearing Association, has completed the equivalent educational requirements and work experience necessary for the certificate or has completed the academic program and is acquiring supervised work experience to qualify for the certificate.

(d) Medical assistance coverage for medically necessary services provided under other subdivisions in this section may not be denied solely on the basis that the same or similar services are covered under this subdivision.

(e) The commissioner shall develop and implement package rates, bundled rates, or per diem rates for special education services under which separately covered services are grouped together and billed as a unit in order to reduce administrative complexity.

(f) The commissioner shall develop a cost-based payment structure for payment of these services. Only costs reported through the designated Minnesota Department of Education data systems in distinct service categories qualify for inclusion in the cost-based payment structure. The commissioner shall reimburse claims submitted based on an interim rate, and shall settle at a final rate once the department has determined it. The commissioner shall notify the school district of the final rate. The school district has 60 days to appeal the final rate. To appeal the final rate, the school district shall file a written appeal request to the commissioner within 60 days of the date the final rate determination was mailed. The appeal request shall specify (1) the disputed items and (2) the name and address of the person to contact regarding the appeal.

(g) Effective July 1, 2000, medical assistance services provided under an individual education plan or an individual family service plan by local school districts shall not count against medical assistance authorization thresholds for that child.

(h) Nursing services as defined in section 148.171, subdivision 15, and provided as an individual education plan health-related service, are eligible for medical assistance payment if they are otherwise a covered service under the medical assistance program. Medical assistance covers the administration of prescription medications by a licensed nurse who is employed by or under contract with a school district when the administration of medications is identified in the child's individualized education plan. The simple administration of medications alone is not covered under medical assistance when administered by a provider other than a school district or when it is not identified in the child's individualized education plan.

## ARTICLE 2

### STATE HEALTH ACCESS PROGRAM

Section 1. Minnesota Statutes 2008, section 62Q.80, is amended to read:

#### **62Q.80 COMMUNITY-BASED HEALTH CARE COVERAGE PROGRAM.**

Subdivision 1. **Scope.** (a) ~~A~~ Any community-based health care initiative may develop and operate a community-based health care coverage ~~program~~ programs that ~~offers~~ offer to eligible individuals and their dependents the option of purchasing through their employer health care coverage on a fixed prepaid basis without meeting the requirements of chapter 60A, 62A, 62C, 62D, 62M, 62N, 62Q, ~~or 62T, or 62U,~~ or any other law or rule that applies to entities licensed under these chapters.

(b) ~~The~~ Each initiative shall establish health outcomes to be achieved through the ~~program~~ programs and performance measurements in order to determine whether these outcomes have been met. The outcomes must include, but are not limited to:

(1) a reduction in uncompensated care provided by providers participating in the community-based health network;

(2) an increase in the delivery of preventive health care services; and

(3) health improvement for enrollees with chronic health conditions through the management of these conditions.

In establishing performance measurements, the initiative shall use measures that are consistent with measures published by nonprofit Minnesota or national organizations that produce and disseminate health care quality measures.

(c) Any program established under this section shall not constitute a financial liability for the state, in that any financial risk involved in the operation or termination of the program shall be borne by the community-based initiative and the participating health care providers.

Subd. 1a. **Demonstration project.** The commissioner of health ~~and the commissioner of human services~~ shall award a demonstration project ~~grant grants~~ to a community-based health care ~~initiative~~ initiatives to develop and operate a community-based health care coverage ~~program to operate within Carlton, Cook, Lake, and St. Louis Counties programs in Minnesota.~~ The demonstration ~~project~~ projects shall extend for five years and must comply with the requirements of this section.

Subd. 2. **Definitions.** For purposes of this section, the following definitions apply:

(a) "Community-based" means located in or primarily relating to the community ~~of geographically contiguous political subdivisions,~~ as determined by the board of a community-based health initiative that is served by the community-based health care coverage program.

(b) "Community-based health care coverage program" or "program" means a program administered by a community-based health initiative that provides health care services through provider members of a community-based health network or combination of networks to eligible individuals and their dependents who are enrolled in the program.

(c) "Community-based health initiative" or "initiative" means a nonprofit corporation that is governed by a board that has at least 80 percent of its members residing in the community and includes representatives of the participating network providers and employers, or a county-based purchasing organization as defined in section 256B.692.

(d) "Community-based health network" means a contract-based network of health care providers organized by the community-based health initiative to provide or support the delivery of health care services to enrollees of the community-based health care coverage program on a risk-sharing or nonrisk-sharing basis.

(e) "Dependent" means an eligible employee's spouse or unmarried child who is under the age of 19 years.

Subd. 3. **Approval.** (a) Prior to the operation of a community-based health care coverage program, a community-based health initiative, defined in subdivision 2, paragraph (c), and receiving funds from the Department of Health, shall submit to the commissioner of health for approval the community-based health care coverage program developed by the initiative. Each community-based health initiative as defined in subdivision 2, paragraph

(c), and receiving State Health Access Program (SHAP) grant funding shall submit to the commissioner of human services for approval prior to its operation the community-based health care coverage programs developed by the initiatives. ~~The commissioner~~ commissioners shall ensure that ~~the~~ each program meets the federal grant requirements and any requirements described in this section and is actuarially sound based on a review of appropriate records and methods utilized by the community-based health initiative in establishing premium rates for the community-based health care coverage ~~program~~ programs.

(b) Prior to approval, the commissioner shall also ensure that:

(1) the benefits offered comply with subdivision 8 and that there are adequate numbers of health care providers participating in the community-based health network to deliver the benefits offered under the program;

(2) the activities of the program are limited to activities that are exempt under this section or otherwise from regulation by the commissioner of commerce;

(3) the complaint resolution process meets the requirements of subdivision 10; and

(4) the data privacy policies and procedures comply with state and federal law.

Subd. 4. **Establishment.** The initiative shall establish and operate upon approval by the ~~commissioner~~ commissioners of health ~~and human services~~ community-based health care coverage ~~program~~ programs. The operational structure established by the initiative shall include, but is not limited to:

(1) establishing a process for enrolling eligible individuals and their dependents;

(2) collecting and coordinating premiums from enrollees and employers of enrollees;

(3) providing payment to participating providers;

(4) establishing a benefit set according to subdivision 8 and establishing premium rates and cost-sharing requirements;

(5) creating incentives to encourage primary care and wellness services; and

(6) initiating disease management services, as appropriate.

Subd. 5. **Qualifying employees.** To be eligible for the community-based health care coverage program, an individual must:

(1) reside in or work within the designated community-based geographic area served by the program;

(2) be employed by a qualifying employer ~~or~~ be an employee's dependent, or be self-employed on a full-time basis;

(3) not be enrolled in or have currently available health coverage, except for catastrophic health care coverage; and

(4) not be eligible for or enrolled in medical assistance, or general assistance medical care, and not be enrolled in MinnesotaCare, or Medicare.

Subd. 6. **Qualifying employers.** (a) To qualify for participation in the community-based health care coverage program, an employer must:

- (1) employ at least one but no more than 50 employees at the time of initial enrollment in the program;
- (2) pay its employees a median wage ~~of \$12.50 per hour~~ that equals 350 percent of the federal poverty guidelines or less; and
- (3) not have offered employer-subsidized health coverage to its employees for at least 12 months prior to the initial enrollment in the program. For purposes of this section, "employer-subsidized health coverage" means health care coverage for which the employer pays at least 50 percent of the cost of coverage for the employee.

(b) To participate in the program, a qualifying employer agrees to:

- (1) offer health care coverage through the program to all eligible employees and their dependents regardless of health status;
- (2) participate in the program for an initial term of at least one year;
- (3) pay a percentage of the premium established by the initiative for the employee; and
- (4) provide the initiative with any employee information deemed necessary by the initiative to determine eligibility and premium payments.

Subd. 7. **Participating providers.** Any health care provider participating in the community-based health network must accept as payment in full the payment rate established by the ~~initiative~~ initiatives and may not charge to or collect from an enrollee any amount in excess of this amount for any service covered under the program.

Subd. 8. **Coverage.** (a) The ~~initiative~~ initiatives shall establish the health care benefits offered through the community-based health care coverage ~~program~~ programs. The benefits established shall include, at a minimum:

- (1) child health supervision services up to age 18, as defined under section 62A.047; and
- (2) preventive services, including:
  - (i) health education and wellness services;
  - (ii) health supervision, evaluation, and follow-up;
  - (iii) immunizations; and
  - (iv) early disease detection.

(b) Coverage of health care services offered by the program may be limited to participating health care providers or health networks. All services covered under the ~~program~~ programs must be services that are offered within the scope of practice of the participating health care providers.

(c) The ~~initiative~~ initiatives may establish cost-sharing requirements. Any co-payment or deductible provisions established may not discriminate on the basis of age, sex, race, disability, economic status, or length of enrollment in the ~~program~~ programs.

(d) If any of the initiative initiatives amends or alters the benefits offered through the program from the initial offering, ~~the that~~ initiative must notify the ~~commissioner~~ commissioners of health and human services and all enrollees of the benefit change.

Subd. 9. **Enrollee information.** (a) The initiative initiatives must provide an individual or family who enrolls in the program a clear and concise written statement that includes the following information:

(1) health care services that are ~~provided~~ covered under the program;

(2) any exclusions or limitations on the health care services ~~offered~~ covered, including any cost-sharing arrangements or prior authorization requirements;

(3) a list of where the health care services can be obtained and that all health care services must be provided by or through a participating health care provider or community-based health network;

(4) a description of the program's complaint resolution process, including how to submit a complaint; how to file a complaint with the commissioner of health; and how to obtain an external review of any adverse decisions as provided under subdivision 10;

(5) the conditions under which the program or coverage under the program may be canceled or terminated; and

(6) a precise statement specifying that this program is not an insurance product and, as such, is exempt from state regulation of insurance products.

(b) The ~~commissioner~~ commissioners of health and human services must approve a copy of the written statement prior to the operation of the program.

Subd. 10. **Complaint resolution process.** (a) The initiative initiatives must establish a complaint resolution process. The process must make reasonable efforts to resolve complaints and to inform complainants in writing of the initiative's decision within 60 days of receiving the complaint. Any decision that is adverse to the enrollee shall include a description of the right to an external review as provided in paragraph (c) and how to exercise this right.

(b) The initiative initiatives must report any complaint that is not resolved within 60 days to the commissioner of health.

(c) The initiative initiatives must include in the complaint resolution process the ability of an enrollee to pursue the external review process provided under section 62Q.73 with any decision rendered under this external review process binding on the initiative initiatives.

Subd. 11. **Data privacy.** The initiative initiatives shall establish data privacy policies and procedures for the program that comply with state and federal data privacy laws.

Subd. 12. **Limitations on enrollment.** (a) The initiative initiatives may limit enrollment in the program. If enrollment is limited, a waiting list must be established.

(b) The initiative initiatives shall not restrict or deny enrollment in the program except for nonpayment of premiums, fraud or misrepresentation, or as otherwise permitted under this section.

(c) The initiative initiatives may require a certain percentage of participation from eligible employees of a qualifying employer before coverage can be offered through the program.



Subd. 13. **Report.** ~~(a) The~~ Each initiative shall submit quarterly status reports to the commissioner of health on January 15, April 15, July 15, and October 15 of each year, with the first report due January 15, 2008. ~~The~~ Each initiative receiving funding from the Department of Human Services shall submit status reports to the commissioner of human services as defined in the terms of contract with the Department of Human Services. Each status report shall include:

(1) the financial status of the program, including the premium rates, cost per member per month, claims paid out, premiums received, and administrative expenses;

(2) a description of the health care benefits offered and the services utilized;

(3) the number of employers participating, the number of employees and dependents covered under the program, and the number of health care providers participating;

(4) a description of the health outcomes to be achieved by the program and a status report on the performance measurements to be used and collected; and

(5) any other information requested by the ~~commissioner~~ commissioners of health, human services, or commerce or the legislature.

~~(b) The initiative shall contract with an independent entity to conduct an evaluation of the program to be submitted to the commissioners of health and commerce and the legislature by January 15, 2010. The evaluation shall include:~~

~~(1) an analysis of the health outcomes established by the initiative and the performance measurements to determine whether the outcomes are being achieved;~~

~~(2) an analysis of the financial status of the program, including the claims to premiums loss ratio and utilization and cost experience;~~

~~(3) the demographics of the enrollees, including their age, gender, family income, and the number of dependents;~~

~~(4) the number of employers and employees who have been denied access to the program and the basis for the denial;~~

~~(5) specific analysis on enrollees who have aggregate medical claims totaling over \$5,000 per year, including data on the enrollee's main diagnosis and whether all the medical claims were covered by the program;~~

~~(6) number of enrollees referred to state public assistance programs;~~

~~(7) a comparison of employer subsidized health coverage provided in a comparable geographic area to the designated community based geographic area served by the program, including, to the extent available:~~

~~(i) the difference in the number of employers with 50 or fewer employees offering employer subsidized health coverage;~~

~~(ii) the difference in uncompensated care being provided in each area; and~~

~~(iii) a comparison of health care outcomes and measurements established by the initiative; and~~

~~(8) any other information requested by the commissioner of health or commerce.~~

Subd. 14. **Sunset.** This section expires ~~December 31, 2012~~ August 31, 2014.

### ARTICLE 3

#### CHILDREN'S HEALTH INSURANCE REAUTHORIZATION ACT (CHIPRA)

Section 1. Minnesota Statutes 2008, section 256B.055, subdivision 10, is amended to read:

Subd. 10. **Infants.** Medical assistance may be paid for an infant less than one year of age, whose mother was eligible for and receiving medical assistance at the time of birth ~~and who remains in the mother's household~~ or who is in a family with countable income that is equal to or less than the income standard established under section 256B.057, subdivision 1.

Sec. 2. Minnesota Statutes 2008, section 256B.057, subdivision 1, is amended to read:

Subdivision 1. **Infants and pregnant women.** (a)(1) An infant less than one year of age or a pregnant woman who has written verification of a positive pregnancy test from a physician or licensed registered nurse is eligible for medical assistance if countable family income is equal to or less than 275 percent of the federal poverty guideline for the same family size. For purposes of this subdivision, "countable family income" means the amount of income considered available using the methodology of the AFDC program under the state's AFDC plan as of July 16, 1996, as required by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), Public Law 104-193, except for the earned income disregard and employment deductions.

(2) For applications processed within one calendar month prior to the effective date, eligibility shall be determined by applying the income standards and methodologies in effect prior to the effective date for any months in the six-month budget period before that date and the income standards and methodologies in effect on the effective date for any months in the six-month budget period on or after that date. The income standards for each month shall be added together and compared to the applicant's total countable income for the six-month budget period to determine eligibility.

(b)(1) [Expired, 1Sp2003 c 14 art 12 s 19]

(2) For applications processed within one calendar month prior to July 1, 2003, eligibility shall be determined by applying the income standards and methodologies in effect prior to July 1, 2003, for any months in the six-month budget period before July 1, 2003, and the income standards and methodologies in effect on the expiration date for any months in the six-month budget period on or after July 1, 2003. The income standards for each month shall be added together and compared to the applicant's total countable income for the six-month budget period to determine eligibility.

(3) An amount equal to the amount of earned income exceeding 275 percent of the federal poverty guideline, up to a maximum of the amount by which the combined total of 185 percent of the federal poverty guideline plus the earned income disregards and deductions allowed under the state's AFDC plan as of July 16, 1996, as required by the Personal Responsibility and Work Opportunity Act of 1996 (PRWORA), Public Law 104-193, exceeds 275 percent of the federal poverty guideline will be deducted for pregnant women and infants less than one year of age.

(c) Dependent care and child support paid under court order shall be deducted from the countable income of pregnant women.

(d) An infant born ~~on or after January 1, 1991,~~ to a woman who was eligible for and receiving medical assistance on the date of the child's birth shall continue to be eligible for medical assistance without redetermination until the child's first birthday, ~~as long as the child remains in the woman's household.~~

## ARTICLE 4

## LONG-TERM CARE PARTNERSHIP

Section 1. Minnesota Statutes 2008, section 62S.24, subdivision 8, is amended to read:

Subd. 8. **Exchange for long-term care partnership policy; addition of policy rider.** (a) ~~If authorized by federal law or a federal waiver is granted~~ With respect to the long-term care partnership program referenced in section 256B.0571, issuers of long-term care policies may voluntarily exchange a current long-term care insurance policy for a long-term care partnership policy that meets the requirements of Public Law 109-171, section 6021, after the effective date of the state plan amendment implementing the partnership program in this state. The exchange may be in the form of: (1) an amendment or rider; or (2) a disclosure statement indicating that the coverage is now partnership qualified.

(b) ~~If authorized by federal law or a federal waiver is granted~~ With respect to the long-term care partnership program referenced in section 256B.0571, allowing to allow an existing long-term care insurance policy to qualify as a partnership policy by addition of: (1) a policy rider, or amendment; or (2) a disclosure statement, the issuer of the policy is authorized to add the rider, amendment, or disclosure statement to the policy after the effective date of the state plan amendment implementing the partnership program in this state.

(c) The commissioner, in cooperation with the commissioner of human services, shall pursue any federal law changes or waivers necessary to allow the implementation of paragraphs (a) and (b).

Sec. 2. **[62S.312] CONSUMER PROTECTION STANDARDS FOR LONG-TERM CARE PARTNERSHIP POLICIES.**

To qualify as a long-term care partnership policy under this chapter, long-term care insurance policies must meet the requirements for being tax qualified as defined in section 7702B(b) of the Internal Revenue Code and meet certain consumer protection requirements in Section 6021(a)(1)(B)(5)(A) of the Deficit Reduction Act of 2005, Public Law 109-171, which are taken from the National Association of Insurance Commissioners (NAIC) Model Act and Regulation of 2000. Insurance carriers must certify for each policy form to be included in the long-term care partnership that the form complies with the requirements of the NAIC Model Act and Regulation of 2000 as implemented in sections 62S.05 to 62S.11; 62S.13 to 62S.18; 62S.19; 62S.20, subdivisions 1 to 5; 62S.21; 62S.22; 62S.24; 62S.25; 62S.266; 62S.28; 62S.29; 62S.30; and 62S.31.

Sec. 3. Minnesota Statutes 2008, section 256B.0571, subdivision 6, is amended to read:

Subd. 6. **Partnership policy.** "Partnership policy" means a long-term care insurance policy that meets the ~~requirements under subdivision 10 and~~ criteria in sections 62S.23, subdivision 1, paragraph (b), and 62S.312 and was issued on or after the effective date of the state plan amendment implementing the partnership program in Minnesota. Policies that are exchanged or that have riders or endorsements added on or after the effective date of the state plan amendment as authorized by the commissioner of commerce qualify as a partnership policy July 1, 2006, or exchanged on or after July 1, 2006, under the provisions of section 62S.24, subdivision 8.

Sec. 4. Minnesota Statutes 2009 Supplement, section 256B.0571, subdivision 8, is amended to read:

Subd. 8. **Program established.** (a) The commissioner, in cooperation with the commissioner of commerce, shall establish the Minnesota partnership for long-term care program to provide for the financing of long-term care through a combination of private insurance and medical assistance.

(b) An individual becomes eligible to participate in the partnership program by meeting the requirements of either clause (1) or (2):

(1) the individual may qualify as a beneficiary of a partnership policy that ~~either (i) is issued on or after the effective date of the state plan amendment implementing the partnership plan in Minnesota, or (ii) qualifies as a partnership policy as authorized by the commissioner of commerce~~ meets the criteria under subdivision 6. To be eligible under this clause, the individual must be a Minnesota resident at the time coverage first became effective under the partnership policy; or

(2) the individual may qualify as a beneficiary of a policy recognized under subdivision 17.

Sec. 5. **REPEALER.**

Minnesota Statutes 2008, section 256B.0571, subdivision 10, is repealed.

ARTICLE 5

MODIFICATION TO PROHIBITIONS ON ASSET TRANSFERS

Section 1. **REPEALER.**

Minnesota Statutes 2008, section 256B.0595, subdivisions 1b, 2b, 3b, 4b, and 5, are repealed.

ARTICLE 6

COMMUNITY CLINICS

Section 1. Minnesota Statutes 2009 Supplement, section 256B.032, is amended to read:

**256B.032 ELIGIBLE VENDORS OF MEDICAL CARE.**

(a) Effective January 1, 2011, the commissioner shall establish performance thresholds for health care providers included in the provider peer grouping system developed by the commissioner of health under section 62U.04. The thresholds shall be set at the 10th percentile of the combined cost and quality measure used for provider peer grouping, and separate thresholds shall be set for hospital and physician services.

(b) Beginning January 1, 2012, any health care provider with a combined cost and quality score below the threshold set in paragraph (a) shall be prohibited from enrolling as a vendor of medical care in the medical assistance, general assistance medical care, or MinnesotaCare programs, and shall not be eligible for direct payments under those programs or for payments made by managed care plans under their contracts with the commissioner under section 256B.69 or 256L.12. A health care provider that is prohibited from enrolling as a vendor or receiving payments under this paragraph may reenroll effective January 1 of any subsequent year if the provider's most recent combined cost and quality score exceeds the threshold established in paragraph (a).

(c) Notwithstanding paragraph (b), a provider may continue to participate as a vendor or as part of a managed care plan provider network if the commissioner determines that a contract with the provider is necessary to ensure adequate access to health care services.

(d) By January 15, 2013, the commissioner shall report to the legislature on the impact of this section. The commissioner's report shall include information on:

(1) the providers falling below the thresholds as of January 1, 2012;

(2) the volume of services and cost of care provided to enrollees in the medical assistance, general assistance medical care, or MinnesotaCare programs in the 12 months prior to January 1, 2012, by providers falling below the thresholds;

(3) providers who fell below the thresholds but continued to be eligible vendors under ~~paragraph~~ paragraphs (c) and (e);

(4) the estimated cost savings achieved by not contracting with providers who do not meet the performance thresholds; and

(5) recommendations for increasing the threshold levels of performance over time.

(e) Federally qualified health centers and rural health clinics are exempt from the requirements of paragraph (b).

Sec. 2. Minnesota Statutes 2008, section 256B.0625, subdivision 30, is amended to read:

Subd. 30. **Other clinic services.** (a) Medical assistance covers rural health clinic services, federally qualified health center services, nonprofit community health clinic services, public health clinic services, ~~and the services of a clinic meeting the criteria established in rule by the commissioner.~~ Rural health clinic services and federally qualified health center services mean services defined in United States Code, title 42, section 1396d(a)(2)(B) and (C). Payment for rural health clinic and federally qualified health center services shall be made according to applicable federal law and regulation.

(b) A federally qualified health center that is beginning initial operation shall submit an estimate of budgeted costs and visits for the initial reporting period in the form and detail required by the commissioner. A federally qualified health center that is already in operation shall submit an initial report using actual costs and visits for the initial reporting period. Within 90 days of the end of its reporting period, a federally qualified health center shall submit, in the form and detail required by the commissioner, a report of its operations, including allowable costs actually incurred for the period and the actual number of visits for services furnished during the period, and other information required by the commissioner. Federally qualified health centers that file Medicare cost reports shall provide the commissioner with a copy of the most recent Medicare cost report filed with the Medicare program intermediary for the reporting year which support the costs claimed on their cost report to the state.

(c) In order to continue cost-based payment under the medical assistance program according to paragraphs (a) and (b), a federally qualified health center or rural health clinic must apply for designation as an essential community provider within six months of final adoption of rules by the Department of Health according to section 62Q.19, subdivision 7. For those federally qualified health centers and rural health clinics that have applied for essential community provider status within the six-month time prescribed, medical assistance payments will continue to be made according to paragraphs (a) and (b) for the first three years after application. For federally qualified health centers and rural health clinics that either do not apply within the time specified above or who have had essential community provider status for three years, medical assistance payments for health services provided by these entities shall be according to the same rates and conditions applicable to the same service provided by health care providers that are not federally qualified health centers or rural health clinics.

(d) Effective July 1, 1999, the provisions of paragraph (c) requiring a federally qualified health center or a rural health clinic to make application for an essential community provider designation in order to have cost-based payments made according to paragraphs (a) and (b) no longer apply.

(e) Effective January 1, 2000, payments made according to paragraphs (a) and (b) shall be limited to the cost phase-out schedule of the Balanced Budget Act of 1997.

(f) Effective January 1, 2001, each federally qualified health center and rural health clinic may elect to be paid either under the prospective payment system established in United States Code, title 42, section 1396a(aa), or under an alternative payment methodology consistent with the requirements of United States Code, title 42, section 1396a(aa), and approved by the Centers for Medicare and Medicaid Services. The alternative payment methodology shall be 100 percent of cost as determined according to Medicare cost principles.

(g) For purposes of this section, "nonprofit community clinic" is a clinic that:

(1) has nonprofit status as specified in chapter 317A;

(2) has tax exempt status as provided in Internal Revenue Code, section 501(c)(3);

(3) is established to provide health services to low-income population groups, uninsured, high-risk and special needs populations, underserved and other special needs populations;

(4) employs professional staff at least one-half of which are familiar with the cultural background of their clients;

(5) charges for services on a sliding fee scale designed to provide assistance to low-income clients based on current poverty income guidelines and family size; and

(6) does not restrict access or services because of a client's financial limitations or public assistance status and provides no-cost care as needed.

## ARTICLE 7

### DENTAL BENEFIT SET

Section 1. Minnesota Statutes 2009 Supplement, section 256B.0625, subdivision 9, is amended to read:

Subd. 9. **Dental services.** (a) Medical assistance covers dental services.

(b) Medical assistance dental coverage for nonpregnant adults is limited to the following services:

(1) comprehensive exams, limited to once every five years;

(2) periodic exams, limited to one per year;

(3) limited exams;

(4) bitewing x-rays, limited to one per year;

(5) periapical x-rays;

(6) panoramic x-rays, limited to one every five years, ~~and only if provided in conjunction with a posterior extraction or scheduled outpatient facility procedure, or as~~ except (1) when medically necessary for the diagnosis and follow-up of oral and maxillofacial pathology and trauma. Panoramic x-rays may be taken or (2) once every two years for patients who cannot cooperate for intraoral film due to a developmental disability or medical condition that does not allow for intraoral film placement;

- (7) prophylaxis, limited to one per year;
- (8) application of fluoride varnish, limited to one per year;
- (9) posterior fillings, all at the amalgam rate;
- (10) anterior fillings;
- (11) endodontics, limited to root canals on the anterior and premolars only;
- (12) removable prostheses, each dental arch limited to one every six years;
- (13) oral surgery, limited to extractions, biopsies, and incision and drainage of abscesses;
- (14) palliative treatment and sedative fillings for relief of pain; and
- (15) full-mouth debridement, limited to one every five years.

(c) In addition to the services specified in paragraph (b), medical assistance covers the following services for adults, if provided in an outpatient hospital setting or freestanding ambulatory surgical center as part of outpatient dental surgery:

- (1) periodontics, limited to periodontal scaling and root planing once every two years;
- (2) general anesthesia; and
- (3) full-mouth survey once every five years.

(d) Medical assistance covers medically necessary dental services for children ~~that are medically necessary and pregnant women~~. The following guidelines apply:

- (1) posterior fillings are paid at the amalgam rate;
- (2) application of sealants are covered once every five years per permanent molar for children only; ~~and~~
- (3) application of fluoride varnish is covered once every six months; ~~and~~
- (4) orthodontia is eligible for coverage for children only.

## ARTICLE 8

### PRIOR AUTHORIZATION FOR HEALTH SERVICES

Section 1. Minnesota Statutes 2008, section 256B.0625, subdivision 25, is amended to read:

Subd. 25. **Prior authorization required.** The commissioner shall publish in the ~~State Register~~ Minnesota health care programs provider manual and on the department's Web site a list of health services that require prior authorization, as well as the criteria and standards used to select health services on the list. The list and the criteria and standards used to formulate it are not subject to the requirements of sections 14.001 to 14.69. The commissioner's decision whether prior authorization is required for a health service is not subject to administrative appeal.

## ARTICLE 9

## DRUG FORMULARY COMMITTEE

Section 1. Minnesota Statutes 2008, section 256B.0625, subdivision 13c, is amended to read:

Subd. 13c. **Formulary committee.** The commissioner, after receiving recommendations from professional medical associations and professional pharmacy associations, and consumer groups shall designate a Formulary Committee to carry out duties as described in subdivisions 13 to 13g. The Formulary Committee shall be comprised of four licensed physicians actively engaged in the practice of medicine in Minnesota one of whom must be actively engaged in the treatment of persons with mental illness; at least three licensed pharmacists actively engaged in the practice of pharmacy in Minnesota; and one consumer representative; the remainder to be made up of health care professionals who are licensed in their field and have recognized knowledge in the clinically appropriate prescribing, dispensing, and monitoring of covered outpatient drugs. Members of the Formulary Committee shall not be employed by the Department of Human Services, but the committee shall be staffed by an employee of the department who shall serve as an ex officio, nonvoting member of the committee. The department's medical director shall also serve as an ex officio, nonvoting member for the committee. Committee members shall serve three-year terms and may be reappointed by the commissioner. The Formulary Committee shall meet at least ~~quarterly~~ twice per year. The commissioner may require more frequent Formulary Committee meetings as needed. An honorarium of \$100 per meeting and reimbursement for mileage shall be paid to each committee member in attendance.

## ARTICLE 10

## PREFERRED DRUG LIST

Section 1. Minnesota Statutes 2008, section 256B.0625, subdivision 13g, is amended to read:

Subd. 13g. **Preferred drug list.** (a) The commissioner shall adopt and implement a preferred drug list by January 1, 2004. The commissioner may enter into a contract with a vendor for the purpose of participating in a preferred drug list and supplemental rebate program. The commissioner shall ensure that any contract meets all federal requirements and maximizes federal financial participation. The commissioner shall publish the preferred drug list annually in the State Register and shall maintain an accurate and up-to-date list on the agency Web site.

(b) The commissioner may add to, delete from, and otherwise modify the preferred drug list, after consulting with the Formulary Committee and appropriate medical specialists and providing public notice and the opportunity for public comment.

(c) The commissioner shall adopt and administer the preferred drug list as part of the administration of the supplemental drug rebate program. Reimbursement for prescription drugs not on the preferred drug list may be subject to prior authorization, ~~unless the drug manufacturer signs a supplemental rebate contract.~~

(d) For purposes of this subdivision, "preferred drug list" means a list of prescription drugs within designated therapeutic classes selected by the commissioner, for which prior authorization based on the identity of the drug or class is not required.

(e) The commissioner shall seek any federal waivers or approvals necessary to implement this subdivision.



ARTICLE 11  
MULTISOURCE DRUGS

Section 1. Minnesota Statutes 2009 Supplement, section 256B.0625, subdivision 13e, is amended to read:

Subd. 13e. **Payment rates.** (a) The basis for determining the amount of payment shall be the lower of the actual acquisition costs of the drugs plus a fixed dispensing fee; the maximum allowable cost set by the federal government or by the commissioner plus the fixed dispensing fee; or the usual and customary price charged to the public. The amount of payment basis must be reduced to reflect all discount amounts applied to the charge by any provider/insurer agreement or contract for submitted charges to medical assistance programs. The net submitted charge may not be greater than the patient liability for the service. The pharmacy dispensing fee shall be \$3.65, except that the dispensing fee for intravenous solutions which must be compounded by the pharmacist shall be \$8 per bag, \$14 per bag for cancer chemotherapy products, and \$30 per bag for total parenteral nutritional products dispensed in one liter quantities, or \$44 per bag for total parenteral nutritional products dispensed in quantities greater than one liter. Actual acquisition cost includes quantity and other special discounts except time and cash discounts. Effective July 1, 2009, the actual acquisition cost of a drug shall be estimated by the commissioner, at average wholesale price minus 15 percent. The actual acquisition cost of antihemophilic factor drugs shall be estimated at the average wholesale price minus 30 percent. The maximum allowable cost of a multisource drug may be set by the commissioner and it shall be comparable to, but no higher than, the maximum amount paid by other third-party payors in this state who have maximum allowable cost programs. Establishment of the amount of payment for drugs shall not be subject to the requirements of the Administrative Procedure Act.

(b) An additional dispensing fee of \$.30 may be added to the dispensing fee paid to pharmacists for legend drug prescriptions dispensed to residents of long-term care facilities when a unit dose blister card system, approved by the department, is used. Under this type of dispensing system, the pharmacist must dispense a 30-day supply of drug. The National Drug Code (NDC) from the drug container used to fill the blister card must be identified on the claim to the department. The unit dose blister card containing the drug must meet the packaging standards set forth in Minnesota Rules, part 6800.2700, that govern the return of unused drugs to the pharmacy for reuse. The pharmacy provider will be required to credit the department for the actual acquisition cost of all unused drugs that are eligible for reuse. Over-the-counter medications must be dispensed in the manufacturer's unopened package. The commissioner may permit the drug clozapine to be dispensed in a quantity that is less than a 30-day supply.

(c) Whenever a ~~generically equivalent product is available~~ maximum allowable cost has been set for a multisource drug, payment shall be on the basis of ~~the actual acquisition cost of the generic drug, or on the~~ maximum allowable cost established by the commissioner unless prior authorization for the brand name product has been granted according to the criteria established by the Drug Formulary Committee as required by subdivision 13f, paragraph (a), and the prescriber has indicated "dispense as written" on the prescription in a manner consistent with section 151.21, subdivision 2.

(d) The basis for determining the amount of payment for drugs administered in an outpatient setting shall be the lower of the usual and customary cost submitted by the provider or the amount established for Medicare by the United States Department of Health and Human Services pursuant to title XVIII, section 1847a of the federal Social Security Act.

(e) The commissioner may negotiate lower reimbursement rates for specialty pharmacy products than the rates specified in paragraph (a). The commissioner may require individuals enrolled in the health care programs administered by the department to obtain specialty pharmacy products from providers with whom the commissioner has negotiated lower reimbursement rates. Specialty pharmacy products are defined as those used by a small number of recipients or recipients with complex and chronic diseases that require expensive and challenging drug regimens. Examples of these conditions include, but are not limited to: multiple sclerosis, HIV/AIDS,

transplantation, hepatitis C, growth hormone deficiency, Crohn's Disease, rheumatoid arthritis, and certain forms of cancer. Specialty pharmaceutical products include injectable and infusion therapies, biotechnology drugs, high-cost therapies, and therapies that require complex care. The commissioner shall consult with the formulary committee to develop a list of specialty pharmacy products subject to this paragraph. In consulting with the formulary committee in developing this list, the commissioner shall take into consideration the population served by specialty pharmacy products, the current delivery system and standard of care in the state, and access to care issues. The commissioner shall have the discretion to adjust the reimbursement rate to prevent access to care issues.

## ARTICLE 12

### ADMINISTRATIVE UNIFORMITY COMMITTEE

Section 1. Minnesota Statutes 2008, section 256B.0625, is amended by adding a subdivision to read:

Subd. 8d. **Home infusion therapy services.** Home infusion therapy services provided by home infusion therapy pharmacies must be paid the lower of the submitted charge or the combined payment rates for component services typically provided.

**EFFECTIVE DATE.** This section is effective upon federal approval.

Sec. 2. Minnesota Statutes 2009 Supplement, section 256B.0625, subdivision 13e, is amended to read:

Subd. 13e. **Payment rates.** (a) The basis for determining the amount of payment shall be the lower of the actual acquisition costs of the drugs plus a fixed dispensing fee; the maximum allowable cost set by the federal government or by the commissioner plus the fixed dispensing fee; or the usual and customary price charged to the public. The amount of payment basis must be reduced to reflect all discount amounts applied to the charge by any provider/insurer agreement or contract for submitted charges to medical assistance programs. The net submitted charge may not be greater than the patient liability for the service. The pharmacy dispensing fee shall be \$3.65, except that the dispensing fee for intravenous solutions which must be compounded by the pharmacist shall be \$8 per bag, \$14 per bag for cancer chemotherapy products, and \$30 per bag for total parenteral nutritional products dispensed in one liter quantities, or \$44 per bag for total parenteral nutritional products dispensed in quantities greater than one liter. Actual acquisition cost includes quantity and other special discounts except time and cash discounts. Effective July 1, 2009, the actual acquisition cost of a drug shall be estimated by the commissioner, at average wholesale price minus 15 percent. The actual acquisition cost of antihemophilic factor drugs shall be estimated at the average wholesale price minus 30 percent. The maximum allowable cost of a multisource drug may be set by the commissioner and it shall be comparable to, but no higher than, the maximum amount paid by other third-party payors in this state who have maximum allowable cost programs. Establishment of the amount of payment for drugs shall not be subject to the requirements of the Administrative Procedure Act.

(b) An additional dispensing fee of \$.30 may be added to the dispensing fee paid to pharmacists for legend drug prescriptions dispensed to residents of long-term care facilities when a unit dose blister card system, approved by the department, is used. Under this type of dispensing system, the pharmacist must dispense a 30-day supply of drug. The National Drug Code (NDC) from the drug container used to fill the blister card must be identified on the claim to the department. The unit dose blister card containing the drug must meet the packaging standards set forth in Minnesota Rules, part 6800.2700, that govern the return of unused drugs to the pharmacy for reuse. The pharmacy provider will be required to credit the department for the actual acquisition cost of all unused drugs that are eligible for reuse. Over-the-counter medications must be dispensed in the manufacturer's unopened package. The commissioner may permit the drug clozapine to be dispensed in a quantity that is less than a 30-day supply.

(c) Whenever a generically equivalent product is available, payment shall be on the basis of the actual acquisition cost of the generic drug, or on the maximum allowable cost established by the commissioner.

(d) The basis for determining the amount of payment for drugs administered in an outpatient setting shall be the lower of the usual and customary cost submitted by the provider or the amount established for Medicare by the United States Department of Health and Human Services pursuant to title XVIII, section 1847a of the federal Social Security Act.

(e) The commissioner may negotiate lower reimbursement rates for specialty pharmacy products than the rates specified in paragraph (a). The commissioner may require individuals enrolled in the health care programs administered by the department to obtain specialty pharmacy products from providers with whom the commissioner has negotiated lower reimbursement rates. Specialty pharmacy products are defined as those used by a small number of recipients or recipients with complex and chronic diseases that require expensive and challenging drug regimens. Examples of these conditions include, but are not limited to: multiple sclerosis, HIV/AIDS, transplantation, hepatitis C, growth hormone deficiency, Crohn's Disease, rheumatoid arthritis, and certain forms of cancer. Specialty pharmaceutical products include injectable and infusion therapies, biotechnology drugs, high-cost therapies, and therapies that require complex care. The commissioner shall consult with the formulary committee to develop a list of specialty pharmacy products subject to this paragraph. In consulting with the formulary committee in developing this list, the commissioner shall take into consideration the population served by specialty pharmacy products, the current delivery system and standard of care in the state, and access to care issues. The commissioner shall have the discretion to adjust the reimbursement rate to prevent access to care issues.

(f) Home infusion therapy services provided by home infusion therapy pharmacies must be paid at rates according to subdivision 8d.

**EFFECTIVE DATE.** This section is effective upon federal approval.

## ARTICLE 13

### HEALTH PLANS

Section 1. Minnesota Statutes 2008, section 62A.045, is amended to read:

#### **62A.045 PAYMENTS ON BEHALF OF ENROLLEES IN GOVERNMENT HEALTH PROGRAMS.**

(a) As a condition of doing business in Minnesota or providing coverage to residents of Minnesota covered by this section, each health insurer shall comply with the requirements of the federal Deficit Reduction Act of 2005, Public Law 109-171, including any federal regulations adopted under that act, to the extent that it imposes a requirement that applies in this state and that is not also required by the laws of this state. This section does not require compliance with any provision of the federal act prior to the effective date provided for that provision in the federal act. The commissioner shall enforce this section.

For the purpose of this section, "health insurer" includes self-insured plans, group health plans (as defined in section 607(1) of the Employee Retirement Income Security Act of 1974), service benefit plans, managed care organizations, pharmacy benefit managers, or other parties that are by contract legally responsible to pay a claim for a healthcare item or service for an individual receiving benefits under paragraph (b).

(b) No ~~health plan offered by a health insurer~~ issued or renewed to provide coverage to a Minnesota resident shall contain any provision denying or reducing benefits because services are rendered to a person who is eligible for or receiving medical benefits pursuant to title XIX of the Social Security Act (Medicaid) in this or any other state; chapter 256; 256B; or 256D or services pursuant to section 252.27; 256L.01 to 256L.10; 260B.331, subdivision 2; 260C.331, subdivision 2; or 393.07, subdivision 1 or 2. No health ~~carrier insurer~~ providing benefits under plans covered by this section shall use eligibility for medical programs named in this section as an underwriting guideline or reason for nonacceptance of the risk.

(c) If payment for covered expenses has been made under state medical programs for health care items or services provided to an individual, and a third party has a legal liability to make payments, the rights of payment and appeal of an adverse coverage decision for the individual, or in the case of a child their responsible relative or caretaker, will be subrogated to the state agency. The state agency may assert its rights under this section within three years of the date the service was rendered. For purposes of this section, "state agency" includes prepaid health plans under contract with the commissioner according to sections 256B.69, 256D.03, subdivision 4, paragraph (c), and 256L.12; children's mental health collaboratives under section 245.493; demonstration projects for persons with disabilities under section 256B.77; nursing homes under the alternative payment demonstration project under section 256B.434; and county-based purchasing entities under section 256B.692.

(d) Notwithstanding any law to the contrary, when a person covered by a ~~health plan offered by a health insurer~~ receives medical benefits according to any statute listed in this section, payment for covered services or notice of denial for services billed by the provider must be issued directly to the provider. If a person was receiving medical benefits through the Department of Human Services at the time a service was provided, the provider must indicate this benefit coverage on any claim forms submitted by the provider to the health ~~carrier insurer~~ for those services. If the commissioner of human services notifies the health ~~carrier insurer~~ that the commissioner has made payments to the provider, payment for benefits or notices of denials issued by the health ~~carrier insurer~~ must be issued directly to the commissioner. Submission by the department to the health ~~carrier insurer~~ of the claim on a Department of Human Services claim form is proper notice and shall be considered proof of payment of the claim to the provider and supersedes any contract requirements of the health ~~carrier insurer~~ relating to the form of submission. Liability to the insured for coverage is satisfied to the extent that payments for those benefits are made by the health ~~carrier insurer~~ to the provider or the commissioner as required by this section.

(e) When a state agency has acquired the rights of an individual eligible for medical programs named in this section and has health benefits coverage through a health ~~carrier insurer~~, the health ~~carrier insurer~~ shall not impose requirements that are different from requirements applicable to an agent or assignee of any other individual covered.

~~(f) For the purpose of this section, health plan includes coverage offered by community integrated service networks, any plan governed under the federal Employee Retirement Income Security Act of 1974 (ERISA), United States Code, title 29, sections 1001 to 1461, and coverage offered under the exclusions listed in section 62A.011, subdivision 3, clauses (2), (6), (9), (10), and (12).~~

Sec. 2. Minnesota Statutes 2009 Supplement, section 256B.69, subdivision 23, is amended to read:

Subd. 23. **Alternative services; elderly and disabled persons.** (a) The commissioner may implement demonstration projects to create alternative integrated delivery systems for acute and long-term care services to elderly persons and persons with disabilities as defined in section 256B.77, subdivision 7a, that provide increased coordination, improve access to quality services, and mitigate future cost increases. The commissioner may seek federal authority to combine Medicare and Medicaid capitation payments for the purpose of such demonstrations and may contract with Medicare-approved special needs plans that are offered by a demonstration provider or by an entity that is directly or indirectly wholly owned or controlled by a demonstration provider to provide Medicaid services. Medicare funds and services shall be administered according to the terms and conditions of the federal contract and demonstration provisions. For the purpose of administering medical assistance funds, demonstrations under this subdivision are subject to subdivisions 1 to 22. The provisions of Minnesota Rules, parts 9500.1450 to 9500.1464, apply to these demonstrations, with the exceptions of parts 9500.1452, subpart 2, item B; and 9500.1457, subpart 1, items B and C, which do not apply to persons enrolling in demonstrations under this section. All enforcement and rulemaking powers available under chapters 62D, 62M, and 62Q are hereby granted to the commissioner of health with respect to Medicare-approved special needs plans with which the commissioner contracts to provide Medicaid services under this section. An initial open enrollment period may be provided. Persons who disenroll from demonstrations under this subdivision remain subject to Minnesota Rules, parts 9500.1450 to 9500.1464. When a person is enrolled in a health plan under these demonstrations and the health

plan's participation is subsequently terminated for any reason, the person shall be provided an opportunity to select a new health plan and shall have the right to change health plans within the first 60 days of enrollment in the second health plan. Persons required to participate in health plans under this section who fail to make a choice of health plan shall not be randomly assigned to health plans under these demonstrations. Notwithstanding section 256L.12, subdivision 5, and Minnesota Rules, part 9505.5220, subpart 1, item A, if adopted, for the purpose of demonstrations under this subdivision, the commissioner may contract with managed care organizations, including counties, to serve only elderly persons eligible for medical assistance, elderly and disabled persons, or disabled persons only. For persons with a primary diagnosis of developmental disability, serious and persistent mental illness, or serious emotional disturbance, the commissioner must ensure that the county authority has approved the demonstration and contracting design. Enrollment in these projects for persons with disabilities shall be voluntary. The commissioner shall not implement any demonstration project under this subdivision for persons with a primary diagnosis of developmental disabilities, serious and persistent mental illness, or serious emotional disturbance, without approval of the county board of the county in which the demonstration is being implemented.

(b) Notwithstanding chapter 245B, sections 252.40 to 252.46, 256B.092, 256B.501 to 256B.5015, and Minnesota Rules, parts 9525.0004 to 9525.0036, 9525.1200 to 9525.1330, 9525.1580, and 9525.1800 to 9525.1930, the commissioner may implement under this section projects for persons with developmental disabilities. The commissioner may capitate payments for ICF/MR services, waived services for developmental disabilities, including case management services, day training and habilitation and alternative active treatment services, and other services as approved by the state and by the federal government. Case management and active treatment must be individualized and developed in accordance with a person-centered plan. Costs under these projects may not exceed costs that would have been incurred under fee-for-service. Beginning July 1, 2003, and until four years after the pilot project implementation date, subcontractor participation in the long-term care developmental disability pilot is limited to a nonprofit long-term care system providing ICF/MR services, home and community-based waiver services, and in-home services to no more than 120 consumers with developmental disabilities in Carver, Hennepin, and Scott Counties. The commissioner shall report to the legislature prior to expansion of the developmental disability pilot project. This paragraph expires four years after the implementation date of the pilot project.

(c) Before implementation of a demonstration project for disabled persons, the commissioner must provide information to appropriate committees of the house of representatives and senate and must involve representatives of affected disability groups in the design of the demonstration projects.

(d) A nursing facility reimbursed under the alternative reimbursement methodology in section 256B.434 may, in collaboration with a hospital, clinic, or other health care entity provide services under paragraph (a). The commissioner shall amend the state plan and seek any federal waivers necessary to implement this paragraph.

(e) The commissioner, in consultation with the commissioners of commerce and health, may approve and implement programs for all-inclusive care for the elderly (PACE) according to federal laws and regulations governing that program and state laws or rules applicable to participating providers. The process for approval of these programs shall begin only after the commissioner receives grant money in an amount sufficient to cover the state share of the administrative and actuarial costs to implement the programs during state fiscal years 2006 and 2007. Grant amounts for this purpose shall be deposited in an account in the special revenue fund and are appropriated to the commissioner to be used solely for the purpose of PACE administrative and actuarial costs. A PACE provider is not required to be licensed or certified as a health plan company as defined in section 62Q.01, subdivision 4. Persons age 55 and older who have been screened by the county and found to be eligible for services under the elderly waiver or community alternatives for disabled individuals or who are already eligible for Medicaid but meet level of care criteria for receipt of waiver services may choose to enroll in the PACE program. Medicare and Medicaid services will be provided according to this subdivision and federal Medicare and Medicaid requirements governing PACE providers and programs. PACE enrollees will receive Medicaid home and community-based services through the PACE provider as an alternative to services for which they would otherwise be eligible through home and community-based waiver programs and Medicaid State Plan Services. The commissioner shall establish Medicaid rates for PACE providers that do not exceed costs that would have been incurred under fee-for-service or other relevant managed care programs operated by the state.

(f) The commissioner shall seek federal approval to expand the Minnesota disability health options (MnDHO) program established under this subdivision in stages, first to regional population centers outside the seven-county metro area and then to all areas of the state. Until July 1, 2009, expansion for MnDHO projects that include home and community-based services is limited to the two projects and service areas in effect on March 1, 2006. Enrollment in integrated MnDHO programs that include home and community-based services shall remain voluntary. Costs for home and community-based services included under MnDHO must not exceed costs that would have been incurred under the fee-for-service program. Notwithstanding whether expansion occurs under this paragraph, in determining MnDHO payment rates and risk adjustment methods for contract years starting in 2012, the commissioner must consider the methods used to determine county allocations for home and community-based program participants. If necessary to reduce MnDHO rates to comply with the provision regarding MnDHO costs for home and community-based services, the commissioner shall achieve the reduction by maintaining the base rate for contract years 2010 and 2011 for services provided under the community alternatives for disabled individuals waiver at the same level as for contract year 2009. The commissioner may apply other reductions to MnDHO rates to implement decreases in provider payment rates required by state law. In developing program specifications for expansion of integrated programs, the commissioner shall involve and consult the state-level stakeholder group established in subdivision 28, paragraph (d), including consultation on whether and how to include home and community-based waiver programs. Plans for further expansion of MnDHO projects shall be presented to the chairs of the house of representatives and senate committees with jurisdiction over health and human services policy and finance by February 1, 2007.

(g) Notwithstanding section 256B.0261, health plans providing services under this section are responsible for home care targeted case management and relocation targeted case management. Services must be provided according to the terms of the waivers and contracts approved by the federal government.

#### ARTICLE 14

##### CLAIMS AGAINST THE STATE

Section 1. Minnesota Statutes 2009 Supplement, section 15C.13, is amended to read:

##### **15C.13 DISTRIBUTION TO PRIVATE PLAINTIFF IN CERTAIN ACTIONS.**

If the prosecuting attorney intervenes at the outset in an action brought by a person under section 15C.05, the person is entitled to receive not less than 15 percent or more than 25 percent of any recovery in proportion to the person's contribution to the conduct of the action. If the prosecuting attorney does not intervene in the action at any time, the person is entitled to receive not less than 25 percent or more than 30 percent of any recovery of the civil penalty and damages, or settlement, as the court determines is reasonable. If the prosecuting attorney does not intervene in the action at the outset but subsequently intervenes, the person is entitled to receive not less than 15 percent or more than 30 percent of any recovery, as the court determines is reasonable based on the person's participation in the action before the prosecuting attorney intervened. For recoveries whose distribution is governed by federal code or rule, the basis for calculating the portion of the recovery the person is entitled to receive shall not include amounts reserved for distribution to the federal government or designated in their use by federal code or rule.

#### ARTICLE 15

##### PREPAID HEALTH PLANS

Section 1. Minnesota Statutes 2009 Supplement, section 256B.69, subdivision 5a, is amended to read:

Subd. 5a. **Managed care contracts.** (a) Managed care contracts under this section and sections 256L.12 and 256D.03, shall be entered into or renewed on a calendar year basis beginning January 1, 1996. Managed care contracts which were in effect on June 30, 1995, and set to renew on July 1, 1995, shall be renewed for the period July 1, 1995 through December 31, 1995 at the same terms that were in effect on June 30, 1995. The commissioner may issue separate contracts with requirements specific to services to medical assistance recipients age 65 and older.

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

(c) Effective for services rendered on or after January 1, 2003, the commissioner shall withhold five percent of managed care plan payments under this section and county-based purchasing plan's payment rate under section 256B.692 for the prepaid medical assistance and general assistance medical care programs pending completion of performance targets. Each performance target must be quantifiable, objective, measurable, and reasonably attainable, except in the case of a performance target based on a federal or state law or rule. Criteria for assessment of each performance target must be outlined in writing prior to the contract effective date. The managed care plan must demonstrate, to the commissioner's satisfaction, that the data submitted regarding attainment of the performance target is accurate. The commissioner shall periodically change the administrative measures used as performance targets in order to improve plan performance across a broader range of administrative services. The performance targets must include measurement of plan efforts to contain spending on health care services and administrative activities. The commissioner may adopt plan-specific performance targets that take into account factors affecting only one plan, including characteristics of the plan's enrollee population. The withheld funds must be returned no sooner than July of the following year if performance targets in the contract are achieved. The commissioner may exclude special demonstration projects under subdivision 23.

(d) Effective for services rendered on or after January 1, 2009, through December 31, 2009, the commissioner shall withhold three percent of managed care plan payments under this section and county-based purchasing plan payments under section 256B.692 for the prepaid medical assistance and general assistance medical care programs. The withheld funds must be returned no sooner than July 1 and no later than July 31 of the following year. The commissioner may exclude special demonstration projects under subdivision 23.

~~The return of the withhold under this paragraph is not subject to the requirements of paragraph (e).~~

(e) Effective for services provided on or after January 1, 2010, the commissioner shall require that managed care plans use the assessment and authorization processes, forms, timelines, standards, documentation, and data reporting requirements, protocols, billing processes, and policies consistent with medical assistance fee-for-service or the Department of Human Services contract requirements consistent with medical assistance fee-for-service or the Department of Human Services contract requirements for all personal care assistance services under section 256B.0659.

(f) Effective for services rendered on or after January 1, 2010, through December 31, 2010, the commissioner shall withhold 3.5 percent of managed care plan payments under this section and county-based purchasing plan payments under section 256B.692 for the prepaid medical assistance program. The withheld funds must be returned no sooner than July 1 and no later than July 31 of the following year. The commissioner may exclude special demonstration projects under subdivision 23.

(g) Effective for services rendered on or after January 1, 2011, through December 31, 2011, the commissioner shall withhold four percent of managed care plan payments under this section and county-based purchasing plan payments under section 256B.692 for the prepaid medical assistance program. The withheld funds must be returned no sooner than July 1 and no later than July 31 of the following year. The commissioner may exclude special demonstration projects under subdivision 23.

(h) Effective for services rendered on or after January 1, 2012, through December 31, 2012, the commissioner shall withhold 4.5 percent of managed care plan payments under this section and county-based purchasing plan payments under section 256B.692 for the prepaid medical assistance program. The withheld funds must be returned no sooner than July 1 and no later than July 31 of the following year. The commissioner may exclude special demonstration projects under subdivision 23.

(i) Effective for services rendered on or after January 1, 2013, through December 31, 2013, the commissioner shall withhold 4.5 percent of managed care plan payments under this section and county-based purchasing plan payments under section 256B.692 for the prepaid medical assistance program. The withheld funds must be returned no sooner than July 1 and no later than July 31 of the following year. The commissioner may exclude special demonstration projects under subdivision 23.

(j) Effective for services rendered on or after January 1, 2014, the commissioner shall withhold three percent of managed care plan payments under this section and county-based purchasing plan payments under section 256B.692 for the prepaid medical assistance and prepaid general assistance medical care programs. The withheld funds must be returned no sooner than July 1 and no later than July 31 of the following year. The commissioner may exclude special demonstration projects under subdivision 23.

(k) A managed care plan or a county-based purchasing plan under section 256B.692 may include as admitted assets under section 62D.044 any amount withheld under this section that is reasonably expected to be returned.

(l) Contracts between the commissioner and a prepaid health plan are exempt from the set-aside and preference provisions of section 16C.16, subdivisions 6, paragraph (a), and 7.

(m) The return of the withhold under paragraph (d) and paragraphs (f) to (j) is not subject to the requirements of paragraph (c).

## ARTICLE 16

### INCOME STANDARDS FOR ELIGIBILITY

Section 1. Minnesota Statutes 2009 Supplement, section 256B.056, subdivision 1c, is amended to read:

Subd. 1c. **Families with children income methodology.** (a)(1) [Expired, 1Sp2003 c 14 art 12 s 17]

(2) For applications processed within one calendar month prior to July 1, 2003, eligibility shall be determined by applying the income standards and methodologies in effect prior to July 1, 2003, for any months in the six-month budget period before July 1, 2003, and the income standards and methodologies in effect on July 1, 2003, for any months in the six-month budget period on or after that date. The income standards for each month shall be added together and compared to the applicant's total countable income for the six-month budget period to determine eligibility.

(3) For children ages one through 18 whose eligibility is determined under section 256B.057, subdivision 2, the following deductions shall be applied to income counted toward the child's eligibility as allowed under the state's AFDC plan in effect as of July 16, 1996: \$90 work expense, dependent care, and child support paid under court order. This clause is effective October 1, 2003.

(b) For families with children whose eligibility is determined using the standard specified in section 256B.056, subdivision 4, paragraph (c), 17 percent of countable earned income shall be disregarded for up to four months and the following deductions shall be applied to each individual's income counted toward eligibility as allowed under the state's AFDC plan in effect as of July 16, 1996: dependent care and child support paid under court order.

(c) If the four-month disregard in paragraph (b) has been applied to the wage earner's income for four months, the disregard shall not be applied again until the wage earner's income has not been considered in determining medical assistance eligibility for 12 consecutive months.



(d) The commissioner shall adjust the income standards under this section each July 1 by the annual update of the federal poverty guidelines following publication by the United States Department of Health and Human Services except that the income standards shall not go below those in effect on July 1, 2009.

(e) For children age 18 or under, annual gifts of \$2,000 or less by a tax-exempt organization to or for the benefit of the child with a life-threatening illness must be disregarded from income.

Sec. 2. Minnesota Statutes 2009 Supplement, section 256D.03, subdivision 3, is amended to read:

Subd. 3. **General assistance medical care; eligibility.** (a) General assistance medical care may be paid for any person who is not eligible for medical assistance under chapter 256B, including eligibility for medical assistance based on a spenddown of excess income according to section 256B.056, subdivision 5, or MinnesotaCare for applicants and recipients defined in paragraph (c), except as provided in paragraph (d), and:

(1) who is receiving assistance under section 256D.05, except for families with children who are eligible under Minnesota family investment program (MFIP), or who is having a payment made on the person's behalf under sections 256I.01 to 256I.06; or

(2) who is a resident of Minnesota; and

(i) who has gross countable income not in excess of 75 percent of the federal poverty guidelines for the family size, using a six-month budget period and whose equity in assets is not in excess of \$1,000 per assistance unit. General assistance medical care is not available for applicants or enrollees who are otherwise eligible for medical assistance but fail to verify their assets. Enrollees who become eligible for medical assistance shall be terminated and transferred to medical assistance. Exempt assets, the reduction of excess assets, and the waiver of excess assets must conform to the medical assistance program in section 256B.056, subdivisions 3 and 3d, with the following exception: the maximum amount of undistributed funds in a trust that could be distributed to or on behalf of the beneficiary by the trustee, assuming the full exercise of the trustee's discretion under the terms of the trust, must be applied toward the asset maximum; or

(ii) who has gross countable income above 75 percent of the federal poverty guidelines but not in excess of 175 percent of the federal poverty guidelines for the family size, using a six-month budget period, whose equity in assets is not in excess of the limits in section 256B.056, subdivision 3c, and who applies during an inpatient hospitalization.

(b) The commissioner shall adjust the income standards under this section each July 1 by the annual update of the federal poverty guidelines following publication by the United States Department of Health and Human Services except that the income standards shall not go below those in effect on July 1, 2009.

(c) Effective for applications and renewals processed on or after September 1, 2006, general assistance medical care may not be paid for applicants or recipients who are adults with dependent children under 21 whose gross family income is equal to or less than 275 percent of the federal poverty guidelines who are not described in paragraph (f).

(d) Effective for applications and renewals processed on or after September 1, 2006, general assistance medical care may be paid for applicants and recipients who meet all eligibility requirements of paragraph (a), clause (2), item (i), for a temporary period beginning the date of application. Immediately following approval of general assistance medical care, enrollees shall be enrolled in MinnesotaCare under section 256L.04, subdivision 7, with covered services as provided in section 256L.03 for the rest of the six-month general assistance medical care eligibility period, until their six-month renewal.

(e) To be eligible for general assistance medical care following enrollment in MinnesotaCare as required by paragraph (d), an individual must complete a new application.

(f) Applicants and recipients eligible under paragraph (a), clause (2), item (i), are exempt from the MinnesotaCare enrollment requirements in this subdivision if they:

(1) have applied for and are awaiting a determination of blindness or disability by the state medical review team or a determination of eligibility for Supplemental Security Income or Social Security Disability Insurance by the Social Security Administration;

(2) fail to meet the requirements of section 256L.09, subdivision 2;

(3) are homeless as defined by United States Code, title 42, section 11301, et seq.;

(4) are classified as end-stage renal disease beneficiaries in the Medicare program;

(5) are enrolled in private health care coverage as defined in section 256B.02, subdivision 9;

(6) are eligible under paragraph (k);

(7) receive treatment funded pursuant to section 254B.02; or

(8) reside in the Minnesota sex offender program defined in chapter 246B.

(g) For applications received on or after October 1, 2003, eligibility may begin no earlier than the date of application. For individuals eligible under paragraph (a), clause (2), item (i), a redetermination of eligibility must occur every 12 months. Individuals are eligible under paragraph (a), clause (2), item (ii), only during inpatient hospitalization but may reapply if there is a subsequent period of inpatient hospitalization.

(h) Beginning September 1, 2006, Minnesota health care program applications and renewals completed by recipients and applicants who are persons described in paragraph (d) and submitted to the county agency shall be determined for MinnesotaCare eligibility by the county agency. If all other eligibility requirements of this subdivision are met, eligibility for general assistance medical care shall be available in any month during which MinnesotaCare enrollment is pending. Upon notification of eligibility for MinnesotaCare, notice of termination for eligibility for general assistance medical care shall be sent to an applicant or recipient. If all other eligibility requirements of this subdivision are met, eligibility for general assistance medical care shall be available until enrollment in MinnesotaCare subject to the provisions of paragraphs (d), (f), and (g).

(i) The date of an initial Minnesota health care program application necessary to begin a determination of eligibility shall be the date the applicant has provided a name, address, and Social Security number, signed and dated, to the county agency or the Department of Human Services. If the applicant is unable to provide a name, address, Social Security number, and signature when health care is delivered due to a medical condition or disability, a health care provider may act on an applicant's behalf to establish the date of an initial Minnesota health care program application by providing the county agency or Department of Human Services with provider identification and a temporary unique identifier for the applicant. The applicant must complete the remainder of the application and provide necessary verification before eligibility can be determined. The applicant must complete the application within the time periods required under the medical assistance program as specified in Minnesota Rules, parts 9505.0015, subpart 5, and 9505.0090, subpart 2. The county agency must assist the applicant in obtaining verification if necessary.

(j) County agencies are authorized to use all automated databases containing information regarding recipients' or applicants' income in order to determine eligibility for general assistance medical care or MinnesotaCare. Such use shall be considered sufficient in order to determine eligibility and premium payments by the county agency.

(k) General assistance medical care is not available for a person in a correctional facility unless the person is detained by law for less than one year in a county correctional or detention facility as a person accused or convicted of a crime, or admitted as an inpatient to a hospital on a criminal hold order, and the person is a recipient of general assistance medical care at the time the person is detained by law or admitted on a criminal hold order and as long as the person continues to meet other eligibility requirements of this subdivision.

(l) General assistance medical care is not available for applicants or recipients who do not cooperate with the county agency to meet the requirements of medical assistance.

(m) In determining the amount of assets of an individual eligible under paragraph (a), clause (2), item (i), there shall be included any asset or interest in an asset, including an asset excluded under paragraph (a), that was given away, sold, or disposed of for less than fair market value within the 60 months preceding application for general assistance medical care or during the period of eligibility. Any transfer described in this paragraph shall be presumed to have been for the purpose of establishing eligibility for general assistance medical care, unless the individual furnishes convincing evidence to establish that the transaction was exclusively for another purpose. For purposes of this paragraph, the value of the asset or interest shall be the fair market value at the time it was given away, sold, or disposed of, less the amount of compensation received. For any uncompensated transfer, the number of months of ineligibility, including partial months, shall be calculated by dividing the uncompensated transfer amount by the average monthly per person payment made by the medical assistance program to skilled nursing facilities for the previous calendar year. The individual shall remain ineligible until this fixed period has expired. The period of ineligibility may exceed 30 months, and a reapplication for benefits after 30 months from the date of the transfer shall not result in eligibility unless and until the period of ineligibility has expired. The period of ineligibility begins in the month the transfer was reported to the county agency, or if the transfer was not reported, the month in which the county agency discovered the transfer, whichever comes first. For applicants, the period of ineligibility begins on the date of the first approved application.

(n) When determining eligibility for any state benefits under this subdivision, the income and resources of all noncitizens shall be deemed to include their sponsor's income and resources as defined in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, title IV, Public Law 104-193, sections 421 and 422, and subsequently set out in federal rules.

(o) Undocumented noncitizens and nonimmigrants are ineligible for general assistance medical care. For purposes of this subdivision, a nonimmigrant is an individual in one or more of the classes listed in United States Code, title 8, section 1101, subsection (a), paragraph (15), and an undocumented noncitizen is an individual who resides in the United States without the approval or acquiescence of the United States Citizenship and Immigration Services.

(p) Notwithstanding any other provision of law, a noncitizen who is ineligible for medical assistance due to the deeming of a sponsor's income and resources, is ineligible for general assistance medical care.

(q) Effective July 1, 2003, general assistance medical care emergency services end.

Sec. 3. Minnesota Statutes 2008, section 256L.04, subdivision 7b, is amended to read:

Subd. 7b. **Annual income limits adjustment.** The commissioner shall adjust the income limits under this section each July 1 by the annual update of the federal poverty guidelines following publication by the United States Department of Health and Human Services except that the income standards shall not go below those in effect on July 1, 2009."

Delete the title and insert:

"A bill for an act relating to human services; changing health care eligibility provisions; making changes to individualized education plan requirements; state health access program; children's health insurance reauthorization act; long-term care partnership; asset transfers; community clinics; dental benefits; prior authorization for health services; drug formulary committee; preferred drug list; multisource drugs; administrative uniformity committee; health plans; claims against the state; income standards for eligibility; prepaid health plans; amending Minnesota Statutes 2008, sections 62A.045; 62Q.80; 62S.24, subdivision 8; 256B.055, subdivision 10; 256B.057, subdivision 1; 256B.0571, subdivision 6; 256B.0625, subdivisions 13c, 13g, 25, 30, by adding a subdivision; 256L.04, subdivision 7b; Minnesota Statutes 2009 Supplement, sections 15C.13; 256B.032; 256B.056, subdivision 1c; 256B.0571, subdivision 8; 256B.0625, subdivisions 9, 13e, 26; 256B.69, subdivisions 5a, 23; 256D.03, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 62S; repealing Minnesota Statutes 2008, sections 256B.0571, subdivision 10; 256B.0595, subdivisions 1b, 2b, 3b, 4b, 5."

The motion prevailed and the amendment was adopted.

Abeler moved to amend S. F. No. 3027, the first engrossment, as amended, as follows:

Page 6, line 14, after "less" insert "for an individual"

The motion prevailed and the amendment was adopted.

S. F. No. 3027, A bill for an act relating to human services; changing health care eligibility provisions; making changes to individualized education plan requirements; state health access program; children's health insurance reauthorization act; long-term care partnership; asset transfers; community clinics; dental benefits; prior authorization for health services; drug formulary committee; preferred drug list; multisource drugs; administrative uniformity committee; health plans; claims against the state; income standards for eligibility; prepaid health plans; amending Minnesota Statutes 2008, sections 62A.045; 62Q.80; 62S.24, subdivision 8; 256B.055, subdivision 10; 256B.057, subdivision 1; 256B.0571, subdivision 6; 256B.0625, subdivisions 13c, 13g, 25, 30, by adding a subdivision; 256L.04, subdivision 7b; Minnesota Statutes 2009 Supplement, sections 15C.13; 256B.056, subdivision 1c; 256B.0571, subdivision 8; 256B.0625, subdivisions 9, 13e, 26; 256B.69, subdivisions 5a, 23; 256D.03, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 62S; repealing Minnesota Statutes 2008, sections 256B.0571, subdivision 10; 256B.0595, subdivisions 1b, 2b, 3b, 4b, 5.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 123 yeas and 10 nays as follows:

Those who voted in the affirmative were:

Abeler	Beard	Brynaert	Davids	Doty	Faust
Anderson, B.	Benson	Bunn	Davnie	Downey	Fritz
Anderson, P.	Bigham	Carlson	Demmer	Eastlund	Gardner
Anderson, S.	Bly	Champion	Dill	Eken	Gottwalt
Anzelc	Brod	Clark	Dittrich	Emmer	Greiling
Atkins	Brown	Cornish	Doepke	Falk	Gunther

Hackbarth	Johnson	Lillie	Murphy, M.	Rukavina	Thao
Hamilton	Juhnke	Loeffler	Nelson	Ruud	Thissen
Hansen	Kahn	Loon	Newton	Sailer	Tillberry
Hausman	Kalin	Mack	Nornes	Sanders	Torkelson
Haws	Kath	Mahoney	Norton	Scalze	Urdahl
Hayden	Kelly	Mariani	Obermueller	Seifert	Wagenius
Hilstrom	Kiffmeyer	Marquart	Olin	Sertich	Ward
Hilty	Knuth	Masin	Otremba	Shimanski	Welti
Holberg	Koenen	McFarlane	Paymar	Simon	Westrom
Hornstein	Laine	McNamara	Pelowski	Slawik	Winkler
Hortman	Lanning	Morgan	Persell	Slocum	Zellers
Hosch	Lenczewski	Morrow	Peterson	Smith	Spk. Kelliher
Howes	Lesch	Mullery	Poppe	Solberg	
Huntley	Liebling	Murdock	Reinert	Sterner	
Jackson	Lieder	Murphy, E.	Rosenthal	Swails	

Those who voted in the negative were:

Buesgens	Dettmer	Garofalo	Kohls	Scott
Dean	Drazkowski	Hoppe	Peppin	Severson

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

S. F. No. 2974 was reported to the House.

Abeler, Thissen and Huntley moved to amend S. F. No. 2974, the third engrossment, as follows:

Page 18, after line 5, insert:

"Sec. 9. **NONSUBMISSION OF HEALTH CARE CLAIM BY CLEARINGHOUSE; SIGNIFICANT DISRUPTION.**

A situation shall be considered a significant disruption to normal operations that materially affects the provider's or facility's ability to conduct business in a normal manner and to submit claims on a timely basis under Minnesota Statutes, section 62Q.75, if:

(1) a clearinghouse loses, or otherwise does not submit, a health care claim as required by Minnesota Statutes, section 62J.536; and

(2) the provider or facility can substantiate that it submitted a complete claim to the clearinghouse within provisions stated in contract or six months of the date of service, whichever is less.

This section expires January 1, 2012."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Dean moved to amend S. F. No. 2974, the third engrossment, as amended, as follows:

Page 13, line 24, before "A" insert "(a)"

Page 13, after line 30, insert:

"(b) No data obtained from the electronic transmission of patients' medical records may be used by any government entity to restrict access to medical treatment options that are currently available to patients, based on age, quality of life, or category of illness."

The motion prevailed and the amendment was adopted.

Peppin offered an amendment to S. F. No. 2974, the third engrossment, as amended.

#### POINT OF ORDER

Huntley raised a point of order pursuant to rule 3.21 that the Peppin amendment was not in order. Speaker pro tempore Sertich ruled the point of order well taken and the Peppin amendment out of order.

Peppin appealed the decision of Speaker pro tempore Sertich.

A roll call was requested and properly seconded.

The vote was taken on the question "Shall the decision of Speaker pro tempore Sertich stand as the judgment of the House?" and the roll was called. There were 73 yeas and 60 nays as follows:

Those who voted in the affirmative were:

Anzelc	Dittrich	Jackson	Masin	Peterson	Swails
Atkins	Eken	Johnson	Morgan	Poppe	Thao
Benson	Falk	Kahn	Morrow	Reinert	Thissen
Bigham	Gardner	Kalin	Mullery	Rosenthal	Tillberry
Bly	Greiling	Knuth	Murphy, E.	Rukavina	Wagenius
Brown	Hansen	Laine	Murphy, M.	Ruud	Welti
Brynaert	Hausman	Lesch	Nelson	Sailer	Winkler
Bunn	Hayden	Liebling	Newton	Scalze	Spk. Kelliher
Carlson	Hilstrom	Lieder	Norton	Sertich	
Champion	Hilty	Lillie	Obermueller	Simon	
Clark	Hornstein	Loeffler	Paymar	Slawik	
Davnie	Hortman	Mahoney	Pelowski	Slocum	
Dill	Huntley	Mariani	Persell	Solberg	

Those who voted in the negative were:

Abeler	Anderson, S.	Buesgens	Dean	Doepke	Drzkowski
Anderson, B.	Beard	Cornish	Demmer	Doty	Eastlund
Anderson, P.	Brod	Davids	Dettmer	Downey	Emmer

Faust	Haws	Kelly	Mack	Otremba	Smith
Fritz	Holberg	Kiffmeyer	Marquart	Peppin	Sterner
Garofalo	Hoppe	Koenen	McFarlane	Sanders	Torkelson
Gottwalt	Hosch	Kohls	McNamara	Scott	Urdahl
Gunther	Howes	Lanning	Murdock	Seifert	Ward
Hackbarth	Juhnke	Lenczewski	Nornes	Severson	Westrom
Hamilton	Kath	Loon	Olin	Shimanski	Zellers

So it was the judgment of the House that the decision of Speaker pro tempore Sertich should stand.

S. F. No. 2974, A bill for an act relating to health; amending provisions for electronic health record technology; providing for administrative penalties; appropriating money; amending Minnesota Statutes 2009 Supplement, sections 62J.495, subdivisions 1a, 3, by adding a subdivision; 62J.497, subdivisions 4, 5; proposing coding for new law in Minnesota Statutes, chapter 62J.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 96 yeas and 37 nays as follows:

Those who voted in the affirmative were:

Abeler	Dittrich	Hornstein	Lieder	Norton	Simon
Anderson, P.	Doty	Hortman	Lillie	Obermueller	Slawik
Anderson, S.	Eastlund	Hosch	Loeffler	Olin	Slocum
Anzelc	Eken	Huntley	Mahoney	Otremba	Smith
Atkins	Falk	Jackson	Mariani	Paymar	Solberg
Benson	Faust	Johnson	Marquart	Pelowski	Sterner
Bigham	Fritz	Juhnke	Masin	Persell	Swails
Bly	Gardner	Kahn	McFarlane	Peterson	Thao
Brown	Greiling	Kalin	McNamara	Poppe	Thissen
Brynaert	Hamilton	Kath	Morgan	Reinert	Tillberry
Bunn	Hansen	Knuth	Morrow	Rosenthal	Torkelson
Carlson	Hausman	Koenen	Mullery	Rukavina	Wagenius
Champion	Haws	Laine	Murphy, E.	Ruud	Ward
Clark	Hayden	Lenczewski	Murphy, M.	Sailer	Welti
Davnie	Hilstrom	Lesch	Nelson	Scalze	Winkler
Dill	Hilty	Liebling	Newton	Sertich	Spk. Kelliher

Those who voted in the negative were:

Anderson, B.	Demmer	Gottwalt	Kiffmeyer	Peppin	Westrom
Beard	Dettmer	Gunther	Kohls	Sanders	Zellers
Brod	Doepke	Hackbarth	Lanning	Scott	
Buesgens	Downey	Holberg	Loon	Seifert	
Cornish	Drazkowski	Hoppe	Mack	Severson	
Davids	Emmer	Howes	Murdock	Shimanski	
Dean	Garofalo	Kelly	Nornes	Urdahl	

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

H. F. No. 2614 was reported to the House.

Huntley moved to amend H. F. No. 2614, the second engrossment, as follows:

Page 18, line 19, delete "7.5" and insert "4.5"

Page 18, line 21, delete everything after "January 1," and insert "2011, through December 31, 2012,"

Page 18, after line 22, insert:

"(j) Payment rates for fee-for-service medical assistance admissions occurring on or after July 1, 2011, through June 30, 2013, for admissions for the following diagnosis-related groups: 202 peds bronchitis and asthma with major condition; 789 neonates, died or transferred to another acute care facility; 790 extreme immaturity or respiratory distress syndrome; 791 prematurity with major problems; 793 full term neonate with major problems; 794 neonate with other significant problems; 881 depressive neuroses; 885 psychoses; and 886 behavior and developmental disorders, shall be increased for these diagnosis-related groups at a percentage calculated to cost no more than a total of \$7,200,000 per fiscal year, including state and federal shares. For purposes of this paragraph, medical assistance does not include general assistance medical care. The commissioner shall adjust rates to a prepaid health plan under contract with the commissioner on a temporary basis to reflect payments provided in this paragraph, and prepaid health plans are required to increase rates to providers under contract on a temporary basis to reflect payments provided in this paragraph.

**EFFECTIVE DATE.** This section is effective July 1, 2011."

Page 18, delete section 5

Page 36, line 4, delete "1.4" and insert "1.3"

Page 41, delete lines 6 to 23 and insert:

"(f) Effective for services rendered on or after October 1, 2010, medical assistance payment for dental services for state-operated dental clinics shall be paid on a cost-based payment system that is based on the cost-finding methods and allowable costs of the Medicare program. This paragraph is effective January 1, 2011, for enrollees in managed care receiving services at state-operated dental clinics.

(g) Effective beginning with fiscal year 2011, if the payments to state-operated dental clinics in paragraph (f), including state and federal shares, are less than \$1,800,000 per year, a supplemental state payment, equal to the difference between the total payments in paragraph (f) and \$1,800,000 shall be made from the general fund to state-operated services to operate the dental clinics.

**EFFECTIVE DATE.** This section is effective January 1, 2011."

Page 62, after line 22, insert:

"Sec. 62. **Hennepin and Ramsey Counties Pilot Program.** (a) The commissioner, upon federal approval of a new waiver request or amendment of an existing demonstration, may establish a pilot program in Hennepin County or Ramsey County, or both, to test alternative and innovative integrated health care delivery networks.

(b) Individuals eligible for the pilot program shall be individuals who are eligible for medical assistance under section 256B.055, subdivision 15, and who reside in Hennepin County or Ramsey County.



(c) Individuals enrolled in the pilot shall be enrolled in an integrated health care delivery network in their county of residence. The integrated health care delivery network in Hennepin County shall be a network, such as an accountable care organization or a community-based collaborative care network, created by or including Hennepin County Medical Center. The integrated health care delivery network in Ramsey County shall be a network, such as an accountable care organization or community-based collaborative care network, created by or including Regions Hospital.

(d) The commissioner shall cap pilot program enrollment at 7,000 enrollees for Hennepin County and 3,500 enrollees for Ramsey County.

(e) In developing a payment system for the pilot programs, the commissioner shall establish a total cost of care for the recipients enrolled in the pilot programs that equals the cost of care that would otherwise be spent for these enrollees in the prepaid medical assistance program.

(f) Counties may transfer funds necessary to support the nonfederal share of payments for integrated health care delivery networks in their county. Such transfers per county shall not exceed 15 percent of the expected expenses for county enrollees.

(g) The commissioner shall apply to the federal government for, or as appropriate, cooperate with counties, providers, or other entities that are applying for any applicable grant or demonstration under the Patient Protection and Affordable Health Care Act, Public Law 111-148, or the Health Care and Education Reconciliation Act of 2010, Public Law 111-152, that would further the purposes of or assist in the creation of an integrated health care delivery network for the purposes of this subdivision, including, but not limited to, a global payment demonstration or the community-based collaborative care network grants."

Page 62, delete section 63

Page 75, line 19, delete "beginning" and insert "for the rate period" and after "2010" insert ", to June 30, 2011"

Page 78, line 11, delete "beginning" and insert "for the rate period" and delete "2009" and insert "2010, to June 30, 2011"

Page 100, after line 6, insert:

"Sec. 22. AUTISM PREVALENCE.

A task force of five members of the house of representatives shall be appointed to study the prevalence of autism in the Somali community. Four members shall be appointed by the speaker of the house, and one member shall be appointed by the minority leader. Members of the task force shall be paid a per diem as provided in Minnesota Statutes, sections 3.099 and 3.101. Frequency of the meetings shall be determined by the members of task force, but in no case may the task force have less than three meetings. The task force shall issue a report and legislative proposals to the chairs of the standing committees with jurisdiction over health and education no later than January 1, 2011."

Page 154, delete lines 14 to 20

Page 155, delete lines 1 to 7

Page 156, delete lines 30 to 34

Page 157, delete lines 1 to 7

Page 157, line 14, delete "(4)" and insert "(1)"

Page 157, line 19, delete "(5)" and insert "(2)"

Page 157, line 25, delete "(6)" and insert "(3)"

Page 159, delete lines 9 to 13

Page 159, line 14, delete "12,854,000" and insert "9,000,000"

Page 159, after line 14, insert:

**"State-Operated Services.** Of this appropriation, \$8,300,000 in fiscal year 2011 is for the commissioner to maintain dental clinics, the METO program, and other residential adult mental health services.

**"Dental Clinics.** \$700,000 is to continue the operation of the dental clinics in Brainerd, Cambridge, Faribault, Fergus Falls, and Willmar. The commissioner shall continue to bill for services provided to obtain medical assistance critical access dental payments and cost-based payment rates as provided in Minnesota Statutes, section 256B.76, subdivision 2. The commissioner shall not close any of the state-operated dental clinics without specific legislative approval. This appropriation is onetime."

Page 159, after line 33, insert:

<u>"(1) Childrens Services Grants</u>	<u>-0-</u>	<u>(897,000)"</u>
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Page 159, line 34, delete "(1)" and insert "(2)"

Page 160, line 1, delete "(2)" and insert "(3)"

Page 160, line 3, delete "(3)" and insert "(4)"

Page 160, line 5, delete "(4)" and insert "(5)"

Page 160, line 7, delete "(5)" and insert "(6)"

Page 163, after line 23, insert:

<b><u>"Subd. 5. Office of Minority and Multicultural Health</u></b>	<u>-0-</u>	<u>25,000</u>
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\$25,000 from the general fund in fiscal year 2011 is for purposes of the Autism Prevalence Task Force."

Page 176, line 15, after "\$28,000,000" insert "in fiscal year 2011" and after the period, insert "This rider is effective the day following final enactment."

Page 194, line 2, delete "\$38,475,000" and insert "\$37,860,000" and delete "\$14,758,000" and insert "\$15,958,000"

Page 194, line 3, delete "\$35,058,000" and insert "\$37,109,000"

Amend the appropriations by the specified amounts and correct the totals and the appropriations by fund accordingly

The motion prevailed and the amendment was adopted.

Clark moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 149, after line 12, insert:

"This appropriation is for food shelf programs under Minnesota Statutes, section 256E.34."

The motion prevailed and the amendment was adopted.

Hornstein moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 33, after line 8, insert:

"Sec. 23. Minnesota Statutes 2008, section 256B.441, is amended by adding a subdivision to read:

Subd. 60. **Nursing facility rate reductions effective July 1, 2010.** (a) Effective for the rate period July 1, 2010, through June 30, 2011, the commissioner shall increase the operating payment rate of each nursing facility reimbursed under this section or section 256B.434 by 2.0 percent of the operating payment rate in effect on June 30, 2010.

(b) Effective July 1, 2011, the commissioner shall increase the operating payment rate of each nursing facility reimbursed under this section or section 256B.434 by 1.5 percent.

Sec. 24. Minnesota Statutes 2008, section 256B.5012, is amended by adding a subdivision to read:

Subd. 9. **ICF/MR rate reductions effective July 1, 2010.** Effective for the rate period July 1, 2010, through June 30, 2011, the commissioner shall increase the operating payment rate of each facility reimbursed under this section by 2.0 percent of the operating payment rates in effect on June 30, 2010. Effective July 1, 2011, the commissioner shall increase the operating payment rate of each facility reimbursed under this section by 1.5 percent."

Page 63, after line 3, insert:

"Sec. 64. **PROVIDER RATE AND GRANT REDUCTIONS.**

(a) The commissioner of human services, for the rate period July 1, 2010, through June 30, 2011, shall increase grants, allocations, reimbursement rates, or rate limits, as applicable, by 2.0 percent from the applicable amount in effect on June 30, 2010. Effective July 1, 2011, the commissioner of human services shall increase grants, allocations, reimbursement rates, or rate limits, as applicable, by 1.5 percent.

(b) The rate changes described in this section must be provided to:

(1) home and community-based waived services for persons with developmental disabilities or related conditions, including consumer-directed community supports, under Minnesota Statutes, section 256B.501;

(2) home and community-based waived services for the elderly, including consumer-directed community supports, under Minnesota Statutes, section 256B.0915;

(3) waived services under community alternatives for disabled individuals, including consumer-directed community supports, under Minnesota Statutes, section 256B.49;

(4) community alternative care waived services, including consumer-directed community supports, under Minnesota Statutes, section 256B.49;

(5) traumatic brain injury waived services, including consumer-directed community supports, under Minnesota Statutes, section 256B.49;

(6) nursing services and home health services under Minnesota Statutes, section 256B.0625, subdivision 6a;

(7) personal care services and qualified professional supervision of personal care services under Minnesota Statutes, section 256B.0625, subdivisions 6a and 19a;

(8) private duty nursing services under Minnesota Statutes, section 256B.0625, subdivision 7;

(9) day training and habilitation services for adults with developmental disabilities or related conditions under Minnesota Statutes, sections 252.40 to 252.46, including the additional cost of rate adjustments on day training and habilitation services, provided as a social service under Minnesota Statutes, section 256M.60;

(10) alternative care services under Minnesota Statutes, section 256B.0913;

(11) semi-independent living services (SILS) under Minnesota Statutes, section 252.275, including SILS funding under county social services grants formerly funded under Minnesota Statutes, chapter 256I;

(12) community support services for deaf and hard-of-hearing adults with mental illness who use or wish to use sign language as their primary means of communication under Minnesota Statutes, section 256.01, subdivision 2; and deaf and hard-of-hearing grants under Minnesota Statutes, sections 256C.233, 256C.25, and 256C.261; Laws 1985, First Special Session chapter 9, article 1; Laws 1997, chapter 203, article 1, section 2, subdivision 8, as amended by Laws 1997, First Special Session chapter 5, section 20; and Laws 2007, chapter 147, article 19, section 3, subdivision 8, as amended by Laws 2008, chapter 317, section 3;

(13) consumer support grants under Minnesota Statutes, section 256.476;

(14) family support grants under Minnesota Statutes, section 252.32;

(15) aging grants under Minnesota Statutes, sections 256.975 to 256.977, 256B.0917, and 256B.0928;

(16) disability linkage line grants under Minnesota Statutes, section 256.01, subdivision 24; and

(17) housing access grants under Minnesota Statutes, section 256B.0658."

Page 98, after line 36, insert:

"Sec. 19. Minnesota Statutes 2009 Supplement, section 289A.08, subdivision 3, is amended to read:

Subd. 3. **Corporations.** (a) A corporation that is subject to the state's jurisdiction to tax under section 290.014, subdivision 5, must file a return, ~~except that a foreign operating corporation as defined in section 290.01, subdivision 6b, is not required to file a return.~~

(b) Members of a unitary business that are required to file a combined report on one return must designate a member of the unitary business to be responsible for tax matters, including the filing of returns, the payment of taxes, additions to tax, penalties, interest, or any other payment, and for the receipt of refunds of taxes or interest paid in excess of taxes lawfully due. The designated member must be a member of the unitary business that is filing the single combined report and either:

(1) a corporation that is subject to the taxes imposed by chapter 290; or

(2) a corporation that is not subject to the taxes imposed by chapter 290:

(i) Such corporation consents by filing the return as a designated member under this clause to remit taxes, penalties, interest, or additions to tax due from the members of the unitary business subject to tax, and receive refunds or other payments on behalf of other members of the unitary business. The member designated under this clause is a "taxpayer" for the purposes of this chapter and chapter 270C, and is liable for any liability imposed on the unitary business under this chapter and chapter 290.

(ii) If the state does not otherwise have the jurisdiction to tax the member designated under this clause, consenting to be the designated member does not create the jurisdiction to impose tax on the designated member, other than as described in item (i).

(iii) The member designated under this clause must apply for a business tax account identification number.

(c) The commissioner shall adopt rules for the filing of one return on behalf of the members of an affiliated group of corporations that are required to file a combined report. All members of an affiliated group that are required to file a combined report must file one return on behalf of the members of the group under rules adopted by the commissioner.

(d) If a corporation claims on a return that it has paid tax in excess of the amount of taxes lawfully due, that corporation must include on that return information necessary for payment of the tax in excess of the amount lawfully due by electronic means.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2009.

Sec. 20. Minnesota Statutes 2008, section 290.01, subdivision 5, is amended to read:

Subd. 5. **Domestic corporation.** The term "domestic" when applied to a corporation means a corporation:

(1) created or organized in the United States, or under the laws of the United States or of any state, the District of Columbia, or any political subdivision of any of the foregoing but not including the Commonwealth of Puerto Rico, or any possession of the United States;

(2) which qualifies as a DISC, as defined in section 992(a) of the Internal Revenue Code; ~~or~~

(3) which qualifies as a FSC, as defined in section 922 of the Internal Revenue Code;

(4) which is incorporated in a tax haven;

(5) which is engaged in activity in a tax haven sufficient for the tax haven to impose a net income tax under United States constitutional standards and section 290.015, and which reports that 20 percent or more of its income is attributable to business in the tax haven; or

(6) which has the average of its property, payroll, and sales factors, as defined under section 290.191, within the 50 states of the United States and the District of Columbia of 20 percent or more.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2009.

Sec. 21. Minnesota Statutes 2008, section 290.01, is amended by adding a subdivision to read:

Subd. 5c. **Tax haven.** (a) "Tax haven" means a foreign jurisdiction designated under this subdivision.

(b) The commissioner may designate a foreign jurisdiction as a tax haven by administrative rule if the jurisdiction:

(1) has no or nominal effective tax on the relevant income; and

(2)(i) has laws or practices that prevent effective exchange of information for tax purposes with other governments on taxpayers benefiting from the tax regime;

(ii) has a tax regime that lacks transparency. A tax regime lacks transparency if the details of legislative, legal, or administrative provisions are not open and apparent or are not consistently applied among similarly situated taxpayers, or if the information needed by tax authorities to determine a taxpayer's correct tax liability, such as accounting records and underlying documentation, is not adequately available;

(iii) facilitates the establishment of foreign-owned entities without the need for a local substantive presence or prohibits these entities from having any commercial impact on the local economy;

(iv) explicitly or implicitly excludes the jurisdiction's resident taxpayers from taking advantage of the tax regime's benefits or prohibits enterprises that benefit from the regime from operating in the jurisdiction's domestic markets; or

(v) has created a tax regime that is favorable for tax avoidance, based upon an overall assessment of relevant factors, including whether the jurisdiction has a significant untaxed offshore financial or other services sector relative to its overall economy.

(c) The following foreign jurisdictions are deemed to be tax havens, unless the commissioner, by revenue notice, provides notification that the jurisdiction no longer satisfies the requirements of paragraph (b) and removes the jurisdiction from the list:

(1) Anguilla;

(2) Antigua and Barbuda;

(3) Aruba;

(4) Bahamas;

(5) Barbados;

(6) Belize;

(7) Bermuda;

(8) British Virgin Islands;

(9) Cayman Islands;

(10) Cook Islands;

(11) Dominica;

(12) Gibraltar;

(13) Grenada;

(14) Guernsey-Sark-Alderney;

(15) Isle of Man;

(16) Jersey;

(17) Latvia;

(18) Liechtenstein;

(19) Luxembourg;

(20) Nauru;

(21) Netherlands Antilles;

(22) Panama;

(23) Samoa;

(24) St. Kitts and Nevis;

(25) St. Lucia;

(26) St. Vincent and Grenadines;

(27) Turks and Caicos; and

(28) Vanuatu.

(d) The commissioner shall revoke a foreign jurisdiction's listing under paragraph (b) or (c), as applicable, if the United States enters into a tax treaty or other agreement with the foreign jurisdiction that provides for prompt, obligatory, and automatic exchange of information with the United States government relevant to enforcing the provisions of federal tax laws and the treaty or other agreement was in effect for the taxable year.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2009.

Sec. 22. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. **Corporations; additions to federal taxable income.** For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes, including but not limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

(2) interest not subject to federal tax upon obligations of: the United States, its possessions, its agencies, or its instrumentalities; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; the District of Columbia; or Indian tribal governments;

(3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code;

(4) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss deduction under section 810 of the Internal Revenue Code;

(5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 and 965 of the Internal Revenue Code;

(6) losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota income tax;

(7) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code;

(8) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(9) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

(10) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

(11) for taxable years beginning before January 1, 2010, the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend shall be reduced by the amount of the addition to income required by clauses (20), (21), (22), and (23);



(12) 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;

(13) the amount of net income excluded under section 114 of the Internal Revenue Code;

(14) for taxable years beginning before January 1, 2010, any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

(15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

(16) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(17) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

(18) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

(19) the amount of expenses disallowed under section 290.10, subdivision 2;

(20) for taxable years beginning before January 1, 2010, an amount equal to the interest and intangible expenses, losses, and costs paid, accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit of a corporation that is a member of the taxpayer's unitary business group that qualifies as a foreign operating corporation. For purposes of this clause, intangible expenses and costs include:

(i) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) losses incurred, directly or indirectly, from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar expenses and costs.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible expenses or costs paid, accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect to such item of income to the extent that the income to the foreign operating corporation is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(21) for taxable years beginning before January 1, 2010, except as already included in the taxpayer's taxable income pursuant to clause (20), any interest income and income generated from intangible property received or accrued by a foreign operating corporation that is a member of the taxpayer's unitary group. For purposes of this clause, income generated from intangible property includes:

(i) income related to the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) income from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar income.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible income received or accrued by a foreign operating corporation with respect to such item of income to the extent that the income is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(22) for taxable years beginning before January 1, 2010, the dividends attributable to the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to the dividends paid deduction of a real estate investment trust under section 561(a) of the Internal Revenue Code for amounts paid or accrued by the real estate investment trust to the foreign operating corporation;

(23) for taxable years beginning before January 1, 2010, the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to gains derived from the sale of real or personal property located in the United States;

(24) the additional amount allowed as a deduction for donation of computer technology and equipment under section 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and

(25) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2009.

Sec. 23. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the work opportunity credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (9), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(8) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(9) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year;

(10) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation, unless the income resulting from such payments or accruals is income from sources within the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(11) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

(12) the amount of disability access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

(13) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

(14) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

(15) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

(16) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

(17) for taxable years beginning before January 1, 2010, any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

(18) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (15), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (15). The resulting delayed depreciation cannot be less than zero;

(19) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the amount of the addition; and

(20) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under section 290.01, subdivision 19c, clause (25).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2009.

Sec. 24. Minnesota Statutes 2008, 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 business income subject to subdivision 5, income of an insurance company, or income of an investment company determined under section 290.36.

(b) The term "unitary business" means business activities or operations which 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 66A.40.

(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). The legislature intends that the provisions of this paragraph are not severable from the provisions of section 290.01, subdivision 5, clauses (4) to (6), and if any of those provisions are found to be unconstitutional, the provisions of this paragraph are void for the respective taxable years.~~

~~(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 (10), 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.

~~(h)~~ (h) 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 (10), shall not be disallowed.

~~(i)~~ (i) 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)~~ (g) 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)~~ (g) in the denominators of the apportionment formula.

~~(j)~~ (j) 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.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2009."

Page 100 , delete section 22 and insert:

"Sec. 22. **REPEALER.**

(a) Minnesota Statutes 2008, sections 254B.02, subdivisions 2, 3, and 4; and 254B.09, subdivisions 4, 5, and 7, and Laws 2009, chapter 79, article 7, section 26, subdivision 3, are repealed.

(b) Minnesota Statutes 2008, sections 290.01, subdivision 6b; and 290.0921, subdivision 7, are repealed effective for taxable years beginning after December 31, 2009."

Page 148, delete lines 24 to 31

Page 148, delete line 32

Page 149, delete lines 1 to 7

Page 157, delete lines 14 to 18

Page 157, renumber the clauses

Adjust amounts accordingly

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

#### POINT OF ORDER

Kohls raised a point of order pursuant to rule 3.21 that the Hornstein amendment was not in order.

Speaker pro tempore Sertich submitted the following question to the House: "Is it the judgment of the House that the Kohls point of order is well taken?"

A roll call was requested and properly seconded.

#### CALL OF THE HOUSE

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

Abeler	Dettmer	Hayden	Lenczewski	Obermueller	Slocum
Anderson, B.	Dill	Hilstrom	Lesch	Olin	Smith
Anderson, P.	Dittrich	Hilty	Liebling	Otremba	Solberg
Anderson, S.	Doepke	Holberg	Lieder	Paymar	Sterner
Anzelc	Doty	Hoppe	Lillie	Pelowski	Swails
Atkins	Downey	Hornstein	Loeffler	Peppin	Thao
Beard	Drazkowski	Hortman	Mack	Persell	Thissen
Benson	Eastlund	Hosch	Mahoney	Peterson	Tillberry
Bigham	Eken	Howes	Mariani	Poppe	Torkelson
Bly	Emmer	Huntley	Marquart	Reinert	Urdahl
Brod	Falk	Jackson	Masin	Rosenthal	Wagenius
Brown	Faust	Johnson	McFarlane	Rukavina	Ward
Brynaert	Fritz	Juhnke	McNamara	Ruud	Welti
Buesgens	Gardner	Kahn	Morgan	Sailer	Westrom
Bunn	Garofalo	Kalin	Morrow	Sanders	Winkler
Carlson	Gottwalt	Kath	Mullery	Scalze	Zellers
Champion	Greiling	Kelly	Murdock	Scott	Spk. Kelliher
Clark	Gunther	Kiffmeyer	Murphy, E.	Seifert	
Cornish	Hackbarth	Knuth	Murphy, M.	Sertich	
Davids	Hamilton	Koenen	Nelson	Severson	
Davnie	Hansen	Kohls	Newton	Shimanski	
Dean	Hausman	Laine	Nornes	Simon	
Demmer	Haws	Lanning	Norton	Slawik	

Morrow 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.

The vote recurred on the question "Is it the judgment of the House that the Kohls point of order is well taken?" and the roll was called. There were 58 yeas and 75 nays as follows:

Those who voted in the affirmative were:

Abeler	Davids	Garofalo	Kiffmeyer	Obermueller	Shimanski
Anderson, B.	Dean	Gottwalt	Kohls	Pelowski	Smith
Anderson, P.	Demmer	Gunther	Lanning	Peppin	Sterner
Anderson, S.	Dettmer	Hackbarth	Loon	Poppe	Torkelson
Atkins	Dittrich	Hamilton	Mack	Rosenthal	Urdahl
Beard	Doepke	Holberg	McFarlane	Sanders	Welti
Brod	Downey	Hoppe	McNamara	Scalze	Westrom
Buesgens	Drazkowski	Howes	Murdock	Scott	Zellers
Bunn	Eastlund	Kath	Murphy, M.	Seifert	
Cornish	Emmer	Kelly	Nornes	Severson	

Those who voted in the negative were:

Anzelc	Falk	Hosch	Lieder	Norton	Slocum
Benson	Faust	Huntley	Lillie	Olin	Solberg
Bigham	Fritz	Jackson	Loeffler	Otremba	Swails
Bly	Gardner	Johnson	Mahoney	Paymar	Thao
Brown	Greiling	Juhnke	Mariani	Persell	Thissen
Brynaert	Hansen	Kahn	Marquart	Peterson	Tillberry
Carlson	Hausman	Kalin	Masin	Reinert	Wagenius
Champion	Haws	Knuth	Morgan	Rukavina	Ward
Clark	Hayden	Koenen	Morrow	Ruud	Winkler
Davnie	Hilstrom	Laine	Mullery	Sailer	Spk. Kelliher
Dill	Hilty	Lenczewski	Murphy, E.	Sertich	
Doty	Hornstein	Lesch	Nelson	Simon	
Eken	Hortman	Liebling	Newton	Slawik	

So it was the judgment of the House that the Kohls point of order was not well taken and the Hornstein amendment was in order.

#### POINT OF ORDER

Buesgens raised a point of order pursuant to rule 4.03, relating to Ways and Means Committee; Budget Resolution; Effect on Expenditure and Revenue Bills that the Hornstein amendment was not in order. Speaker pro tempore Sertich ruled the point of order not well taken and the Hornstein amendment in order.

Buesgens appealed the decision of Speaker pro tempore Sertich.

A roll call was requested and properly seconded.

The vote was taken on the question "Shall the decision of Speaker pro tempore Sertich stand as the judgment of the House?" and the roll was called. There were 85 yeas and 48 nays as follows:

Those who voted in the affirmative were:

Anzelc	Bigham	Brynaert	Champion	Dill	Eken
Atkins	Bly	Bunn	Clark	Dittrich	Falk
Benson	Brown	Carlson	Davnie	Doty	Faust



Fritz	Huntley	Liebling	Murphy, M.	Reinert	Thissen
Gardner	Jackson	Lieder	Nelson	Rukavina	Tillberry
Greiling	Johnson	Lillie	Newton	Ruud	Wagenius
Hansen	Juhnke	Loeffler	Norton	Sailer	Ward
Hausman	Kahn	Mahoney	Obermueller	Scalze	Welti
Haws	Kalin	Mariani	Olin	Sertich	Winkler
Hayden	Kath	Marquart	Otremba	Simon	Spk. Kelliher
Hilstrom	Knuth	Masin	Paymar	Slawik	
Hilty	Koenen	Morgan	Pelowski	Slocum	
Hornstein	Laine	Morrow	Persell	Solberg	
Hortman	Lenczewski	Mullery	Peterson	Swails	
Hosch	Lesch	Murphy, E.	Poppe	Thao	

Those who voted in the negative were:

Abeler	Dauids	Emmer	Howes	McNamara	Severson
Anderson, B.	Dean	Garofalo	Kelly	Murdock	Shimanski
Anderson, P.	Demmer	Gottwalt	Kiffmeyer	Nornes	Smith
Anderson, S.	Dettmer	Gunther	Kohls	Peppin	Sterner
Beard	Doepke	Hackbarth	Lanning	Rosenthal	Torkelson
Brod	Downey	Hamilton	Loon	Sanders	Urdahl
Buesgens	Drazkowski	Holberg	Mack	Scott	Westrom
Cornish	Eastlund	Hoppe	McFarlane	Seifert	Zellers

So it was the judgment of the House that the decision of Speaker pro tempore Sertich should stand.

#### CALL OF THE HOUSE LIFTED

Morrow moved that the call of the House be lifted. The motion prevailed and it was so ordered.

Dean moved to amend the Hornstein amendment to H. F. No. 2614, the second engrossment, as amended, as follows:

Page 3, after line 9, insert:

"Page 80, line 18, delete "110" and insert "100"

Page 3, delete lines 10 to 36

Page 4, delete lines 1 to 33

Page 5, delete lines 1 to 36

Page 6, delete lines 1 to 35

Page 7, delete lines 1 to 36

Page 8, delete lines 1 to 36

Page 9, delete lines 1 to 34

Page 10, delete lines 1 to 36

Page 11, delete lines 1 to 36

Page 12, delete lines 1 to 35

Page 13, delete lines 1 to 35

Page 14, delete lines 1 to 36

Page 15, delete lines 1 to 19 and insert:

"Page 129, delete lines 13 and 14

Page 131, after line 26, insert:

"Sec. 11. **EFFECTIVE DATE.**

Sections 1 to 10 are effective January 1, 2014."

Page 15, after line 24, insert:

"Page 160, delete lines 23 to 29, and insert:

**"Statewide Health Improvement Program.** The funding for the statewide health improvement program, established under Minnesota Statutes, section 145.986, is canceled.

**Family Planning Grants.** The funding for family planning grants, established under Minnesota Statutes, section 145.925, is canceled."

Page 194, delete lines 1 to 6 and insert "\$27,000,000 is transferred from the health care access fund to the general fund."

A roll call was requested and properly seconded.

The question was taken on the amendment to the amendment and the roll was called. There were 43 yeas and 90 nays as follows:

Those who voted in the affirmative were:

Anderson, B.	Dean	Gottwalt	Kiffmeyer	Peppin	Urdahl
Anderson, P.	Demmer	Gunther	Kohls	Sanders	Westrom
Anderson, S.	Dettmer	Hackbarth	Lanning	Scott	Zellers
Beard	Downey	Hamilton	Loon	Seifert	
Brod	Drazkowski	Holberg	Mack	Severson	
Buesgens	Eastlund	Hoppe	McNamara	Shimanski	
Cornish	Emmer	Howes	Murdock	Smith	
Dauids	Garofalo	Kelly	Nornes	Torkelson	

Those who voted in the negative were:

Abeler	Doepke	Hortman	Lieder	Norton	Sertich
Anzelc	Doty	Hosch	Lillie	Obermueller	Simon
Atkins	Eken	Huntley	Loeffler	Olin	Slawik
Benson	Falk	Jackson	Mahoney	Otremba	Slocum
Bigham	Faust	Johnson	Mariani	Paymar	Solberg
Bly	Fritz	Juhnke	Marquart	Pelowski	Sterner
Brown	Gardner	Kahn	Masin	Persell	Swails
Brynaert	Greiling	Kalin	McFarlane	Peterson	Thao
Bunn	Hansen	Kath	Morgan	Poppe	Thissen
Carlson	Hausman	Knuth	Morrow	Reinert	Tillberry
Champion	Haws	Koenen	Mullery	Rosenthal	Wagenius
Clark	Hayden	Laine	Murphy, E.	Rukavina	Ward
Davnie	Hilstrom	Lenczewski	Murphy, M.	Ruud	Walti
Dill	Hilty	Lesch	Nelson	Sailer	Winkler
Dittrich	Hornstein	Liebling	Newton	Scalze	Spk. Kelliher

The motion did not prevail and the amendment to the amendment was not adopted.

Brod moved to amend the Hornstein amendment to H. F. No. 2614, the second engrossment, as amended, as follows:

Page 5, line 18, delete ". unless the"

Page 5, delete line 19

Page 5, line 20, delete everything before the colon

The motion prevailed and the amendment to the amendment was adopted.

The question recurred on the Hornstein amendment, as amended, and the roll was called. There were 78 yeas and 55 nays as follows:

Those who voted in the affirmative were:

Anzelc	Eken	Hortman	Lesch	Murphy, M.	Simon
Atkins	Falk	Hosch	Liebling	Nelson	Slawik
Benson	Faust	Huntley	Lieder	Newton	Slocum
Bigham	Fritz	Jackson	Lillie	Olin	Solberg
Bly	Gardner	Johnson	Loeffler	Otremba	Sterner
Brown	Greiling	Juhnke	Mahoney	Paymar	Swails
Brynaert	Hansen	Kahn	Mariani	Pelowski	Thao
Carlson	Hausman	Kalin	Marquart	Persell	Thissen
Champion	Haws	Kath	Masin	Poppe	Tillberry
Clark	Hayden	Knuth	Morgan	Reinert	Wagenius
Davnie	Hilstrom	Koenen	Morrow	Rukavina	Ward
Dill	Hilty	Laine	Mullery	Sailer	Winkler
Doty	Hornstein	Lenczewski	Murphy, E.	Sertich	Spk. Kelliher

Those who voted in the negative were:

Abeler	Dean	Gottwalt	Lanning	Peterson	Torkelson
Anderson, B.	Demmer	Gunther	Loon	Rosenthal	Urdahl
Anderson, P.	Dettmer	Hackbarth	Mack	Ruud	Welti
Anderson, S.	Dittrich	Hamilton	McFarlane	Sanders	Westrom
Beard	Doepke	Holberg	McNamara	Scalze	Zellers
Brod	Downey	Hoppe	Murdock	Scott	
Buesgens	Drazkowski	Howes	Nornes	Seifert	
Bunn	Eastlund	Kelly	Norton	Severson	
Cornish	Emmer	Kiffmeyer	Obermueller	Shimanski	
Davids	Garofalo	Kohls	Peppin	Smith	

The motion prevailed and the amendment, as amended, was adopted.

Dean; Sanders; Gottwalt; Abeler; Smith; Severson; Murdock; Shimanski; Doepke; Mack; Buesgens; Hoppe; Emmer; Drazkowski; Scott; Anderson, B.; Zellers and Hackbarth moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 124, after line 12, insert:

"Section 1. **[62A.645] HEALTH INSURANCE COVERAGE NOT REQUIRED.**

No resident of this state, regardless of whether the individual has or is eligible for health insurance coverage under any policy or program provided by or through an employer, or a plan sponsored by the state or the federal government, shall be required to obtain or maintain a policy of individual insurance coverage. No provision of state law shall render a resident of this state liable for any penalty, assessment, fee, or fine as a result of failure to procure or obtain health insurance coverage. This section shall not apply to individuals voluntarily applying for coverage under medical assistance, MinnesotaCare, or general assistance medical care."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Dean et al amendment and the roll was called. There were 46 yeas and 86 nays as follows:

Those who voted in the affirmative were:

Abeler	Davids	Emmer	Howes	McNamara	Shimanski
Anderson, B.	Dean	Garofalo	Kelly	Murdock	Smith
Anderson, P.	Demmer	Gottwalt	Kiffmeyer	Nornes	Torkelson
Anderson, S.	Dettmer	Gunther	Kohls	Peppin	Urdahl
Beard	Doepke	Hackbarth	Lanning	Sanders	Westrom
Brod	Downey	Hamilton	Loon	Scott	Zellers
Buesgens	Drazkowski	Holberg	Mack	Seifert	
Cornish	Eastlund	Hoppe	McFarlane	Severson	

Those who voted in the negative were:

Anzelc	Eken	Jackson	Mahoney	Paymar	Solberg
Atkins	Falk	Johnson	Mariani	Pelowski	Sterner
Benson	Faust	Juhnke	Marquart	Persell	Swails
Bigham	Fritz	Kahn	Masin	Peterson	Thao
Bly	Gardner	Kalin	Morgan	Poppe	Thissen
Brown	Greiling	Kath	Morrow	Reinert	Tillberry
Brynaert	Hansen	Knuth	Mullery	Rosenthal	Wagenius
Bunn	Haws	Koenen	Murphy, E.	Rukavina	Ward
Carlson	Hayden	Laine	Murphy, M.	Ruud	Welti
Champion	Hilstrom	Lenczewski	Nelson	Sailer	Winkler
Clark	Hilty	Lesch	Newton	Scalze	Spk. Kelliher
Davnie	Hornstein	Liebling	Norton	Sertich	
Dill	Hortman	Lieder	Obermueller	Simon	
Dittrich	Hosch	Lillie	Olin	Slawik	
Doty	Huntley	Loeffler	Otremba	Slocum	

The motion did not prevail and the amendment was not adopted.

Huntley moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 157, delete lines 8 to 13

Renumber the clauses in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Gardner moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 100, after line 6, insert:

"Sec. 22. **PRESCRIPTION DRUG WASTE REDUCTION.**

The commissioner of human services, in cooperation with the commissioners of health, veterans affairs, and corrections, shall study prescription drug waste reduction techniques and technologies applicable to long-term care facilities, veterans nursing homes, and correctional facilities. In conducting the study, the commissioners shall consult with the Minnesota Board of Pharmacy, the University of Minnesota College of Pharmacy, University of Minnesota's Minnesota Technical Assistance Project, consumers, long-term care providers, and other interested parties. The commissioners shall evaluate the extent to which new prescription drug waste reduction techniques and technologies can reduce the amount of prescription drugs that enter the waste stream and reduce state prescription drug costs. The techniques and technologies studied must include, but are not limited to, daily, weekly, and automated dose dispensing. The study must provide an estimate of the cost of adopting these and other techniques and technologies, and an estimate of waste reduction and state prescription drug savings that would result from

adoption. The study must also evaluate methods of encouraging the adoption of effective drug waste reduction techniques and technologies. The commissioner shall present recommendations on the adoption of new prescription drug waste reduction techniques and technologies to the legislature by December 15, 2010."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Juhnke moved to amend the Gardner amendment to H. F. No. 2614, the second engrossment, as amended, as follows:

Page 1, line 8, after "with" insert "the Minnesota Pharmacists Association,"

The motion prevailed and the amendment to the amendment was adopted.

#### POINT OF ORDER

Kohls raised a point of order pursuant to rule 4.03, relating to Ways and Means Committee; Budget Resolution; Effect on Expenditure and Revenue Bills that the Gardner amendment, as amended, was not in order. Speaker pro tempore Sertich ruled the point of order not well taken and the Gardner amendment, as amended, in order.

The question recurred on the Gardner amendment, as amended, to H. F. No. 2614, the second engrossment, as amended. The motion prevailed and the amendment, as amended, was adopted.

Scalze, Dittrich, Bunn, Peterson, Abeler, Peppin and Ruud moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 87, line 20, delete everything after "programs" and insert a period

Page 87, delete line 21 and insert "These programs must"

Page 87, line 22, after the period, insert "The state employee group insurance plan is not subject to this section until July 1, 2013, but must fully comply with this section on and after that date."

The motion prevailed and the amendment was adopted.

Fritz and Brod moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 83, after line 31, insert:

"(e) A health plan company is in compliance with this section if it does not include orally administered anticancer medication in the fourth tier of its pharmacy benefit."

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Clark moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 131, after line 28, insert:

"Section 1. Minnesota Statutes 2008, section 62J.692, subdivision 4, is amended to read:

Subd. 4. **Distribution of funds.** (a) Following the distribution described under paragraph (b), the commissioner shall annually distribute the available medical education funds to all qualifying applicants based on a distribution formula that reflects a summation of two factors:

(1) a public program volume factor, which is determined by the total volume of public program revenue received by each training site as a percentage of all public program revenue received by all training sites in the fund pool; and

(2) a supplemental public program volume factor, which is determined by providing a supplemental payment of 20 percent of each training site's grant to training sites whose public program revenue accounted for at least 0.98 percent of the total public program revenue received by all eligible training sites. Grants to training sites whose public program revenue accounted for less than 0.98 percent of the total public program revenue received by all eligible training sites shall be reduced by an amount equal to the total value of the supplemental payment.

Public program revenue for the distribution formula includes revenue from medical assistance, prepaid medical assistance, general assistance medical care, and prepaid general assistance medical care. Training sites that receive no public program revenue are ineligible for funds available under this subdivision. For purposes of determining training-site level grants to be distributed under paragraph (a), total statewide average costs per trainee for medical residents is based on audited clinical training costs per trainee in primary care clinical medical education programs for medical residents. Total statewide average costs per trainee for dental residents is based on audited clinical training costs per trainee in clinical medical education programs for dental students. Total statewide average costs per trainee for pharmacy residents is based on audited clinical training costs per trainee in clinical medical education programs for pharmacy students.

(b) \$5,350,000 of the available medical education funds shall be distributed as follows:

(1) \$1,475,000 to the University of Minnesota Medical Center-Fairview;

(2) \$2,075,000 to the University of Minnesota School of Dentistry; and

(3) \$1,800,000 to the Academic Health Center. \$150,000 of the funds distributed to the Academic Health Center under this paragraph shall be used for a program to assist internationally trained physicians who are legal residents and who commit to serving underserved Minnesota communities in a health professional shortage area to successfully compete for family medicine residency programs at the University of Minnesota.

(c) Funds distributed shall not be used to displace current funding appropriations from federal or state sources.

(d) Funds shall be distributed to the sponsoring institutions indicating the amount to be distributed to each of the sponsor's clinical medical education programs based on the criteria in this subdivision and in accordance with the commissioner's approval letter. Each clinical medical education program must distribute funds allocated under paragraph (a) to the training sites as specified in the commissioner's approval letter. Sponsoring institutions, which are accredited through an organization recognized by the Department of Education or the Centers for Medicare and Medicaid Services, may contract directly with training sites to provide clinical training. To ensure the quality of clinical training, those accredited sponsoring institutions must:

(1) develop contracts specifying the terms, expectations, and outcomes of the clinical training conducted at sites; and

(2) take necessary action if the contract requirements are not met. Action may include the withholding of payments under this section or the removal of students from the site.

(e) Any funds not distributed in accordance with the commissioner's approval letter must be returned to the medical education and research fund within 30 days of receiving notice from the commissioner. The commissioner shall distribute returned funds to the appropriate training sites in accordance with the commissioner's approval letter.

(f) A maximum of \$150,000 of the funds dedicated to the commissioner under section 297F.10, subdivision 1, clause (2), may be used by the commissioner for administrative expenses associated with implementing this section."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Loeffler, Huntley, Norton, Abeler and Ruud moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 130, after line 2, insert:

"(c) The commissioner of health shall apply for federal grants available under the federal Patient Protection and Affordable Care Act, Public Law 111-148, for purposes of funding wellness and prevention, and health improvement programs. To the extent possible under federal law, the commissioner of health must utilize the state health improvement program, established under Minnesota Statutes, section 145.986, to implement grant programs related to wellness and prevention, and health improvement, for which the state receives funding under the federal Patient Protection and Affordable Care Act, Public Law 111-148."

A roll call was requested and properly seconded.

The question was taken on the Loeffler et al amendment and the roll was called. There were 92 yeas and 41 nays as follows:

Those who voted in the affirmative were:

Abeler	Carlson	Gardner	Hosch	Lesch	Mullery
Anderson, P.	Champion	Greiling	Huntley	Liebling	Murphy, E.
Anzelc	Clark	Hamilton	Jackson	Lieder	Murphy, M.
Atkins	Davnie	Hansen	Johnson	Lillie	Nelson
Beard	Dill	Hausman	Juhnke	Loeffler	Newton
Benson	Dittrich	Haws	Kahn	Mahoney	Norton
Bigham	Doty	Hayden	Kalin	Mariani	Obermueller
Bly	Eken	Hilstrom	Knuth	Marquart	Olin
Brown	Falk	Hilty	Koenen	Masin	Otremba
Brynaert	Faust	Hornstein	Laine	Morgan	Paymar
Bunn	Fritz	Hortman	Lenczewski	Morrow	Pelowski



Persell	Rukavina	Simon	Sterner	Urdahl	Spk. Kelliher
Peterson	Ruud	Slawik	Swails	Wagenius	
Poppe	Sailer	Slocum	Thao	Ward	
Reinert	Scalze	Smith	Thissen	Welti	
Rosenthal	Sertich	Solberg	Tillberry	Winkler	

Those who voted in the negative were:

Anderson, B.	Demmer	Garofalo	Kath	McFarlane	Seifert
Anderson, S.	Dettmer	Gottwalt	Kelly	McNamara	Severson
Brod	Doepke	Gunther	Kiffmeyer	Murdock	Shimanski
Buesgens	Downey	Hackbarth	Kohls	Nornes	Torkelson
Cornish	Drazkowski	Holberg	Lanning	Peppin	Westrom
Dauids	Eastlund	Hoppe	Loon	Sanders	Zellers
Dean	Emmer	Howes	Mack	Scott	

The motion prevailed and the amendment was adopted.

Thao and Juhnke moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 118, after line 14, insert:

"Sec. 10. **[144.059] VENDOR ACCREDITATION.**

A hospital or clinic that requires a vendor accreditation report prior to a vendor obtaining access to the facility shall accept a vendor accreditation report acquired from any generally accepted vendor accreditation service. The hospital or clinic must not require the vendor to obtain an additional report if the vendor has already received a report for services provided at another hospital or clinic.

ReNUMBER the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Abeler and Huntley moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 125, line 16, delete "five" and insert "four" and strike "two" and insert "three"

Page 129, line 23, before the semicolon, insert ", including a demonstration project for the specific population of childless adults under 75 percent of federal poverty guidelines that were to be served by the general assistance medical care program"

ReNUMBER the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Murphy, E.; Brynaert; Jackson; Persell; Hilty; Morrow; Anzelc; Hosch; Murphy, M.; Ward; Sailer; Huntley; Reinert; Poppe; Juhnke and Lieder moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 28, delete section 20, and insert:

"Sec. 20. Minnesota Statutes 2008, section 256B.0644, as amended by Laws 2010, chapter 200, article 1, section 6, is amended to read:

**256B.0644 REIMBURSEMENT UNDER OTHER STATE HEALTH CARE PROGRAMS.**

(a) A vendor of medical care, as defined in section 256B.02, subdivision 7, and a health maintenance organization, as defined in chapter 62D, must participate as a provider or contractor in the medical assistance program, general assistance medical care program, and MinnesotaCare as a condition of participating as a provider in health insurance plans and programs or contractor for state employees established under section 43A.18, the public employees insurance program under section 43A.316, for health insurance plans offered to local statutory or home rule charter city, county, and school district employees, the workers' compensation system under section 176.135, and insurance plans provided through the Minnesota Comprehensive Health Association under sections 62E.01 to 62E.19. The limitations on insurance plans offered to local government employees shall not be applicable in geographic areas where provider participation is limited by managed care contracts with the Department of Human Services.

(b) For providers other than health maintenance organizations, participation in the medical assistance program means that:

(1) the provider accepts new medical assistance, general assistance medical care, and MinnesotaCare patients;

(2) for providers other than dental service providers, at least 20 percent of the provider's patients are covered by medical assistance, general assistance medical care, and MinnesotaCare as their primary source of coverage; or

(3) for dental service providers, at least ten percent of the provider's patients are covered by medical assistance, general assistance medical care, and MinnesotaCare as their primary source of coverage, or the provider accepts new medical assistance and MinnesotaCare patients who are children with special health care needs. For purposes of this section, "children with special health care needs" means children up to age 18 who: (i) require health and related services beyond that required by children generally; and (ii) have or are at risk for a chronic physical, developmental, behavioral, or emotional condition, including: bleeding and coagulation disorders; immunodeficiency disorders; cancer; endocrinopathy; developmental disabilities; epilepsy, cerebral palsy, and other neurological diseases; visual impairment or deafness; Down syndrome and other genetic disorders; autism; fetal alcohol syndrome; and other conditions designated by the commissioner after consultation with representatives of pediatric dental providers and consumers.

(c) Patients seen on a volunteer basis by the provider at a location other than the provider's usual place of practice may be considered in meeting the participation requirement in this section. The commissioner shall establish participation requirements for health maintenance organizations. The commissioner shall provide lists of participating medical assistance providers on a quarterly basis to the commissioner of management and budget, the commissioner of labor and industry, and the commissioner of commerce. Each of the commissioners shall develop and implement procedures to exclude as participating providers in the program or programs under their jurisdiction those providers who do not participate in the medical assistance program. The commissioner of management and budget shall implement this section through contracts with participating health and dental carriers.

~~(d) Any hospital or other provider that is participating in a coordinated care delivery system under section 256D.031, subdivision 6, or receives payments from the uncompensated care pool under section 256D.031, subdivision 8, shall not refuse to provide services to any patient enrolled in general assistance medical care regardless of the availability or the amount of payment.~~

~~(e) For purposes of paragraphs (a) and (b), participation in the general assistance medical care program applies only to pharmacy providers.~~

**EFFECTIVE DATE.** This section is effective June 1, 2010, only if the commissioner of human services determines, on May 15, 2010, that: (1) 80 percent of general assistance medical care enrollees are not enrolled in a coordinated care delivery system established under Minnesota Statutes, section 256D.031; or (2) the coordinated care delivery system does not provide access to care in all geographic areas of the state. If the commissioner does not make this determination, this section is effective 30 days after federal approval of the amendments in this article to Minnesota Statutes, sections 256B.055, subdivision 15, and 256B.056, subdivision 4, or January 1, 2011, whichever is later."

Page 37, delete lines 1 to 3 and insert:

**EFFECTIVE DATE.** This section is effective June 1, 2010, only if the commissioner of human services determines, on May 15, 2010, that: (1) 80 percent of general assistance medical care enrollees are not enrolled in a coordinated care delivery system established under Minnesota Statutes, section 256D.031; or (2) the coordinated care delivery system does not provide access to care in all geographic areas of the state. If the commissioner does not make this determination, this section is effective 30 days after federal approval of the amendments in this article to Minnesota Statutes, sections 256B.055, subdivision 15, and 256B.056, subdivision 4, or January 1, 2011, whichever is later."

Page 45, line 23, delete "May" and insert "December"

Page 54, after line 33, insert:

"Sec. 53. Laws 2010, chapter 200, article 1, section 12, subdivision 5, is amended to read:

Subd. 5. **Payment rates and contract modification; April 1, 2010, to ~~May~~ December 31, 2010.** (a) For the period April 1, 2010, to ~~May~~ December 31, 2010, general assistance medical care shall be paid on a fee-for-service basis. Fee-for-service payment rates for services other than outpatient prescription drugs shall be set at ~~37~~ 27 percent of the payment rate in effect on March 31, 2010.

(b) Outpatient prescription drugs covered under section 256D.03, subdivision 3, provided on or after April 1, 2010, to ~~May~~ December 31, 2010, shall be paid on a fee-for-service basis according to section 256B.0625, subdivisions 13 to 13g.

**EFFECTIVE DATE.** This section is effective June 1, 2010, only if the commissioner of human services determines, on May 15, 2010, that: (1) 80 percent of general assistance medical care enrollees are not enrolled in a coordinated care delivery system established under Minnesota Statutes, section 256D.031; or (2) the coordinated care delivery system does not provide access to care in all geographic areas of the state. If the commissioner does not make this determination, this section is effective 30 days after federal approval of the amendments in this article to Minnesota Statutes, sections 256B.055, subdivision 15, and 256B.056, subdivision 4, or January 1, 2011, whichever is later."

Page 61, line 4, strike the existing language and delete the new language and insert "effective January 1, 2011."

Page 63, delete section 64, and insert:

"Sec. 64. **REPEALER.**

(a) Laws 2010, chapter 200, article 1, section 12, subdivisions 6, 7, 8, 9, and 10, are repealed effective June 1, 2010, only if the commissioner of human services determines, on May 15, 2010, that: (1) 80 percent of general assistance medical care enrollees are not enrolled in a coordinated care delivery system established under Minnesota Statutes, section 256D.031; or (2) the coordinated care delivery system does not provide access to care in all geographic areas of the state. If the commissioner does not make this determination, this paragraph is effective 30 days after federal approval of the amendments in this article to Minnesota Statutes, sections 256B.055, subdivision 15, and 256B.056, subdivision 4, or January 1, 2011, whichever is later.

(b) Laws 2010, chapter 200, article 1, sections 12, subdivisions 1, 2, 3, 4, and 5; 18; and 19, are repealed 30 days after federal approval of the amendments in this article to Minnesota Statutes, sections 256B.055, subdivision 15, and 256B.056, subdivision 4, or January 1, 2011, whichever is later.

(c) Minnesota Statutes 2008, section 256D.03, subdivisions 3a, 3b, 5, 6, 7, and 8, and Minnesota Statutes 2009 Supplement, section 256D.03, subdivision 3, are repealed 30 days after federal approval of the amendments in this article to Minnesota Statutes, sections 256B.055, subdivision 15 and 256B.056, subdivision 4, or January 1, 2011, whichever is later.

(d) Upon federal approval of the amendments to Minnesota Statutes, sections 256B.055, subdivision 15 and 256B.056, subdivision 4, or January 1, 2011, whichever is later, all remaining unspent appropriations for the program established by Laws 2010, chapter 200 are transferred to the health care access fund."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Juhnke, Falk, Thissen, Rukavina, Morrow, Koenen, Ward, Persell, Obermueller, Lenczewski and Johnson moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 63, after line 3, insert:

"Sec. 64. **SALARY REDUCTION; BENEFITS.**

(a) The salaries of the commissioner of human services, the assistant commissioner for chemical and mental health services, and all managerial employees of state-operated services who are not subject to a collective bargaining agreement must be reduced by 20 percent until all full-time state-operated services employees who are subject to a collective bargaining agreement who have been subject to a 20 percent reduction in hours since May 1, 2009, have been offered the opportunity to return to full-time employment. The Department of Human Services and affected employee groups or unions shall certify when all affected employees have been offered the opportunity to return to full-time employment.

(b) Cost savings resulting from the reduction in salaries for the commissioner, assistant commissioner, and managerial employees shall be expended to restore benefits and wages for the affected employee groups or unions who have been adversely affected by the reduction in hours and loss of benefits."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

Speaker pro tempore Sertich called Thissen to the Chair.

Drazkowski moved to amend the Juhnke et al amendment to H. F. No. 2614, the second engrossment, as amended, as follows:

Page 1, line 6, delete "who are not subject to a collective bargaining agreement"

Page 1, lines 7 to 8, delete "who are subject to a collective bargaining agreement"

Page 1, line 10, delete "and affected employee groups or unions"

Page 1, line 15, delete "employee groups or unions" and insert "employees"

The motion did not prevail and the amendment to the amendment was not adopted.

The question recurred on the Juhnke et al amendment and the roll was called. There were 115 yeas and 18 nays as follows:

Those who voted in the affirmative were:

Abeler	Doty	Hornstein	Lieder	Obermueller	Slocum
Anderson, P.	Downey	Hortman	Lillie	Olin	Smith
Anderson, S.	Eastlund	Hosch	Loeffler	Otremba	Solberg
Anzelc	Eken	Howes	Loon	Paymar	Sterner
Atkins	Falk	Huntley	Mack	Pelowski	Swails
Benson	Faust	Jackson	Mahoney	Persell	Thao
Bigham	Fritz	Johnson	Mariani	Peterson	Thissen
Bly	Gardner	Juhnke	Marquart	Poppe	Tillberry
Brown	Garofalo	Kahn	Masin	Reinert	Urdahl
Brynaert	Gottwalt	Kalin	McFarlane	Rosenthal	Wagenius
Carlson	Greiling	Kath	McNamara	Rukavina	Ward
Champion	Hamilton	Kelly	Morgan	Ruud	Welti
Clark	Hansen	Kiffmeyer	Morrow	Sailer	Westrom
Cornish	Hausman	Knuth	Mullery	Sanders	Winkler
Davids	Haws	Koenen	Murdock	Scalze	Spk. Kelliher
Davnie	Hayden	Kohls	Murphy, E.	Seifert	
Dettmer	Hilstrom	Laine	Murphy, M.	Sertich	
Dill	Hilty	Lenczewski	Nelson	Severson	
Dittrich	Holberg	Lesch	Newton	Simon	
Doepke	Hoppe	Liebling	Nornes	Slawik	

Those who voted in the negative were:

Anderson, B.	Buesgens	Demmer	Gunther	Norton	Shimanski
Beard	Bunn	Drazkowski	Hackbarth	Peppin	Torkelson
Brod	Dean	Emmer	Lanning	Scott	Zellers

The motion prevailed and the amendment was adopted.

Fritz moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 19, after line 13, insert:

"Sec. 6. **[256B.012] SALINE ABORTION FUNDING BAN.**

**Subdivision 1. Funding restriction.** None of the funds appropriated under this chapter or chapter 256L, nor in any trust fund to which funds are appropriated under this chapter or chapter 256L, shall be expended for any saline abortion nor for health benefits coverage that includes coverage of saline abortion. "Saline amniocentesis abortion" means a procedure whereby a saline solution is inserted into the amniotic sac for the purpose of killing the unborn child and artificially inducing labor.

**Subd. 2. Severability.** If any one or more provisions, subdivisions, paragraphs, sentences, clauses, phrases, or words of this section or the application thereof to any person or circumstance is found to be unconstitutional, the same is hereby declared to be severable and the balance of this section shall remain effective notwithstanding such unconstitutionality. The legislature hereby declares that it would have passed this section, and each provision, subdivision, paragraph, sentence, clause, phrase, or word thereof, irrespective of the fact that any one or more provision, subdivision, paragraph, sentence, clause, phrase, or word be declared unconstitutional.

**Subd. 3. Supreme Court jurisdiction.** The Minnesota Supreme Court has original jurisdiction over an action challenging the constitutionality of this section and shall expedite the resolution of the action."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Fritz amendment and the roll was called. There were 66 yeas and 66 nays as follows:

Those who voted in the affirmative were:

Abeler	Davids	Eastlund	Hackbarth	Kath	Loon
Anderson, B.	Dean	Eken	Hamilton	Kelly	Mack
Anderson, P.	Demmer	Emmer	Haws	Kiffmeyer	Marquart
Anderson, S.	Dettmer	Faust	Holberg	Koenen	McFarlane
Beard	Doepke	Fritz	Hoppe	Kohls	McNamara
Brod	Doty	Garofalo	Hosch	Lanning	Murdock
Buesgens	Downey	Gottwalt	Howes	Lenczewski	Murphy, M.
Cornish	Drazkowski	Gunther	Juhnke	Lieder	Nornes

Obermueller	Pelowski	Scott	Shimanski	Torkelson	Welti
Olin	Peppin	Seifert	Smith	Urdahl	Westrom
Otremba	Sanders	Severson	Sterner	Ward	Zellers

Those who voted in the negative were:

Anzelc	Davnie	Hortman	Loeffler	Paymar	Simon
Atkins	Dittrich	Huntley	Mahoney	Persell	Slawik
Benson	Falk	Jackson	Mariani	Peterson	Slocum
Bigham	Gardner	Johnson	Masin	Poppe	Solberg
Bly	Greiling	Kahn	Morgan	Reinert	Swails
Brown	Hansen	Kalin	Morrow	Rosenthal	Thao
Brynaert	Hausman	Knuth	Mullery	Rukavina	Thissen
Bunn	Hayden	Laine	Murphy, E.	Ruud	Tillberry
Carlson	Hilstrom	Lesch	Nelson	Sailer	Wagenius
Champion	Hilty	Liebling	Newton	Scalze	Winkler
Clark	Hornstein	Lillie	Norton	Sertich	Spk. Kelliher

The motion did not prevail and the amendment was not adopted.

Hosch, Brod, Fritz, Scott, Peppin, Dean, Davids, Sanders, Juhnke and Abeler moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 25, after line 31, insert:

"Sec. 15. Minnesota Statutes 2008, section 256B.0625, is amended by adding a subdivision to read:

Subd. 16a. **Provider reimbursement.** Provider reimbursement for abortion services under this section or chapter 256L must not exceed \$300 per abortion."

Page 63, after line 17, insert:

"Sec. 65. **APPROPRIATION.**

(a) Any fiscal savings resulting from the cap on abortion services in section 15 are appropriated to the Department of Human Services for fiscal year 2011 for the purposes of the Mothers First program.

(b) Any fiscal savings resulting from the cap on abortion services in section 15 are appropriated to the Department of Human Services for children and economic assistance grants for fiscal years 2012 and 2013."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

Hortman, Simon, Huntley and Ruud moved to amend the Hosch et al amendment to H. F. No. 2614, the second engrossment, as amended, as follows:

Page 1, line 6, delete everything after "256L" and insert "is reduced by the amount of the reduction under section 256B.76, subdivision 1, paragraph (d)."

Amend the title accordingly

The motion prevailed and the amendment to the amendment was adopted.

Brod moved to amend the Hosch et al amendment, as amended, to H. F. No. 2614, the second engrossment, as amended, as follows:

Page 1, line 4 of the Hortman et al amendment to the Hosch et al amendment, after "(d)" insert "in 2011 and \$300 thereafter"

A roll call was requested and properly seconded.

The question was taken on the Brod amendment to the Hosch et al amendment, as amended, and the roll was called. There were 62 yeas and 71 nays as follows:

Those who voted in the affirmative were:

Abeler	Dettmer	Gunther	Kiffmeyer	Murphy, M.	Sterner
Anderson, B.	Doepke	Hackbarth	Koenen	Nornes	Torkelson
Anderson, P.	Doty	Hamilton	Kohls	Olin	Urdahl
Anderson, S.	Downey	Haws	Lanning	Pelowski	Ward
Beard	Drazkowski	Holberg	Lenczewski	Peppin	Welti
Brod	Eastlund	Hoppe	Loon	Sanders	Westrom
Buesgens	Emmer	Hosch	Mack	Scott	Zellers
Cornish	Faust	Howes	Marquart	Seifert	
Davids	Fritz	Juhnke	McFarlane	Severson	
Dean	Garofalo	Kath	McNamara	Shimanski	
Demmer	Gottwalt	Kelly	Murdock	Smith	

Those who voted in the negative were:

Anzelc	Dill	Hortman	Loeffler	Otremba	Simon
Atkins	Dittrich	Huntley	Mahoney	Paymar	Slawik
Benson	Eken	Jackson	Mariani	Persell	Slocum
Bigham	Falk	Johnson	Masin	Peterson	Solberg
Bly	Gardner	Kahn	Morgan	Poppe	Swails
Brown	Greiling	Kalin	Morrow	Reinert	Thao
Brynaert	Hansen	Knuth	Mullery	Rosenthal	Thissen
Bunn	Hausman	Laine	Murphy, E.	Rukavina	Tillberry
Carlson	Hayden	Lesch	Nelson	Ruud	Wagenius
Champion	Hilstrom	Liebling	Newton	Sailer	Winkler
Clark	Hilty	Lieder	Norton	Scalze	Spk. Kelliher
Davnie	Hornstein	Lillie	Obermueller	Sertich	

The motion did not prevail and the amendment to the amendment, as amended, was not adopted.



The question recurred on the Hosch et al amendment, as amended, and the roll was called. There were 97 yeas and 35 nays as follows:

Those who voted in the affirmative were:

Abeler	Dettmer	Hackbarth	Lenczewski	Pelowski	Slocum
Anderson, B.	Dill	Hamilton	Lieder	Peppin	Smith
Anderson, P.	Dittrich	Hansen	Lillie	Persell	Solberg
Anderson, S.	Doepke	Haws	Loon	Peterson	Sterner
Atkins	Doty	Holberg	Mack	Poppe	Swails
Beard	Downey	Hortman	Marquart	Rosenthal	Tillberry
Benson	Drazkowski	Hosch	McFarlane	Rukavina	Torkelson
Bly	Eastlund	Jackson	McNamara	Ruud	Urdahl
Brod	Eken	Juhnke	Morgan	Sailer	Ward
Brown	Emmer	Kalin	Morrow	Sanders	Welti
Brynaert	Falk	Kath	Murdock	Scalze	Westrom
Buesgens	Faust	Kelly	Murphy, M.	Scott	Zellers
Bunn	Fritz	Kiffmeyer	Nornes	Seifert	
Cornish	Gardner	Knuth	Norton	Sertich	
Dauids	Garofalo	Koenen	Obermueller	Severson	
Dean	Gottwalt	Kohls	Olin	Shimanski	
Demmer	Gunther	Lanning	Otremba	Slawik	

Those who voted in the negative were:

Anzelc	Greiling	Hornstein	Liebling	Murphy, E.	Thao
Bigham	Hausman	Howes	Loeffler	Nelson	Thissen
Carlson	Hayden	Huntley	Mahoney	Newton	Wagenius
Champion	Hilstrom	Johnson	Mariani	Paymar	Winkler
Clark	Hilty	Kahn	Masin	Reinert	Spk. Kelliher
Davnie	Hoppe	Laine	Mullery	Simon	

The motion prevailed and the amendment, as amended, was adopted.

Dean offered an amendment to H. F. No. 2614, the second engrossment, as amended.

#### POINT OF ORDER

Solberg raised a point of order pursuant to rule 4.03, relating to Ways and Means Committee; Budget Resolution; Effect on Expenditure and Revenue Bills that the Dean amendment was not in order. Speaker pro tempore Thissen ruled the point of order well taken and the Dean amendment out of order.

Speaker pro tempore Thissen called Sertich to the Chair.

Westrom moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 20, line 18, delete everything after "effective" and insert "January 1, 2014."

Page 20, delete line 19

Page 21, line 6, delete everything after "effective" and insert "January 1, 2014."

Page 21, delete line 7

Page 63, after line 3, insert:

"Sec. 64. **INSTRUCTION TO REVISOR.**

The revisor of statutes, when engrossing this amendment, shall make all necessary changes to section effective dates and repealers of provisions related to general assistance medical care, to conform with the January 1, 2014, effective date specified in this amendment for the expansion of medical assistance to include adults without children."

Page 66, after line 34, insert:

"Sec. 3. Minnesota Statutes 2008, section 256.9657, subdivision 1, is amended to read:

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

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

(c) Effective August 15, 2002, the surcharge under paragraph (b) shall be increased to \$990.

(d) Effective July 15, 2003, the surcharge under paragraph (c) shall be increased to \$2,815.

(e) The commissioner may reduce, and may subsequently restore, the surcharge under paragraph (d) based on the commissioner's determination of a permissible surcharge.

(f) Between April 1, 2002, and August 15, 2004, a facility governed by this subdivision may elect to assume full participation in the medical assistance program by agreeing to comply with all of the requirements of the medical assistance program, including the rate equalization law in section 256B.48, subdivision 1, paragraph (a), and all other requirements established in law or rule, and to begin intake of new medical assistance recipients. Rates will be determined under Minnesota Rules, parts 9549.0010 to 9549.0080. Notwithstanding section 256B.431, subdivision 27, paragraph (i), rate calculations will be subject to limits as prescribed in rule and law. Other than the adjustments in sections 256B.431, subdivisions 30 and 32; 256B.437, subdivision 3, paragraph (b), Minnesota Rules, part 9549.0057, and any other applicable legislation enacted prior to the finalization of rates, facilities assuming full participation in medical assistance under this paragraph are not eligible for any rate adjustments until the July 1 following their settle-up period.

(g) Effective July 1, 2010, the commissioner shall adjust the surcharge calculation under this subdivision by multiplying the per bed surcharge amount by the average occupancy for the nursing home for the most recent month for which occupancy information is available."

Page 193, delete section 17

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Westrom amendment and the roll was called. There were 49 yeas and 83 nays as follows:

Those who voted in the affirmative were:

Abeler	Dean	Garofalo	Kiffmeyer	Obermueller	Torkelson
Anderson, B.	Demmer	Gottwalt	Kohls	Olin	Urdahl
Anderson, P.	Dettmer	Hackbarth	Lanning	Peppin	Westrom
Anderson, S.	Doepke	Hamilton	Loon	Sanders	Zellers
Beard	Downey	Holberg	Mack	Scott	
Brod	Drazkowski	Hoppe	McFarlane	Seifert	
Buesgens	Eastlund	Howes	McNamara	Severson	
Cornish	Emmer	Kath	Murdock	Shimanski	
Davids	Fritz	Kelly	Nornes	Smith	

Those who voted in the negative were:

Anzelc	Doty	Hosch	Lillie	Otremba	Slawik
Atkins	Eken	Huntley	Loeffler	Paymar	Slocum
Benson	Falk	Jackson	Mahoney	Pelowski	Solberg
Bigham	Faust	Johnson	Mariani	Persell	Sterner
Bly	Gardner	Juhnke	Marquart	Peterson	Swails
Brown	Greiling	Kahn	Masin	Poppe	Thao
Brynaert	Hansen	Kalin	Morgan	Reinert	Thissen
Bunn	Hausman	Knuth	Morrow	Rosenthal	Tillberry
Carlson	Haws	Koenen	Mullery	Rukavina	Wagenius
Champion	Hayden	Laine	Murphy, E.	Ruud	Ward
Clark	Hilstrom	Lenczewski	Murphy, M.	Sailer	Welti
Davnie	Hilty	Lesch	Nelson	Scalze	Winkler
Dill	Hornstein	Liebling	Newton	Sertich	Spk. Kelliher
Dittrich	Hortman	Lieder	Norton	Simon	

The motion did not prevail and the amendment was not adopted.

Davids, Demmer, Cornish, Brod, Torkelson, Gunther, Urdahl, Lanning and Anderson, P., moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 1, line 10 of the Horenstein amendment, adopted earlier today, delete "1.5" and insert "3.25"

Page 80, line 18, delete "110" and insert "100"

Page 151, after line 2, insert:

"**Transfer.** The commissioner of management and budget shall transfer from the health care access fund to the general fund the amounts necessary to implement the increase in nursing facility payment rates under Minnesota Statutes, section 256B.441, subdivision 60."

Page 160, delete lines 23 to 29, and insert:

"**Statewide Health Improvement Program.** The funding for the statewide health improvement program, established under Minnesota Statutes, section 145.986, is canceled."

"**Family Planning Grants.** The funding for family planning grants, established under Minnesota Statutes, section 145.925, is canceled."

Renumber the sections in sequence and correct the internal references

Correct the subdivision and section totals and the appropriations by fund accordingly

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Davids et al amendment and the roll was called. There were 47 yeas and 84 nays as follows:

Those who voted in the affirmative were:

Anderson, B.	Dean	Gottwalt	Kath	Murdock	Severson
Anderson, P.	Demmer	Gunther	Kelly	Nornes	Shimanski
Anderson, S.	Dettmer	Hackbarth	Kiffmeyer	Olin	Smith
Beard	Downey	Hamilton	Kohls	Pelowski	Torkelson
Brod	Drazkowski	Holberg	Lanning	Peppin	Urdahl
Buesgens	Eastlund	Hoppe	Loon	Sanders	Westrom
Cornish	Emmer	Howes	Mack	Scott	Zellers
Davids	Fritz	Juhnke	McNamara	Seifert	

Those who voted in the negative were:

Abeler	Brown	Davnie	Falk	Haws	Hosch
Anzelc	Brynaert	Dill	Faust	Hayden	Huntley
Atkins	Bunn	Dittrich	Gardner	Hilstrom	Jackson
Benson	Carlson	Doepke	Greiling	Hilty	Johnson
Bigham	Champion	Doty	Hansen	Hornstein	Kahn
Bly	Clark	Eken	Hausman	Hortman	Kalin

Knuth	Loeffler	Mullery	Persell	Scalze	Thao
Koenen	Mahoney	Murphy, E.	Peterson	Sertich	Thissen
Laine	Mariani	Nelson	Poppe	Simon	Tillberry
Lenczewski	Marquart	Newton	Reinert	Slawik	Wagenius
Lesch	Masin	Norton	Rosenthal	Slocum	Ward
Liebling	McFarlane	Obermueller	Rukavina	Solberg	Welti
Lieder	Morgan	Otremba	Ruud	Sterner	Winkler
Lillie	Morrow	Paymar	Sailer	Swails	Spk. Kelliher

The motion did not prevail and the amendment was not adopted.

Thissen moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 75, after line 6, insert:

"Sec. 9. Laws 2009, chapter 79, article 8, section 81, is amended to read:

**Sec. 81. ESTABLISHING A SINGLE SET OF STANDARDS.**

(a) The commissioner of human services shall consult with disability service providers, advocates, counties, and consumer families to develop a single set of standards, to be referred to as "quality outcome standards," governing services for people with disabilities receiving services under the home and community-based waiver services program to replace all or portions of existing laws and rules including, but not limited to, data practices, licensure of facilities and providers, background studies, reporting of maltreatment of minors, reporting of maltreatment of vulnerable adults, and the psychotropic medication checklist. The standards must:

- (1) enable optimum consumer choice;
- (2) be consumer driven;
- (3) link services to individual needs and life goals;
- (4) be based on quality assurance and individual outcomes;

(5) utilize the people closest to the recipient, who may include family, friends, and health and service providers, in conjunction with the recipient's risk management plan to assist the recipient or the recipient's guardian in making decisions that meet the recipient's needs in a cost-effective manner and assure the recipient's health and safety;

(6) utilize person-centered planning; and

(7) maximize federal financial participation.

(b) The commissioner may consult with existing stakeholder groups convened under the commissioner's authority, including the home and community-based expert services panel established by the commissioner in 2008, to meet all or some of the requirements of this section.

(c) The commissioner shall provide the reports and plans required by this section to the legislative committees and budget divisions with jurisdiction over health and human services policy and finance by January 15, 2012."

Page 78, after line 7, insert:

"Sec. 5. Minnesota Statutes 2009 Supplement, section 256D.44, subdivision 5, is amended to read:

Subd. 5. **Special needs.** In addition to the state standards of assistance established in subdivisions 1 to 4, payments are allowed for the following special needs of recipients of Minnesota supplemental aid who are not residents of a nursing home, a regional treatment center, or a group residential housing facility.

(a) The county agency shall pay a monthly allowance for medically prescribed diets if the cost of those additional dietary needs cannot be met through some other maintenance benefit. The need for special diets or dietary items must be prescribed by a licensed physician. Costs for special diets shall be determined as percentages of the allotment for a one-person household under the thrifty food plan as defined by the United States Department of Agriculture. The types of diets and the percentages of the thrifty food plan that are covered are as follows:

- (1) high protein diet, at least 80 grams daily, 25 percent of thrifty food plan;
- (2) controlled protein diet, 40 to 60 grams and requires special products, 100 percent of thrifty food plan;
- (3) controlled protein diet, less than 40 grams and requires special products, 125 percent of thrifty food plan;
- (4) low cholesterol diet, 25 percent of thrifty food plan;
- (5) high residue diet, 20 percent of thrifty food plan;
- (6) pregnancy and lactation diet, 35 percent of thrifty food plan;
- (7) gluten-free diet, 25 percent of thrifty food plan;
- (8) lactose-free diet, 25 percent of thrifty food plan;
- (9) antidumping diet, 15 percent of thrifty food plan;
- (10) hypoglycemic diet, 15 percent of thrifty food plan; or
- (11) ketogenic diet, 25 percent of thrifty food plan.

(b) Payment for nonrecurring special needs must be allowed for necessary home repairs or necessary repairs or replacement of household furniture and appliances using the payment standard of the AFDC program in effect on July 16, 1996, for these expenses, as long as other funding sources are not available.

(c) A fee for guardian or conservator service is allowed at a reasonable rate negotiated by the county or approved by the court. This rate shall not exceed five percent of the assistance unit's gross monthly income up to a maximum of \$100 per month. If the guardian or conservator is a member of the county agency staff, no fee is allowed.

(d) The county agency shall continue to pay a monthly allowance of \$68 for restaurant meals for a person who was receiving a restaurant meal allowance on June 1, 1990, and who eats two or more meals in a restaurant daily. The allowance must continue until the person has not received Minnesota supplemental aid for one full calendar month or until the person's living arrangement changes and the person no longer meets the criteria for the restaurant meal allowance, whichever occurs first.

(e) A fee of ten percent of the recipient's gross income or \$25, whichever is less, is allowed for representative payee services provided by an agency that meets the requirements under SSI regulations to charge a fee for representative payee services. This special need is available to all recipients of Minnesota supplemental aid regardless of their living arrangement.

(f)(1) Notwithstanding the language in this subdivision, an amount equal to the maximum allotment authorized by the federal Food Stamp Program for a single individual which is in effect on the first day of July of each year will be added to the standards of assistance established in subdivisions 1 to 4 for adults under the age of 65 who qualify as shelter needy and are: (i) relocating from an institution, or an adult mental health residential treatment program under section 256B.0622; (ii) eligible for the self-directed supports option as defined under section 256B.0657, subdivision 2; or (iii) home and community-based waiver recipients ~~living in their own home or rented or leased apartment which is not owned, operated, or controlled by a provider of service not related by blood or marriage.~~

(2) Notwithstanding subdivision 3, paragraph (c), an individual eligible for the shelter needy benefit under this paragraph is considered a household of one. An eligible individual who receives this benefit prior to age 65 may continue to receive the benefit after the age of 65.

(3) "Shelter needy" means that the assistance unit incurs monthly shelter costs that exceed 40 percent of the assistance unit's gross income before the application of this special needs standard. "Gross income" for the purposes of this section is the applicant's or recipient's income as defined in section 256D.35, subdivision 10, or the standard specified in subdivision 3, paragraph (a) or (b), whichever is greater. A recipient of a federal or state housing subsidy, that limits shelter costs to a percentage of gross income, shall not be considered shelter needy for purposes of this paragraph.

(g) Notwithstanding this subdivision, to access housing and services as provided in paragraph (f), the recipient may choose housing that may or may not be owned, operated, or controlled by the recipient's service provider ~~if the housing is located in a multifamily building of six or more units.~~ In a multiunit building of six or more units, the maximum number of units that may be used by recipients of this program shall be 50 percent of the units in a building. ~~The department shall develop an exception process to the 50 percent maximum.~~ This paragraph expires on June 30, ~~2011~~ 2012.

Page 92, after line 30, insert:

"Sec. 10. Minnesota Statutes 2009 Supplement, section 245A.11, subdivision 7b, is amended to read:

Subd. 7b. **Adult foster care data privacy and security.** (a) An adult foster care license holder who creates, collects, records, maintains, stores, or discloses any individually identifiable recipient data, whether in an electronic or any other format, must comply with the privacy and security provisions of applicable privacy laws and regulations, including:

(1) the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA), Public Law 104-1; and the HIPAA Privacy Rule, Code of Federal Regulations, title 45, part 160, and subparts A and E of part 164; and

(2) the Minnesota Government Data Practices Act as codified in chapter 13.

(b) For purposes of licensure, the license holder shall be monitored for compliance with the following data privacy and security provisions:

(1) the license holder must control access to data on foster care recipients according to the definitions of public and private data on individuals under section 13.02; classification of the data on individuals as private under section 13.46, subdivision 2; and control over the collection, storage, use, access, protection, and contracting related to data according to section 13.05, in which the license holder is assigned the duties of a government entity;

(2) the license holder must provide each foster care recipient with a notice that meets the requirements under section 13.04, in which the license holder is assigned the duties of the government entity, and that meets the requirements of Code of Federal Regulations, title 45, part 164.52. The notice shall describe the purpose for collection of the data, and to whom and why it may be disclosed pursuant to law. The notice must inform the recipient that the license holder uses electronic monitoring and, if applicable, that recording technology is used;

(3) the license holder must not install monitoring cameras in bathrooms;

(4) electronic monitoring cameras must not be concealed from the foster care recipients; and

(5) electronic video and audio recordings of foster care recipients shall not be stored by the license holder for more than five days unless the recording is pertinent to an investigation of a reported incident of abuse or neglect under section 626.556 or 626.557, or if requested by a recipient or the recipient's legal representative for a specific reported incident of abuse or neglect.

(c) The commissioner shall develop, and make available to license holders and county licensing workers, a checklist of the data privacy provisions to be monitored for purposes of licensure."

Page 98, after line 36, insert:

"Sec. 19. Minnesota Statutes 2008, section 326B.43, subdivision 2, is amended to read:

Subd. 2. **Agreement with municipality.** The commissioner may enter into an agreement with a municipality, in which the municipality agrees to perform plan and specification reviews required to be performed by the commissioner under Minnesota Rules, part 4715.3130, if:

(a) the municipality has adopted:

(1) the plumbing code;

(2) an ordinance that requires plumbing plans and specifications to be submitted to, reviewed, and approved by the municipality, except as provided in paragraph (n);

(3) an ordinance that authorizes the municipality to perform inspections required by the plumbing code; and

(4) an ordinance that authorizes the municipality to enforce the plumbing code in its entirety, except as provided in paragraph (p);

(b) the municipality agrees to review plumbing plans and specifications for all construction for which the plumbing code requires the review of plumbing plans and specifications, except as provided in paragraph (n);

(c) the municipality agrees that, when it reviews plumbing plans and specifications under paragraph (b), the review will:

(1) reflect the degree to which the plans and specifications affect the public health and conform to the provisions of the plumbing code;

(2) ensure that there is no physical connection between water supply systems that are safe for domestic use and those that are unsafe for domestic use; and



(3) ensure that there is no apparatus through which unsafe water may be discharged or drawn into a safe water supply system;

(d) the municipality agrees to perform all inspections required by the plumbing code in connection with projects for which the municipality reviews plumbing plans and specifications under paragraph (b);

(e) the commissioner determines that the individuals who will conduct the inspections and the plumbing plan and specification reviews for the municipality do not have any conflict of interest in conducting the inspections and the plan and specification reviews;

(f) individuals who will conduct the plumbing plan and specification reviews for the municipality are:

(1) licensed master plumbers;

(2) licensed professional engineers; or

(3) individuals who are working under the supervision of a licensed professional engineer or licensed master plumber and who are licensed master or journeyman plumbers or hold a postsecondary degree in engineering;

(g) individuals who will conduct the plumbing plan and specification reviews for the municipality have passed a competency assessment required by the commissioner to assess the individual's competency at reviewing plumbing plans and specifications;

(h) individuals who will conduct the plumbing inspections for the municipality are licensed master or journeyman plumbers, or inspectors meeting the competency requirements established in rules adopted under section 326B.135;

(i) the municipality agrees to enforce in its entirety the plumbing code on all projects, except as provided in paragraph (p);

(j) the municipality agrees to keep official records of all documents received, including plans, specifications, surveys, and plot plans, and of all plan reviews, permits and certificates issued, reports of inspections, and notices issued in connection with plumbing inspections and the review of plumbing plans and specifications;

(k) the municipality agrees to maintain the records described in paragraph (j) in the official records of the municipality for the period required for the retention of public records under section 138.17, and shall make these records readily available for review at the request of the commissioner;

(l) the municipality and the commissioner agree that if at any time during the agreement the municipality does not have in effect the plumbing code or any of ordinances described in paragraph (a), or if the commissioner determines that the municipality is not properly administering and enforcing the plumbing code or is otherwise not complying with the agreement:

(1) the commissioner may, effective 14 days after the municipality's receipt of written notice, terminate the agreement;

(2) the municipality may challenge the termination in a contested case before the commissioner pursuant to the Administrative Procedure Act; and

(3) while any challenge is pending under clause (2), the commissioner shall perform plan and specification reviews within the municipality under Minnesota Rules, part 4715.3130;

(m) the municipality and the commissioner agree that the municipality may terminate the agreement with or without cause on 90 days' written notice to the commissioner;

(n) the municipality and the commissioner agree that the municipality shall forward to the state for review all plumbing plans and specifications for the following types of projects within the municipality:

(1) hospitals, nursing homes, supervised living facilities licensed for eight or more individuals, and similar health-care-related facilities regulated by the Minnesota Department of Health;

(2) buildings owned by the federal or state government; and

(3) projects of a special nature for which department review is requested by either the municipality or the state;

(o) where the municipality forwards to the state for review plumbing plans and specifications, as provided in paragraph (n), the municipality shall not collect any fee for plan review, and the commissioner shall collect all applicable fees for plan review; and

(p) no municipality shall revoke, suspend, or place restrictions on any plumbing license issued by the state."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Loon moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 90, after line 22, insert:

"Sec. 7. **[62V.01] CITATION AND PURPOSE.**

This chapter may be cited as the "Interstate Health Insurance Competition Act."

Sec. 8. **[62V.02] DEFINITIONS.**

Subdivision 1. **Application.** The definitions in this section apply to this chapter.

Subd. 2. **Commissioner.** "Commissioner" means the commissioner of commerce.

Subd. 3. **Covered person.** "Covered person" means an individual, whether a policyholder, subscriber, enrollee, or member of a health plan who is entitled to health care services provided, arranged for, paid for, or reimbursed pursuant to a health plan.

Subd. 4. **Domestic health insurer.** "Domestic health insurer" means an insurer licensed to sell, offer, or provide health plans in Minnesota.

Subd. 5. **Hazardous financial condition.** "Hazardous financial condition" means that, based on its present or reasonably anticipated financial condition, an out-of-state health insurer is unlikely to be able to meet obligations to policyholders with respect to known claims or to any other obligations in the normal course of business.

Subd. 6. **Health care provider or provider.** "Health care provider" or "provider" means any hospital, physician, or other person authorized by statute, licensed, or certified to furnish health care services.

Subd. 7. **Health care services.** "Health care services" means the furnishing of services to any individual for the purpose of preventing, alleviating, curing, or healing human illness, injury, or physical disability.

Subd. 8. **Health plan.** "Health plan" means an arrangement for the delivery of health care, on an individual basis, in which an insurer undertakes to provide, arrange for, pay for, or reimburse any of the costs of health care services for a covered person that is in accordance with the laws of any state. Health plan does not include short-term health coverage, accident only, limited or specified disease, long-term care or individual conversion policies or contracts, or policies or contracts designed for issuance to persons eligible for coverage under title XVIII of the federal Social Security Act, known as Medicare, or any other similar coverage under state or federal governmental plans.

Subd. 9. **Insurer.** "Insurer" means any entity that is authorized to sell, offer, or provide a health plan, including an entity providing a plan of health insurance, health benefits, or health services, an accident and sickness insurance company, a health maintenance organization, a corporation offering a health plan, a fraternal benefit society, a community integrated service network, or any other entity that provides health plans subject to state insurance regulation, or a health carrier described in section 62A.011, subdivision 2.

Subd. 10. **Out-of-state health plan.** "Out-of-state health plan" means a health plan that was filed for use in any other state.

Subd. 11. **Resident.** "Resident" means an individual whose primary residence is in Minnesota and who is present in Minnesota for at least six months of the calendar year.

Sec. 9. **[62V.03] OUT-OF-STATE HEALTH PLANS TO MINNESOTA RESIDENTS.**

Subdivision 1. **Eligibility.** (a) Notwithstanding any other law to the contrary, a health insurer may sell, offer, or issue an out-of-state health plan to residents in Minnesota, if the following requirements are met:

(1) the out-of-state health plan must be in compliance with all applicable Minnesota laws that apply to the type of health plan offered;

(2) the out-of-state health plan must not be issued, nor any application, rider, or endorsement be used in connection with the plan, until the form has received prior approval in Minnesota;

(3) the offering insurer must have a certificate of authority to do business in Minnesota pursuant to section 60A.07; and

(4) the out-of-state health plan shall participate, on a nondiscriminatory basis, in the Minnesota Life and Health Insurance Guaranty Association created under chapter 61B.

(b) The provisions of section 62A.02, subdivision 2, shall not apply to plans issued under this section.

Subd. 2. **Minnesota laws applicable.** An out-of-state health plan sold, offered, or provided by a health insurer in Minnesota in accordance with this chapter is subject to laws applicable to the sale, offering, or provision of accident and sickness insurance or health plans including, but not limited to, requirements imposed by chapters 62A, 62E, and 62Q.

Subd. 3. **Nature of out-of-state health insurer.** The out-of-state health insurer may be a for-profit or nonprofit company.

Sec. 10. **[62V.04] CERTIFICATE OF AUTHORITY TO OFFER OUT-OF-STATE HEALTH PLANS.**

Subdivision 1. **Issuance of certificate.** A health insurer may apply for a certificate that authorizes the health insurer to offer out-of-state health insurance plans in Minnesota, using a form prescribed by the commissioner. Upon application, the commissioner shall issue a certificate to the health insurer unless the commissioner determines that the out-of-state health insurer:

(1) will not provide a health plan in compliance with this chapter;

(2) is in a hazardous financial condition, as determined by an examination by the commissioner conducted in accordance with the Financial Analysis Handbook of the National Association of Insurance Commissioners; or

(3) has not adopted procedures to ensure compliance with all applicable laws governing the confidentiality of its records with respect to providers and covered persons.

Subd. 2. **Validity.** A certificate of authority issued pursuant to this section is valid for three years from the date of issuance by the commissioner.

Subd. 3. **Rulemaking authority.** The commissioner shall adopt rules that include:

(1) procedures for an out-of-state health insurer to renew a certificate of authority, consistent with this chapter; and

(2) a certificate of authority application and renewal fees, the amount of which must be no greater than is reasonably necessary to enable the commissioner of commerce to carry out the provisions of this chapter.

Subd. 4. **Applicability of certain statutory requirements.** A health insurer offering health plans pursuant to this chapter shall comply with:

(1) protections for covered persons from unfair trade practices applicable to accident and sickness insurance or health plans pursuant to chapter 72A;

(2) the capital and surplus requirements for licensure specified in chapter 60A, as determined applicable to out-of-state health insurers by the commissioner;

(3) applicable requirements of this chapter and sections 297I.05, subdivision 12, and 62E.11, pertaining to taxes and assessments imposed on health insurers selling individual health insurance policies in Minnesota; and

(4) applicable requirements of chapter 60A regarding the obtaining of authority to transact business in Minnesota.

Sec. 11. **[62V.06] REVOCATION OF CERTIFICATE OF AUTHORITY; MARKETING MATERIALS.**

Subdivision 1. **Revocation.** The commissioner may deny, revoke, or suspend, after notice and opportunity to be heard, a certificate of authority issued to a health insurer pursuant to this chapter for a violation of this chapter, including any finding by the commissioner that a health insurer is no longer in compliance with any of the conditions for issuance of a certificate of authority set forth in section 60A.07, or the administrative rules adopted pursuant to this chapter. The commissioner shall provide for an appropriate and timely right of appeal for the out-of-state health insurer whose certificate is denied, revoked, or suspended.

**Subd. 2. Fair marketing standards.** The commissioner shall establish fair marketing standards for marketing materials used by out-of-state health insurers to market health plans to residents in Minnesota, which standards must be consistent with those applicable to health plans offered by a domestic health insurer pursuant to chapter 72A.

**Subd. 3. Nondiscrimination.** The procedures and standards established under subdivision 2 must be applied on a nondiscriminatory basis so as not to place greater responsibilities on out-of-state health insurers than the responsibilities placed on domestic health insurers doing business in Minnesota.

Sec. 12. **[62V.07] RULES.**

The commissioner shall adopt rules to effectuate the purposes of this chapter. The rules must not:

(1) directly or indirectly require an insurer offering out-of-state health plans to, directly or indirectly, modify coverage or benefit requirements or restrict underwriting requirements or premium ratings in any way that conflicts with the insurer's domiciliary state's laws or regulations, except as necessary to comply with Minnesota law;

(2) provide for regulatory requirements that are more stringent than those applicable to carriers providing Minnesota health plans; or

(3) require any out-of-state health plan issued by the health insurer to be countersigned by an insurance agent or broker residing in Minnesota."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Loon amendment and the roll was called. There were 94 yeas and 39 nays as follows:

Those who voted in the affirmative were:

Abeler	Demmer	Gunther	Koenen	Norton	Severson
Anderson, B.	Dettmer	Hackbarth	Kohls	Obermueller	Shimanski
Anderson, P.	Dittrich	Hamilton	Lanning	Olin	Simon
Anderson, S.	Doepke	Hansen	Lenczewski	Otremba	Smith
Atkins	Doty	Haws	Lillie	Pelowski	Solberg
Beard	Downey	Holberg	Loon	Peppin	Sterner
Benson	Drazkowski	Hoppe	Mack	Peterson	Swails
Bigham	Eastlund	Hortman	Mahoney	Poppe	Tillberry
Brod	Eken	Hosch	Marquart	Reinert	Torkelson
Brown	Emmer	Howes	McFarlane	Rosenthal	Urdahl
Buesgens	Falk	Juhnke	McNamara	Ruud	Ward
Bunn	Faust	Kalin	Morgan	Sailer	Welti
Cornish	Fritz	Kath	Morrow	Sanders	Westrom
Davids	Gardner	Kelly	Murdock	Scalze	Zellers
Davnie	Garofalo	Kiffmeyer	Newton	Scott	
Dean	Gottwalt	Knuth	Nornes	Seifert	

Those who voted in the negative were:

Anzelc	Greiling	Jackson	Loeffler	Paymar	Thissen
Bly	Hausman	Johnson	Mariani	Persell	Wagenius
Brynaert	Hayden	Kahn	Masin	Rukavina	Winkler
Carlson	Hilstrom	Laine	Mullery	Sertich	Spk. Kelliher
Champion	Hilty	Lesch	Murphy, E.	Slawik	
Clark	Hornstein	Liebling	Murphy, M.	Slocum	
Dill	Huntley	Lieder	Nelson	Thao	

The motion prevailed and the amendment was adopted.

Emmer offered an amendment to H. F. No. 2614, the second engrossment, as amended.

#### POINT OF ORDER

Huntley raised a point of order pursuant to rule 3.21 that the Emmer amendment was not in order. Speaker pro tempore Sertich ruled the point of order well taken and the Emmer amendment out of order.

Emmer appealed the decision of Speaker pro tempore Sertich.

A roll call was requested and properly seconded.

The vote was taken on the question "Shall the decision of Speaker pro tempore Sertich stand as the judgment of the House?" and the roll was called. There were 80 yeas and 52 nays as follows:

Those who voted in the affirmative were:

Anzelc	Faust	Johnson	Marquart	Pelowski	Sterner
Atkins	Gardner	Juhnke	Masin	Persell	Swails
Bigham	Greiling	Kahn	Morgan	Peterson	Thao
Bly	Hansen	Kalin	Morrow	Poppe	Thissen
Brown	Hausman	Kelly	Mullery	Reinert	Tillberry
Brynaert	Haws	Knuth	Murphy, E.	Rukavina	Wagenius
Bunn	Hayden	Koenen	Murphy, M.	Ruud	Ward
Carlson	Hilstrom	Laine	Nelson	Sailer	Welti
Champion	Hilty	Liebling	Newton	Scalze	Winkler
Clark	Hornstein	Lieder	Norton	Sertich	Spk. Kelliher
Davnie	Hortman	Lillie	Obermueller	Simon	
Dill	Hosch	Loeffler	Olin	Slawik	
Doty	Huntley	Mahoney	Otremba	Slocum	
Falk	Jackson	Mariani	Paymar	Solberg	

Those who voted in the negative were:

Abeler	Anderson, S.	Brod	Davids	Dettmer	Downey
Anderson, B.	Beard	Buesgens	Dean	Dittrich	Drazkowski
Anderson, P.	Benson	Cornish	Demmer	Doepke	Eastlund

Eken	Hackbarth	Kiffmeyer	McFarlane	Sanders	Torkelson
Emmer	Hamilton	Kohls	McNamara	Scott	Urdahl
Fritz	Holberg	Lanning	Murdock	Seifert	Westrom
Garofalo	Hoppe	Lenczewski	Nornes	Severson	Zellers
Gottwalt	Howes	Loon	Peppin	Shimanski	
Gunther	Kath	Mack	Rosenthal	Smith	

So it was the judgment of the House that the decision of Speaker pro tempore Sertich should stand.

Gunther moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 122, line 21, after the comma, insert "one representative of the residential construction industry."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Holberg moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 118, after line 14, insert:

"Sec. 10. Minnesota Statutes 2008, section 144.05, is amended by adding a subdivision to read:

Subd. 5. **Firearms data.** Notwithstanding any law to the contrary, the commissioner of health is prohibited from collecting data on individuals regarding lawful firearm ownership in the state or data related to an individual's right to carry a weapon under section 624.714."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Scott moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 129, after line 14, insert:

"Sec. 7. **INSURANCE AGENTS AND FEDERAL HEALTH REFORM.**

No insurance agent or an employee of the agent shall suffer a job loss, reduction in profit, or loss of business as a result of state implementation of the provisions in the Patient Protection and Affordable Care Act (Public Law No. 111-148), and the health care reform provisions in the Health Care and Education Reconciliation Act of 2010 (Public Law No. 111-152)."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

Sanders moved to amend the Scott amendment to H. F. No. 2614, the second engrossment, as amended, as follows:

Page 1, line 4, delete ".reduction"

Page 1, line 5, delete "in profit,"

The motion prevailed and the amendment to the amendment was adopted.

The question recurred on the Scott amendment, as amended, and the roll was called.

Pursuant to rule 2.05, Davids and Sterner were excused from voting on the Scott amendment, as amended, to H. F. No. 2614, the second engrossment, as amended.

There were 44 yeas and 86 nays as follows:

Those who voted in the affirmative were:

Abeler	Demmer	Gottwalt	Kiffmeyer	Nornes	Torkelson
Anderson, B.	Dettmer	Gunther	Kohls	Peppin	Urdahl
Anderson, P.	Doepke	Hackbarth	Lanning	Sanders	Westrom
Anderson, S.	Downey	Hamilton	Loon	Scott	Zellers
Beard	Drazkowski	Holberg	Mack	Seifert	
Brod	Eastlund	Hoppe	McFarlane	Severson	
Buesgens	Emmer	Howes	McNamara	Shimanski	
Cornish	Garofalo	Kelly	Murdock	Smith	

Those who voted in the negative were:

Anzelc	Eken	Huntley	Loeffler	Otremba	Slocum
Atkins	Falk	Jackson	Mahoney	Paymar	Solberg
Benson	Faust	Johnson	Mariani	Pelowski	Swails
Bigham	Fritz	Juhnke	Marquart	Persell	Thao
Bly	Gardner	Kahn	Masin	Peterson	Thissen
Brown	Greiling	Kalin	Morgan	Poppe	Tillberry
Brynaert	Hansen	Kath	Morrow	Reinert	Wagenius
Bunn	Hausman	Knuth	Mullery	Rosenthal	Ward
Carlson	Haws	Koenen	Murphy, E.	Rukavina	Welti
Champion	Hayden	Laine	Murphy, M.	Ruud	Winkler
Clark	Hilstrom	Lenczewski	Nelson	Sailer	Spk. Kelliher
Davnie	Hilty	Lesch	Newton	Scalze	
Dill	Hornstein	Liebling	Norton	Sertich	
Dittrich	Hortman	Lieder	Obermueller	Simon	
Doty	Hosch	Lillie	Olin	Slawik	

The motion did not prevail and the amendment, as amended, was not adopted.



Dill was excused between the hours of 6:55 p.m. and 7:40 p.m.

Dean moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 194, after line 12, insert:

"ARTICLE 12

GENERAL PROVISIONS

Section 1. **[62V.01] HEALTH PLAN REQUIREMENTS.**

In order to keep Minnesotans healthy and provide the best quality of health care, the Minnesota Health Plan must:

- (1) ensure all Minnesotans receive quality health care, regardless of their income;
- (2) not restrict, delay, or deny care or reduce the quality of care to hold down costs, but instead reduce costs through prevention, efficiency, and reduction of bureaucracy;
- (3) cover all necessary care, including all coverage currently required by law, complete mental health services, chemical dependency treatment, prescription drugs, medical equipment and supplies, dental care, long-term care, and home care services;
- (4) allow patients to choose their own providers;
- (5) be funded through premiums based on ability to pay and other revenue sources;
- (6) focus on preventive care and early intervention to improve the health of all Minnesota residents and reduce costs from untreated illnesses and diseases;
- (7) ensure an adequate number of qualified health care professionals and facilities to guarantee availability of, and timely access to quality care throughout the state;
- (8) continue Minnesota's leadership in medical education, training, research, and technology; and
- (9) provide adequate and timely payments to providers.

Sec. 2. **[62V.02] MINNESOTA HEALTH PLAN GENERAL PROVISIONS.**

Subdivision 1. **Short title.** This chapter may be cited as the "Minnesota Health Act."

Subd. 2. **Purpose.** The Minnesota Health Plan shall provide all medically necessary health care services for all Minnesota residents in a manner that meets the requirements in section 62V.01.

Subd. 3. **Definitions.** As used in this chapter, the following terms have the meanings provided:

- (a) "Board" means the Minnesota Health Board.
- (b) "Plan" means the Minnesota Health Plan.

(c) "Fund" means the Minnesota Health Fund.

(d) "Medically necessary" means a health service that is consistent with the recipient's diagnosis or condition, is recognized as the prevailing standard or current practice by the provider's peer group, and is rendered to:

(1) treat an injury, illness, infection, or pain;

(2) treat a condition that could result in physical or mental disability;

(3) care for a mother and child through a maternity period;

(4) achieve a level of physical or mental function consistent with prevailing community standards for the diagnosis or condition; or

(5) provide a preventive health service.

(e) "Institutional provider" means an inpatient hospital, nursing facility, rehabilitation facility, and other health care facilities that provide overnight care.

(f) "Noninstitutional provider" means group practices, clinics, outpatient surgical centers, imaging centers, other health facilities that do not provide overnight care, and individual providers.

**Subd. 4. Ethics and conflict of interest.** (a) All provisions of section 43A.38 apply to employees and the executive officer of the Minnesota Health Plan, the members and directors of the Minnesota Health Board, the regional health boards, the director of the Office of Health Quality and Planning, the director of the Minnesota Health Fund, and the ombudsman. Failure to comply with section 43A.38 shall be grounds for disciplinary action including termination of employment or removal from the board.

(b) In order to avoid the appearance of political bias or impropriety, the Minnesota Health Plan executive officer shall not:

(1) engage in leadership of, or employment by, a political party or a political organization;

(2) publicly endorse a political candidate;

(3) contribute to any political candidates or political parties and political organizations; or

(4) attempt to avoid compliance with this subdivision by making contributions through a spouse or other family member.

(c) In order to avoid a conflict of interest, individuals specified in paragraph (a) shall not be currently employed by a medical provider or a pharmaceutical, medical insurance, or medical supply company. This paragraph does not apply to the five provider members of the board.

**Subd. 5. Data practice.** Notwithstanding chapter 13, other state agencies shall cooperate with data sharing and provide all requested information to the board or board designee, the Ombudsman for Patient Advocacy, the director of the Office of Health Quality and Planning, and the Inspector General.

Sec. 3. Minnesota Statutes 2008, section 14.03, subdivision 3, is amended to read:

**Subd. 3. Rulemaking procedures.** (a) The definition of a rule in section 14.02, subdivision 4, does not include:

(1) rules concerning only the internal management of the agency or other agencies that do not directly affect the rights of or procedures available to the public;

(2) an application deadline on a form; and the remainder of a form and instructions for use of the form to the extent that they do not impose substantive requirements other than requirements contained in statute or rule;

(3) the curriculum adopted by an agency to implement a statute or rule permitting or mandating minimum educational requirements for persons regulated by an agency, provided the topic areas to be covered by the minimum educational requirements are specified in statute or rule;

(4) procedures for sharing data among government agencies, provided these procedures are consistent with chapter 13 and other law governing data practices.

(b) The definition of a rule in section 14.02, subdivision 4, does not include:

(1) rules of the commissioner of corrections relating to the release, placement, term, and supervision of inmates serving a supervised release or conditional release term, the internal management of institutions under the commissioner's control, and rules adopted under section 609.105 governing the inmates of those institutions;

(2) rules relating to weight limitations on the use of highways when the substance of the rules is indicated to the public by means of signs;

(3) opinions of the attorney general;

(4) the data element dictionary and the annual data acquisition calendar of the Department of Education to the extent provided by section 125B.07;

(5) the occupational safety and health standards provided in section 182.655;

(6) revenue notices and tax information bulletins of the commissioner of revenue;

(7) uniform conveyancing forms adopted by the commissioner of commerce under section 507.09;

(8) standards adopted by the Electronic Real Estate Recording Commission established under section 507.0945; ~~or~~

(9) the interpretive guidelines developed by the commissioner of human services to the extent provided in chapter 245A-; or

(10) any schedules or provisions for payment under section 62V.05.

## ARTICLE 13

### ELIGIBILITY

#### Section 1. **62V.03** **ELIGIBILITY.**

Subdivision 1. **Residency.** All Minnesota residents are eligible for the Minnesota Health Plan. The board shall establish standards to prevent people from moving to the state for the purpose of obtaining medical care.

Subd. 2. **Enrollment; identification.** The Minnesota Health Board shall establish a procedure to enroll residents and provide each with identification that may be used by health care providers to confirm eligibility for services. The application for enrollment shall be no more than two pages.

Subd. 3. **Residents temporarily out of state.** (a) The Minnesota Health Plan shall provide health care coverage to Minnesota residents who are temporarily out of the state who intend to return and reside in Minnesota.

(b) Coverage for emergency care obtained out of state shall be at prevailing local rates. Coverage for nonemergency care obtained out of state shall be according to rates and conditions established by the board. The board may require that a resident be transported back to Minnesota when prolonged treatment of an emergency condition is necessary and when that transport will not adversely affect a patient's care or condition.

Subd. 4. **Visitors.** Nonresidents visiting Minnesota shall be billed for all services received under the Minnesota Health Plan. The board may enter into intergovernmental arrangements or contracts with other states and countries to provide reciprocal coverage for temporary visitors.

Subd. 5. **Nonresident employed in Minnesota.** The board may extend eligibility to nonresidents employed in Minnesota using a sliding premium scale.

Subd. 6. **Retiree benefits.** (a) All persons who are eligible for retiree medical benefits under an employer-employee contract shall remain eligible for those benefits provided the contractually mandated payments for those benefits are made to the Minnesota Health Fund, which shall assume financial responsibility for care provided under the terms of the contract along with additional health benefits covered by the Minnesota Health Plan. Retirees who elect to reside outside of Minnesota shall be eligible for benefits under the terms and conditions of the retiree's employer-employee contract.

(b) The board may establish financial arrangements with states and foreign countries in order to facilitate meeting the terms of the contracts described in paragraph (a). Payments for care provided by non-Minnesota providers to Minnesota retirees shall be reimbursed at rates established by the Minnesota Health Board.

Subd. 7. **Presumptive eligibility.** (a) An individual is presumed eligible for coverage under the Minnesota Health Plan if the individual arrives at a health facility unconscious, comatose, or otherwise unable, because of the individual's physical or mental condition, to document eligibility or to act on the individual's own behalf. If the patient is a minor, the patient is presumed eligible, and the health facility shall provide care as if the patient were eligible.

(b) Any individual is presumed eligible when brought to a health facility according to any provision of section 253B.05.

(c) Any individual involuntarily committed to an acute psychiatric facility or to a hospital with psychiatric beds according to any provision of section 253B.05, providing for involuntary commitment, is presumed eligible.

(d) All health facilities subject to state and federal provisions governing emergency medical treatment must comply with those provisions.

## ARTICLE 14

### BENEFITS

#### Section 1. **[62V.04] BENEFITS.**

Subdivision 1. **General provisions.** Any eligible individual may choose to receive services under the Minnesota Health Plan from any licensed participating provider. A provider may not refuse to care for a patient on the basis that is specified in the definition of unfair employment practice in section 363A.08.

Subd. 2. **Covered benefits.** Covered benefits in this chapter include all medically necessary care subject to the limitations specified in subdivision 4. Covered benefits include:

- (1) inpatient and outpatient health facility services;
- (2) inpatient and outpatient professional health care provider services by licensed health care professionals;
- (3) diagnostic imaging, laboratory services, and other diagnostic and evaluative services;
- (4) medical equipment, appliances, and assistive technology, including prosthetics, eyeglasses, and hearing aids and their repair;
- (5) inpatient and outpatient rehabilitative care;
- (6) emergency transportation;
- (7) necessary transportation for health care services for disabled and indigent persons;
- (8) language interpretation and translation for health care services, including sign language and Braille or other services needed for individuals with communication disabilities;
- (9) child and adult immunizations and preventive care;
- (10) health education;
- (11) hospice care;
- (12) home health care;
- (13) all prescription drugs on the Minnesota Health Plan formulary and additional drugs as specified by the board;
- (14) all prescription drugs as determined by the board if the Minnesota Health Plan does not have a prescription drug formulary;
- (15) mental health services;
- (16) dental care;
- (17) podiatric care;
- (18) chiropractic care;
- (19) acupuncture;
- (20) blood and blood products;
- (21) emergency care services;
- (22) vision care;

(23) adult day care;

(24) case management and coordination to ensure services necessary to enable a person to remain safely in the least restrictive setting;

(25) substance abuse treatment;

(26) care in a skilled nursing facility; and

(27) dialysis.

Subd. 3. **Benefit expansion.** The Minnesota Health Board may expand benefits beyond the minimum benefits described in this section when expansion meets the intent of this chapter and when there are sufficient funds to cover the expansion.

Subd. 4. **Exclusions.** The following health care services shall be excluded from coverage by the Minnesota Health Plan:

(1) health care services determined to have no medical benefit by the board;

(2) surgery, dermatology, orthodontia, prescription drugs, and other procedures primarily for cosmetic purposes, unless required to correct a congenital defect, restore or correct a part of the body that has been altered as a result of injury, disease, or surgery, or determined to be medically necessary by a qualified, licensed health care provider in the Minnesota Health Plan;

(3) private rooms in inpatient health facilities where appropriate nonprivate rooms are available, unless determined to be medically necessary by a qualified, licensed provider in the Minnesota Health Plan; and

(4) services of a health care provider or facility that is not licensed or accredited by the state, except for approved services provided to a Minnesota resident who is temporarily out of the state.

Subd. 5. **Prohibition.** The Minnesota Health Plan shall not pay for prescription drugs from pharmaceutical companies that directly market the drugs to consumers.

## Sec. 2. **[62V.041] CARE COORDINATION.**

(a) All patients shall have a primary care provider that may include registered nurses, physician assistants, or other providers who shall coordinate the care a patient receives. A specialist may serve as the care coordinator if the patient and the specialist agree to this arrangement, and if the specialist agrees to coordinate the patient's care.

(b) Referrals are not required for a patient to see a health care specialist. If a patient sees a specialist and does not have a care coordinator, the patient must choose a care coordinator. The Minnesota Health Plan may assist with choosing a primary care provider to coordinate care.

(c) The board may establish or ensure the establishment of a computerized referral registry to facilitate referrals.

## ARTICLE 15

### FUNDING

#### Section 1. **[62V.19] MINNESOTA HEALTH FUND.**

Subdivision 1. **General provisions.** (a) The board shall establish a Minnesota Health Fund to implement the Minnesota Health Plan and to receive premiums and other sources of revenue. The fund shall be administered by a director appointed by the Minnesota Health Board.

(b) All money collected, received, and transferred according to this chapter shall be deposited in the Minnesota Health Fund for the purpose of financing the Minnesota Health Plan.

(c) Money deposited in the Minnesota Health Fund shall be used exclusively to implement the purpose of this chapter.

(d) All claims for health care services rendered shall be made to the Minnesota Health Fund.

(e) All payments made for health care services shall be disbursed from the Minnesota Health Fund.

(f) Premiums and other revenues collected each year must be sufficient to cover that year's projected costs.

Subd. 2. **Accounts.** The Minnesota Health Fund shall have operating, capital, and reserve accounts to provide for all state expenditures for health care.

Subd. 3. **Budgets within the operating account.** The operating account in the Minnesota Health Fund shall be comprised of the accounts and budgets specified in paragraphs (a) to (e).

(a) **Medical services budget and account.** The medical services budget and account must be used to provide for all medical services and benefits covered under the Minnesota Health Plan.

(b) **Prevention budget and account.** The prevention budget and account must be used solely to establish and maintain primary community prevention programs, including preventive screening tests.

(c) **Program administration, evaluation, planning, and assessment budget and account.** The program administration, evaluation, planning, and assessment budget and account must be used to monitor and improve the plan's effectiveness and operations. The board may establish grant programs including demonstration projects for this purpose.

(d) **Training, development, and continuing education budget and account.** The training, development, and continuing education budget and account must be used to support the training, development, and continuing education of health care providers and the health care workforce needed to meet the health care needs of the population.

(e) **Medical research budget and account.** The medical research budget and account must be used to support research and innovation as determined by the Minnesota Health Board, and recommended by the Office of Health Quality and Planning and the Ombudsman for Patient Advocacy.

Subd. 4. **Capital account.** The capital account must be used solely to pay for capital expenditures for institutional providers and all capital expenditures requiring approval from the Minnesota Health Board as specified in section 62V.05, subdivision 4.

Subd. 5. **Reserve account.** (a) The Minnesota Health Plan must at all times hold in reserve an amount estimated in the aggregate to provide for the payment of all losses and claims for which the Minnesota Health Plan may be liable and to provide for the expense of adjustment or settlement of losses and claims.

(b) Money currently held in reserve by state, city, and county health programs must be transferred to the Minnesota Health Fund when the Minnesota Health Plan replaces those programs.

(c) The board shall have provisions in place to insure the Minnesota Health Plan against unforeseen expenditures or revenue shortfalls not covered by the reserve account and the board may borrow money to cover temporary shortfalls.

Sec. 2. **[62V.20] REVENUE SOURCES.**

**Subdivision 1. Minnesota Health Plan premium.** (a) The Minnesota Health Board shall:

(1) determine the aggregate costs of providing health care according to this chapter;

(2) develop an equitable and affordable premium structure, including unearned income as part of the premium determination for Minnesota residents, that is progressive and based on the ability to pay and a business health tax for businesses that together will generate adequate revenue for the Minnesota Health Fund;

(3) develop a premium structure for individuals that has an appropriate range based on an individual's ability to pay and includes a cap on the maximum premium any individual pays;

(4) in consultation with the Department of Revenue, develop an efficient means of collecting premiums and the business health tax; and

(5) coordinate with existing, ongoing funding sources from federal and state programs.

(b) On or before January 15, 2012, the board shall submit to the governor and the legislature a report on the premium and business health tax structure established to finance the Minnesota Health Plan.

**Subd. 2. Funds from outside sources.** Institutional providers operating under Minnesota Health Plan operating budgets may raise and expend funds from sources other than the Minnesota Health Plan including private or foundation donors. Contributions to providers in excess of \$500,000 must be reported to the board.

**Subd. 3. Governmental payments.** The executive officer and, if required under federal law, the commissioners of health and human services shall seek all necessary waivers, exemptions, agreements, or legislation so that all current federal payments to the state for health care are paid directly to the Minnesota Health Plan, which shall then assume responsibility for all benefits and services previously paid for by the federal government with those funds. In obtaining the waivers, exemptions, agreements, or legislation, the executive officer and, if required, commissioners shall seek from the federal government a contribution for health care services in Minnesota that reflects: medical inflation, the state gross domestic product, the size and age of the population, the number of residents living below the poverty level, and the number of Medicare and VA eligible individuals, and does not decrease in relation to the federal contribution to other states as a result of the waivers, exemptions, agreements, or savings from implementation of the Minnesota Health Plan.

**Subd. 4. Federal preemption.** (a) The board shall pursue all reasonable means to secure a repeal or a waiver of any provision of federal law that preempts any provision of this chapter. The commissioners of health and human services shall provide all necessary assistance.

(b) In the event that a repeal or a waiver of law or regulations cannot be secured, the board shall adopt rules, or seek conforming state legislation, consistent with federal law, in an effort to best fulfill the purposes of this chapter.

(c) The Minnesota Health Plan's responsibility for providing care shall be secondary to existing federal government programs for health care services to the extent that funding for these programs is not transferred to the Minnesota Health Fund or that the transfer is delayed beyond the date on which initial benefits are provided under the Minnesota Health Plan.

**Subd. 5. No-cost sharing.** No deductible, co-payment, coinsurance, or other cost-sharing shall be imposed with respect to covered benefits.



Sec. 3. **[62V.21] SUBROGATION.**

Subdivision 1. **Collateral source.** (a) When other payers for health care have been terminated, health care costs shall be collected from collateral sources whenever medical services provided to an individual are, or may be, covered services under a policy of insurance, or other collateral source available to that individual, or when the individual has a right of action for compensation permitted under law.

(b) As used in this section, collateral source includes:

(1) health insurance policies and the medical components of automobile, homeowners, and other forms of insurance;

(2) medical components of worker's compensation;

(3) pension plans;

(4) employer plans;

(5) employee benefit contracts;

(6) government benefit programs;

(7) a judgment for damages for personal injury; and

(8) any third party who is or may be liable to an individual for health care services or costs.

(c) Collateral source does not include:

(1) a contract or plan that is subject to federal preemption; or

(2) any governmental unit, agency, or service, to the extent that subrogation is prohibited by law. An entity described in paragraph (b) is not excluded from the obligations imposed by this section by virtue of a contract or relationship with a government unit, agency, or service.

(d) The board shall negotiate waivers, seek federal legislation, or make other arrangements to incorporate collateral sources into the Minnesota Health Plan.

Subd. 2. **Collateral source; negotiation.** When an individual who receives health care services under the Minnesota Health Plan is entitled to coverage, reimbursement, indemnity, or other compensation from a collateral source, the individual shall notify the health care provider and provide information identifying the collateral source, the nature and extent of coverage or entitlement, and other relevant information. The health care provider shall forward this information to the board. The individual entitled to coverage, reimbursement, indemnity, or other compensation from a collateral source shall provide additional information as requested by the board.

Subd. 3. **Reimbursement.** (a) The Minnesota Health Plan shall seek reimbursement from the collateral source for services provided to the individual and may institute appropriate action, including legal proceedings, to recover the reimbursement. Upon demand, the collateral source shall pay to the Minnesota Health Fund the sums it would have paid or expended on behalf of the individual for the health care services provided by the Minnesota Health Plan.

(b) In addition to any other right to recovery provided in this section, the board shall have the same right to recover the reasonable value of benefits from a collateral source as provided to the commissioner of human services under section 256B.37.

(c) If a collateral source is exempt from subrogation or the obligation to reimburse the Minnesota Health Plan, the board may require that an individual who is entitled to medical services from the source first seek those services from that source before seeking those services from the Minnesota Health Plan.

(d) To the extent permitted by federal law, the board shall have the same right of subrogation over contractual retiree health benefits provided by employers as other contracts, allowing the Minnesota Health Plan to recover the cost of services provided to individuals covered by the retiree benefits, unless arrangements are made to transfer the revenues of the benefits directly to the Minnesota Health Plan.

Subd. 4. **Defaults, underpayments, and late payments.** (a) Default, underpayment, or late payment of any tax or other obligation imposed by this chapter shall result in the remedies and penalties provided by law, except as provided in this section.

(b) Eligibility for benefits under section 62V.04 shall not be impaired by any default, underpayment, or late payment of any premium or other obligation imposed by this chapter.

## ARTICLE 16

### PAYMENTS

#### Section 1. **[62V.05] PROVIDER PAYMENTS.**

Subdivision 1. **General provisions.** (a) All health care providers licensed to practice in Minnesota may participate in the Minnesota Health Plan.

(b) A participating health care provider shall comply with all federal laws and regulations governing referral fees and fee splitting including, but not limited to, United States Code, title 42, sections 1320a-7b and 1395nn, whether reimbursed by federal funds or not.

(c) A fee schedule or financial incentive may not adversely affect the care a patient receives or the care a health provider recommends.

Subd. 2. **Payments to noninstitutional providers.** (a) The Minnesota Health Board shall establish and oversee a uniform fee schedule for noninstitutional providers.

(b) The board shall pay noninstitutional providers based on rates negotiated with providers. Rates may factor in geographic differences to address provider shortages.

(c) The board shall examine the need for and methods of paying providers for care coordination for all patients especially those with chronic illness and complex medical needs.

(d) Providers may request reimbursement of ancillary health care or social services that were previously funded by money now received and disbursed by the Minnesota Health Fund.

(e) Providers who accept any payment from the Minnesota Health Plan for a covered service shall not bill the patient for the covered service.

(f) Providers shall be paid within 30 business days for claims filed following procedures established by the board.

**Subd. 3. Payments to institutional providers.** (a) The board shall establish annual budgets for institutional providers. These budgets shall consist of an operating and a capital budget. An institution's annual budget shall be negotiated to cover its anticipated services for the next year based on past performance and projected changes in prices and service levels.

(b) Providers who accept any payment from the Minnesota Health Plan for a covered service shall not bill the patient for the covered service.

**Subd. 4. Capital management plan.** (a) The board shall periodically develop a capital investment plan that will serve as a guide in determining the annual budgets of institutional providers and in deciding whether to approve applications for approval of capital expenditures by noninstitutional providers.

(b) Providers who propose to make capital purchases in excess of \$500,000 must obtain board approval. The board may alter the threshold expenditure level that triggers the requirement to submit information on capital expenditures. Institutional providers shall propose these expenditures and submit the required information as part of the annual budget they submit to the board. Noninstitutional providers shall submit applications for approval of these expenditures to the board.

## ARTICLE 17

### GOVERNANCE

Section 1. Minnesota Statutes 2008, section 14.03, subdivision 2, is amended to read:

**Subd. 2. Contested case procedures.** The contested case procedures of the Administrative Procedure Act provided in sections 14.57 to 14.69 do not apply to (a) proceedings under chapter 414, except as specified in that chapter, (b) the commissioner of corrections, (c) the unemployment insurance program and the Social Security disability determination program in the Department of Employment and Economic Development, (d) the commissioner of mediation services, (e) the Workers' Compensation Division in the Department of Labor and Industry, (f) the Workers' Compensation Court of Appeals, ~~or~~ (g) the Board of Pardons, or (h) the Minnesota Health Plan.

Sec. 2. Minnesota Statutes 2009 Supplement, section 15A.0815, subdivision 2, is amended to read:

**Subd. 2. Group I salary limits.** The salaries for positions in this subdivision may not exceed 95 percent of the salary of the governor:

Commissioner of administration;

Commissioner of agriculture;

Commissioner of education;

Commissioner of commerce;

Commissioner of corrections;

Commissioner of health;

Executive officer of the Minnesota Health Plan;

Executive director, Minnesota Office of Higher Education;

Commissioner, Housing Finance Agency;

Commissioner of human rights;

Commissioner of human services;

Commissioner of labor and industry;

Commissioner of management and budget;

Commissioner of natural resources;

Director of Office of Strategic and Long-Range Planning;

Commissioner, Pollution Control Agency;

Executive director, Public Employees Retirement Association;

Commissioner of public safety;

Commissioner of revenue;

Executive director, State Retirement System;

Executive director, Teachers Retirement Association;

Commissioner of employment and economic development;

Commissioner of transportation; and

Commissioner of veterans affairs.

Sec. 3. **[62V.06] MINNESOTA HEALTH BOARD.**

Subdivision 1. **Establishment.** The Minnesota Health Board is established to promote the delivery of high quality, coordinated health care services that enhance health; prevent illness, disease, and disability; slow the progression of chronic diseases; and improve personal health management. The board shall administer the Minnesota Health Plan. The board shall oversee:

(1) the Office of Health Quality and Planning under section 62V.09; and

(2) the Minnesota Health Fund under section 62V.19.

Subd. 2. **Board composition.** The board shall consist of 15 members, including a representative selected by each of the five rural regional health planning boards under section 62V.08 and three representatives selected by the metropolitan regional health planning board under section 62V.08. These members shall select the following:

(1) one consumer member and one employer member appointed by the board members; and

(2) five providers appointed by the board members that include one primary care physician, one registered nurse, one mental health provider, one dentist, and one facility director.

Subd. 3. **Term and compensation; selection of chair.** Board members shall serve four years. Board members shall set the board's compensation not to exceed the compensation of Public Utilities Commission members. The board shall select the chair from its membership.

Subd. 4. **General duties.** The board shall:

(1) ensure that all of the requirements of section 62V.01 are met;

(2) hire an executive officer for the Minnesota Health Plan to administer all aspects of the plan as directed by the board;

(3) hire a director for the Office of Health Quality and Planning;

(4) hire a director of the Minnesota Health Fund;

(5) provide technical assistance to the regional boards established under section 62V.08;

(6) conduct necessary investigations and inquiries and require the submission of information, documents, and records the board considers necessary to carry out the purposes of this chapter;

(7) establish a process for the board to receive the concerns, opinions, ideas, and recommendations of the public regarding all aspects of the Minnesota Health Plan and the means of addressing those concerns;

(8) conduct other activities the board considers necessary to carry out the purposes of this chapter;

(9) collaborate with the agencies that license health facilities to ensure that facility performance is monitored and that deficient practices are recognized and corrected in a timely manner;

(10) adopt rules as necessary to carry out the duties assigned under this chapter;

(11) establish conflict of interest standards prohibiting providers from any financial benefit from their medical decisions outside of board reimbursement;

(12) establish conflict of interest standards related to pharmaceutical marketing to providers; and

(13) create a program to provide support and retraining for workers dislocated by the creation of the Minnesota Health Plan.

The board shall ensure that workers who may be displaced because of the administrative efficiencies of the Minnesota Health Plan receive financial help and assistance in retraining and job placement. Because there is currently a serious shortage of providers in many health care professions, from medical technologists to registered nurses, and because many potentially displaced health administrative workers already have training in some medical field, the dislocated worker support program should emphasize retraining and placement into health care related positions. As Minnesota residents, all displaced workers shall be covered under the Minnesota Health Plan.

Subd. 5. **Conflict of interest committee.** (a) The board shall establish a conflict of interest committee to develop standards of practice for individuals or entities doing business with the Minnesota Health Plan, including but not limited to, board members, providers, and medical suppliers. The committee shall establish guidelines on the duty to disclose the existence of a financial interest and all material facts related to that financial interest to the committee.

(b) In considering the transaction or arrangement, if the committee determines a conflict of interest exists, the committee shall investigate alternatives to the proposed transaction or arrangement. After exercising due diligence, the committee shall determine whether the Minnesota Health Plan can obtain with reasonable efforts a more advantageous transaction or arrangement with a person or entity that would not give rise to a conflict of interest. If this is not reasonably possible under the circumstances, the committee shall make a recommendation to the board on whether the transaction or arrangement is in the best interest to the operation of the Minnesota Health Plan for the benefit of the plan, and whether the transaction is fair and reasonable. The committee shall provide the board with all material information used to make the recommendation. After reviewing all relevant information, the board shall decide whether to approve the transaction or arrangement.

Subd. 6. **Financial duties.** The board shall:

- (1) establish and collect premiums and the business health tax according to section 62V.20, subdivision 1;
- (2) approve statewide and regional budgets that include budgets for the accounts in section 62V.19;
- (3) establish payment rates for providers which may reflect regional differences to address provider shortages;
- (4) monitor compliance with all budgets and payment rates and take action to achieve compliance to the extent authorized by law;
- (5) pay claims for medical products or services as negotiated, and may issue requests for proposals for a contract to process claims submitted by individual nonprofit providers;
- (6) negotiate fees, prices, and budgets;
- (7) administer the Minnesota Health Fund created under section 62V.19;
- (8) annually determine the appropriate level for the Minnesota Health Plan reserve account and implement policies needed to establish the appropriate reserve;
- (9) implement fraud prevention measures necessary to protect the operation of the Minnesota Health Plan; and
- (10) work to ensure appropriate cost control by:
  - (i) instituting aggressive public health measures, early intervention and preventive care, and promotion of personal health improvement;
  - (ii) making changes in the delivery of health care services and administration that improve efficiency and care quality;
  - (iii) minimizing administrative costs;
  - (iv) ensuring that the delivery system does not contain excess capacity; and

(v) negotiating the lowest possible prices for prescription drugs, medical equipment, and medical services.

If the board determines that there will be a revenue shortfall despite the cost control measures mentioned in clause (10), the board shall implement measures to correct the shortfall, including an increase in premiums. The board shall report to the legislature on the causes of the shortfall, reasons for the failure of cost controls, and measures taken to correct the shortfall.

**Subd. 7. Minnesota Health Board management duties.** The board shall:

(1) develop and implement enrollment procedures for providers and persons eligible for the program and disseminate, to providers of services and to the public, information concerning the program and the persons eligible to receive benefits under the program;

(2) implement eligibility standards for the Minnesota Health Plan, including standards to prevent people moving to the state for the purpose of obtaining medical care;

(3) make recommendations, when needed, to the legislature about changes in the geographic boundaries of the health planning regions;

(4) establish an electronic claims and payments system for the Minnesota Health Plan;

(5) monitor the operation of the Minnesota Health Plan through consumer surveys and regular data collection and evaluation activities, including evaluations of the adequacy and quality of services furnished under the program, the need for changes in the benefit package, the cost of each type of service, and the effectiveness of cost control measures under the program;

(6) establish a health care Web site that provides information to the public about the Minnesota Health Plan including access information on providers and facilities, and that informs the public about state and regional health planning board meetings and activities;

(7) collaborate with public health agencies, schools, and community clinics;

(8) ensure that Minnesota Health Plan policies and providers, including public health providers, support all Minnesota residents in achieving and maintaining maximum physical and mental health functionality; and

(9) annually report to the legislature on the performance of the Minnesota Health Plan, fiscal condition and need for payment adjustments, any needed changes in geographic boundaries of the health planning regions, recommendations for statutory changes, receipt of revenue from all sources, whether current year goals and priorities are met, future goals and priorities, major new technology or prescription drugs, and other circumstances that may affect the cost of health care.

**Subd. 8. Policy duties.** The board shall:

(1) develop and implement cost control and quality assurance procedures, including a professional peer review system;

(2) ensure strong public health services including education and community prevention and clinical services;

(3) ensure a continuum of coordinated high-quality primary to tertiary care to all Minnesota residents; and

(4) implement policies to ensure that all Minnesotans receive culturally and linguistically competent care.

Sec. 4. **[62V.07] HEALTH PLANNING REGIONS.**

A metropolitan health planning region consisting of the seven-county metropolitan area is established. By October 1, 2011, the commissioner of health shall designate five rural health planning regions from the greater Minnesota area composed of geographically contiguous counties grouped on the basis of the following considerations:

- (1) patterns of utilization of health care services;
- (2) health care resources, including workforce resources;
- (3) health needs of the population, including public health needs;
- (4) geography;
- (5) population and demographic characteristics; and
- (6) other considerations as appropriate.

The commissioner of health shall designate the health planning regions.

Sec. 5. **[62V.08] REGIONAL HEALTH PLANNING BOARD.**

Subdivision 1. **Regional planning board composition.** (a) Initially, each regional board shall consist of one county commissioner per county selected by the county board and two county commissioners per county selected by the county board in the seven-county metropolitan area. A county commissioner may designate a representative to act as a member of the board in the member's absence. Each board shall select the chair from among its membership.

(b) Board members shall serve for four-year terms and may receive per diems for meetings as provided in section 15.059, subdivision 3.

Subd. 2. **Regional health board duties.** Regional health planning boards shall:

- (1) recommend health standards, goals, priorities, and guidelines for the region;
- (2) prepare an operating and capital budget for the region to recommend to the Minnesota Health Board;
- (3) collaborate with local public health care agencies to educate consumers and providers on public health programs, goals, and the means of reaching those goals;
- (4) hire a regional health planning director;
- (5) collaborate with public health care agencies to implement public health and wellness initiatives; and
- (6) ensure that all parts of the region have access to a 24-hour nurse hotline and 24-hour urgent care clinics.

Sec. 6. **[62V.09] OFFICE OF HEALTH QUALITY AND PLANNING.**

Subdivision 1. **Establishment.** The Minnesota Health Board shall establish an Office of Health Quality and Planning to assess the quality, access, and funding adequacy of the Minnesota Health Plan.



Subd. 2. **General duties.** (a) The Office of Health Quality and Planning shall make annual recommendations to the board on the overall direction on subjects including:

(1) the overall effectiveness of the Minnesota Health Plan in addressing public health and wellness;

(2) access to care;

(3) quality improvement;

(4) efficiency of administration;

(5) adequacy of budget and funding;

(6) appropriateness of payments for providers;

(7) capital expenditure needs;

(8) long-term care;

(9) mental health and substance abuse services;

(10) staffing levels and working conditions in health care facilities;

(11) identification of number and mix of health care facilities and providers required to best meet the needs of the Minnesota Health Plan;

(12) care for chronically ill patients;

(13) research needs; and

(14) integration of disease management programs into care delivery.

(b) Analyze shortages in health care workforce required to meet the needs of the population and develop plans to meet those needs in collaboration with regional planners and educational institutions.

(c) Assist in coordination of the Minnesota Health Plan and public health programs.

Subd. 3. **Assessment and evaluation of benefits.** The Office of Health Quality and Planning shall:

(1) consider benefit additions to the Minnesota Health Plan and evaluate them based on evidence of clinical efficacy;

(2) establish a process and criteria by which providers may request authorization to provide services and treatments that are not included in the Minnesota Health Plan benefit set, including experimental treatments;

(3) evaluate proposals to increase the efficiency and effectiveness of the health care delivery system, and make recommendations to the board based on the cost-effectiveness of the proposals; and

(4) identify complementary and alternative modalities that have been shown to be safe and effective.

Sec. 7. **[62V.10] OMBUDSMAN OFFICE FOR PATIENT ADVOCACY.**

Subdivision 1. **Creation of office; generally.** (a) The Ombudsman Office for Patient Advocacy is created to represent the interests of the consumers of health care. The ombudsman shall help residents of the state secure the health care services and benefits they are entitled to under the laws administered by the Minnesota Health Board and advocate on behalf of and represent the interests of enrollees in entities created by this chapter and in other forums.

(b) The ombudsman shall be a patient advocate appointed by the governor, who serves in the unclassified service and may be removed only for just cause. The ombudsman must be selected without regard to political affiliation and must be knowledgeable about and have experience in health care services and administration.

(c) The ombudsman may gather information about decisions, acts, and other matters of the Minnesota Health Board, health care organization, or a health care program. A person may not serve as ombudsman while holding another public office.

(d) The budget for the ombudsman's office shall be determined by the legislature and is independent from the Minnesota Health Board which has no oversight or authority over the ombudsman for patient advocacy. The ombudsman shall establish offices to provide convenient access to residents.

Subd. 2. **Ombudsman's duties.** (a) The ombudsman for patient advocacy shall:

(1) ensure that patient advocacy services are available to all Minnesota residents;

(2) establish and maintain the grievance process according to section 62V.11;

(3) receive, evaluate, and respond to consumer complaints about the Minnesota Health Plan;

(4) establish a process to receive recommendations from the public about ways to improve the Minnesota Health Plan;

(5) develop educational and informational guides according to communication services under section 15.441, describing consumer rights and responsibilities;

(6) ensure the guides in clause (5) are widely available to consumers and specifically available in provider offices and health care facilities; and

(7) report annually to the public, the board, and the legislature about the consumer perspective on the performance of the Minnesota Health Plan, including recommendations for needed improvements.

(b) The patient advocate, in carrying out assigned duties, shall have unlimited access to all nonconfidential and all nonprivileged documents in the custody and control of the Minnesota Health Board.

Sec. 8. **[62V.11] GRIEVANCE SYSTEM.**

Subdivision 1. **Grievance system established.** The ombudsman for patient advocacy shall establish a grievance system for all complaints. The system shall provide reasonable procedures that shall ensure adequate consideration of Minnesota Health Plan enrollee grievances and appropriate remedies.

Subd. 2. **Referral of grievances.** The ombudsman for patient advocacy may refer any grievance that does not pertain to compliance with this chapter to the federal Center for Medicaid or any other appropriate local, state, and federal government entity for investigation and resolution.

Subd. 3. **Submittal by designated agents and providers.** A provider may join with, or otherwise assist, a complainant to submit the grievance to the ombudsman without fear of retribution.

Subd. 4. **Review of documents.** The ombudsman may require additional information from health care providers or the board.

Subd. 5. **Written notice of disposition.** The ombudsman shall send a written notice of the final disposition of the grievance, and the reasons for the decision, to the complainant, to any provider who is assisting the complainant, and to the board, within 30 calendar days of receipt of the request for review unless the ombudsman determines that additional time is reasonably necessary to fully and fairly evaluate the relevant grievance. The ombudsman's order of corrective action shall be binding on the Minnesota Health Plan. Decisions of the ombudsman may be appealed in district court.

Sec. 9. **[62V.12] INSPECTOR GENERAL FOR THE MINNESOTA HEALTH PLAN.**

Subdivision 1. **Establishment.** There is within the Office of the Attorney General an inspector general for the Minnesota Health Plan who is appointed by the attorney general.

Subd. 2. **Duties.** The inspector general shall:

(1) investigate, audit, and review the financial and business records of individuals, public and private agencies and institutions, and private corporations that provide services or products to the Minnesota Health Plan, the costs of which are reimbursed by the Minnesota Health Plan;

(2) investigate allegations of misconduct on the part of an employee or appointee of the Minnesota Health Board and on the part of any provider of health care services that is reimbursed by the Minnesota Health Plan, and report any findings of misconduct to the attorney general;

(3) investigate patterns of medical practice that may indicate fraud and abuse related to over or under utilization or other inappropriate utilization of medical products and services;

(4) arrange for the collection and analysis of data needed to investigate the inappropriate utilization of these products and services; and

(5) annually report recommendations for improvements to the Minnesota Health Plan to the board.

Sec. 10. **[62V.13] EXAMINATION BY LEGISLATIVE AUDITOR.**

The books and all operating policies and procedures of the Minnesota Health Board shall be subject to examination by the legislative auditor.

ARTICLE 18

IMPLEMENTATION

Sec. 1. **EFFECTIVE DATE AND TRANSITION.**

Subdivision 1. **Notice and effective date.** This act is effective on July 1, 2012. The commissioner of management and budget shall notify the chairs of the house of representatives and senate committees with jurisdiction over health care when the Minnesota Health Fund has sufficient revenues to fund the costs of implementing this act.

Subd. 2. **Timing to implement.** The Minnesota Health Plan must be operational within two years from the date of final enactment of this act.

Subd. 3. **Prohibition.** On and after the day the Minnesota Health Plan becomes operational, a health plan, as defined in Minnesota Statutes, section 62Q.01, subdivision 3, may not be sold in Minnesota for services provided by the Minnesota Health Plan.

Subd. 4. **Transition.** (a) The commissioners of health and human services shall prepare an analysis of the state's capital expenditure needs for the purpose of assisting the board in adopting the statewide capital budget for the year following implementation. The commissioners shall submit this analysis to the board.

(b) The following timelines shall be implemented:

(1) the commissioner of health shall designate the health planning regions utilizing the criteria specified in Minnesota Statutes, section 62V.07, three months after the date of enactment of this act;

(2) the regional boards shall be established six months after the date of enactment of this act; and

(3) the Minnesota Health Board shall be established nine months on or after July 1, 2011; and

(4) the commissioner of health, or the commissioner's designee, shall convene the first meeting of each of the regional boards and the Minnesota Health Board within 30 days after each of the boards has been established."

Amend the title accordingly

A roll call was requested and properly seconded.

#### CALL OF THE HOUSE

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

Abeler	Davids	Greiling	Kahn	Marquart	Peppin
Anderson, B.	Davnie	Gunther	Kalin	Masin	Persell
Anderson, P.	Dean	Hackbarth	Kath	McFarlane	Peterson
Anderson, S.	Demmer	Hamilton	Kelly	McNamara	Poppe
Anzelc	Dettmer	Hansen	Kiffmeyer	Morgan	Reinert
Atkins	Dittrich	Hausman	Knuth	Morrow	Rosenthal
Beard	Doepke	Haws	Koenen	Mullery	Ruud
Benson	Doty	Hayden	Laine	Murdock	Sailer
Bigham	Downey	Hilstrom	Lanning	Murphy, E.	Sanders
Bly	Drazkowski	Hilty	Lenczewski	Murphy, M.	Scalze
Brod	Eastlund	Holberg	Lesch	Nelson	Scott
Brown	Eken	Hoppe	Liebling	Newton	Seifert
Brynaert	Emmer	Hornstein	Lieder	Nornes	Sertich
Buesgens	Falk	Hortman	Lillie	Norton	Severson
Bunn	Faust	Hosch	Loeffler	Obermueller	Shimanski
Carlson	Fritz	Huntley	Loon	Olin	Simon
Champion	Gardner	Jackson	Mack	Otremba	Slawik
Clark	Garofalo	Johnson	Mahoney	Paymar	Slocum
Cornish	Gottwalt	Juhnke	Mariani	Pelowski	Smith

Solberg	Thao	Torkelson	Ward	Winkler
Sterner	Thissen	Urdahl	Walti	Zellers
Swails	Tillberry	Wagenius	Westrom	Spk. Kelliher

Morrow 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.

The question recurred on the Dean amendment and the roll was called. There were 16 yeas and 116 nays as follows:

Those who voted in the affirmative were:

Anzelc	Greiling	Hilty	Kahn	Murphy, M.	Thao
Champion	Hausman	Hornstein	Laine	Paymar	
Clark	Hayden	Johnson	Mariani	Rukavina	

Those who voted in the negative were:

Abeler	Dettmer	Hilstrom	Lieder	Olin	Slocum
Anderson, B.	Dittrich	Holberg	Lillie	Otremba	Smith
Anderson, P.	Doepke	Hoppe	Loeffler	Pelowski	Solberg
Anderson, S.	Doty	Hortman	Loon	Peppin	Sterner
Atkins	Downey	Hosch	Mack	Persell	Swails
Beard	Drazkowski	Howes	Mahoney	Peterson	Thissen
Benson	Eastlund	Huntley	Marquart	Poppe	Tillberry
Bigham	Eken	Jackson	Masin	Reinert	Torkelson
Bly	Emmer	Juhnke	McFarlane	Rosenthal	Urdahl
Brod	Falk	Kalin	McNamara	Ruud	Wagenius
Brown	Faust	Kath	Morgan	Sailer	Ward
Brynaert	Fritz	Kelly	Morrow	Sanders	Walti
Buesgens	Gardner	Kiffmeyer	Mullery	Scalze	Westrom
Bunn	Garofalo	Knuth	Murdock	Scott	Winkler
Carlson	Gottwalt	Koenen	Murphy, E.	Seifert	Zellers
Cornish	Gunther	Kohls	Nelson	Sertich	Spk. Kelliher
Davids	Hackbarth	Lanning	Newton	Severson	
Davnie	Hamilton	Lenczewski	Nornes	Shimanski	
Dean	Hansen	Lesch	Norton	Simon	
Demmer	Haws	Liebling	Obermueller	Slawik	

The motion did not prevail and the amendment was not adopted.

#### CALL OF THE HOUSE LIFTED

Morrow moved that the call of the House be lifted. The motion prevailed and it was so ordered.

Torkelson; Cornish; Dettmer; Howes; Shimanski; Nornes; Demmer; Kiffmeyer; Davids; Gottwalt; Urdahl; Seifert; Severson; Murdock; Peppin; Gunther; Hamilton; Lanning; Kelly; McNamara; Anderson, P., and Eastlund moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 20, line 18, delete everything after "effective" and insert "January 1, 2014."

Page 20, delete line 19

Page 21, line 6, delete everything after "effective" and insert "January 1, 2014."

Page 21, delete line 7

Page 63, after line 3, insert:

"Sec. 64. **INSTRUCTION TO REVISOR.**

The revisor of statutes, when engrossing this amendment, shall make all necessary changes to section effective dates and repealers of provisions related to general assistance medical care, to conform with the January 1, 2014, effective date specified in this amendment for the expansion of medical assistance to include adults without children."

Page 71, after line 9, insert:

"Sec. 6. Minnesota Statutes 2008, section 256B.441, is amended by adding a subdivision to read:

Subd. 60. **Adjustment for low-payment rate facilities.** (a) For the rate year beginning October 1, 2011, the commissioner shall adjust operating payment rates for low-payment rate nursing facilities reimbursed under this section or section 256B.434 and licensed under chapter 144A, in accordance with this subdivision.

(b) The commissioner shall determine a value for an operating payment rate with a RUGS index of 1.00, such that the cost to increase the operating payment rate for all nursing facilities with operating payment rates less than that value by an amount equal to 50 percent of the difference between their operating payment rate with a RUGS index equal to 1.00 and the value determined under this paragraph not to exceed an increase of six percent of a facility's operating payment rate with a RUGS index equal to 1.00, does not exceed the amount appropriated for this purpose.

(c) Effective September 30, 2011, the commissioner shall identify all nursing facilities with operating payment rates with a RUGS index equal to 1.00, that are less than the value determined in paragraph (b).

(d) Effective September 30, 2011, the commissioner shall provide each nursing facility identified in paragraph (c) with an increase in their operating payment rate with a RUGS index of 1.00 that is equal to 50 percent of the difference between their operating payment rate with a RUGS index equal to 1.00, and the value determined in paragraph (b), but not to exceed an increase of six percent of the operating payment rate with a RUGS index equal to 1.00.

(e) The commissioner shall apportion the amount of the RUGS index equal to 1.00 computed in paragraph (d) between case mix and noncase mix per diems in proportion to the amounts in effect on September 30, 2011. The commissioner shall multiply the case mix portion by the RUGS indices and add the noncase mix portion to that product to determine the other RUGS operating rates.

(f) The rate adjustment provided in paragraph (d) shall be added after any nursing facility rate adjustments provided under this section or section 256B.434."

Page 155, after line 7, insert:

"**Adjustment for Low-Rate Facilities.** Of this appropriation, \$37,860,000 in fiscal year 2011 and \$56,567,000 in the 2012-2013 biennium is to implement Minnesota Statutes, section 256B.441, subdivision 60."

Page 193, delete section 17

Amend the appropriations by the specified amounts and correct the totals and the appropriations by fund accordingly

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Torkelson et al amendment and the roll was called. There were 57 yeas and 75 nays as follows:

Those who voted in the affirmative were:

Abeler	Dean	Fritz	Kath	Murdock	Shimanski
Anderson, B.	Demmer	Garofalo	Kelly	Nornes	Smith
Anderson, P.	Dettmer	Gottwalt	Kiffmeyer	Obermueller	Torkelson
Anderson, S.	Doepke	Gunther	Kohls	Olin	Urdahl
Beard	Doty	Hackbarth	Lanning	Otremba	Ward
Bly	Downey	Hamilton	Loon	Peppin	Westrom
Brod	Drazkowski	Holberg	Mack	Sanders	Zellers
Buesgens	Eastlund	Hoppe	McFarlane	Scott	
Cornish	Emmer	Howes	McNamara	Seifert	
Davids	Faust	Jackson	Morrow	Severson	

Those who voted in the negative were:

Anzelc	Falk	Johnson	Mahoney	Persell	Solberg
Atkins	Gardner	Juhnke	Mariani	Peterson	Sterner
Benson	Greiling	Kahn	Marquart	Poppe	Swails
Bigham	Hansen	Kalin	Masin	Reinert	Thao
Brown	Hausman	Knuth	Morgan	Rosenthal	Thissen
Brynaert	Haws	Koenen	Mullery	Rukavina	Tillberry
Bunn	Hayden	Laine	Murphy, E.	Ruud	Wagenius
Carlson	Hilstrom	Lenczewski	Murphy, M.	Sailer	Walti
Champion	Hilty	Lesch	Nelson	Scalze	Winkler
Clark	Hornstein	Liebling	Newton	Sertich	Spk. Kelliher
Davnie	Hortman	Lieder	Norton	Simon	
Dittrich	Hosch	Lillie	Paymar	Slawik	
Eken	Huntley	Loeffler	Pelowski	Slocum	

The motion did not prevail and the amendment was not adopted.

Holberg moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 119, after line 3, insert:

"Sec. 12. Minnesota Statutes 2008, section 144.293, is amended by adding a subdivision to read:

**Subd. 11. Prohibited release by state agencies. No state agency may provide to the federal Internal Revenue Service any patient-specific health insurance information.**

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Holberg amendment and the roll was called. There were 110 yeas and 22 nays as follows:

Those who voted in the affirmative were:

Abeler	Dittrich	Haws	Lenczewski	Otremba	Slawik
Anderson, B.	Doepke	Hilstrom	Lieder	Pelowski	Slocum
Anderson, P.	Doty	Hilty	Lillie	Peppin	Smith
Anderson, S.	Downey	Holberg	Loon	Persell	Solberg
Anzelc	Drazkowski	Hoppe	Mack	Peterson	Sterner
Atkins	Eastlund	Hortman	Mariani	Poppe	Swails
Beard	Eken	Hosch	Marquart	Reinert	Tillberry
Benson	Emmer	Howes	Masin	Rosenthal	Torkelson
Bigham	Falk	Jackson	McFarlane	Rukavina	Urdahl
Bly	Faust	Juhnke	McNamara	Ruud	Wagenius
Brod	Fritz	Kalin	Morgan	Sailer	Ward
Brown	Gardner	Kath	Morrow	Sanders	Welti
Buesgens	Garofalo	Kelly	Mullery	Scalze	Westrom
Bunn	Gottwalt	Kiffmeyer	Murdock	Scott	Zellers
Cornish	Greiling	Knuth	Murphy, M.	Seifert	Spk. Kelliher
Davids	Gunther	Koenen	Nornes	Sertich	
Dean	Hackbarth	Kohls	Norton	Severson	
Demmer	Hamilton	Laine	Obermueller	Shimanski	
Dettmer	Hansen	Lanning	Olin	Simon	

Those who voted in the negative were:

Brynaert	Davnie	Huntley	Liebling	Nelson	Thissen
Carlson	Hausman	Johnson	Loeffler	Newton	Winkler
Champion	Hayden	Kahn	Mahoney	Paymar	
Clark	Hornstein	Lesch	Murphy, E.	Thao	

The motion prevailed and the amendment was adopted.

Brod moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 46, delete section 39

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.



The question was taken on the Brod amendment and the roll was called. There were 46 yeas and 86 nays as follows:

Those who voted in the affirmative were:

Abeler	Davids	Emmer	Howes	McNamara	Shimanski
Anderson, B.	Dean	Garofalo	Kelly	Murdock	Smith
Anderson, P.	Demmer	Gottwalt	Kiffmeyer	Nornes	Torkelson
Anderson, S.	Dettmer	Gunther	Kohls	Peppin	Urdahl
Beard	Doepke	Hackbarth	Lanning	Sanders	Westrom
Brod	Downey	Hamilton	Loon	Scott	Zellers
Buesgens	Drazkowski	Holberg	Mack	Seifert	
Cornish	Eastlund	Hoppe	McFarlane	Severson	

Those who voted in the negative were:

Anzelc	Falk	Jackson	Mahoney	Paymar	Solberg
Atkins	Faust	Johnson	Mariani	Pelowski	Sterner
Benson	Fritz	Juhnke	Marquart	Persell	Swails
Bigham	Gardner	Kahn	Masin	Peterson	Thao
Bly	Greiling	Kalin	Morgan	Poppe	Thissen
Brown	Hansen	Kath	Morrow	Reinert	Tillberry
Brynaert	Hausman	Knuth	Mullery	Rosenthal	Wagenius
Bunn	Haws	Koenen	Murphy, E.	Rukavina	Ward
Carlson	Hayden	Laine	Murphy, M.	Ruud	Welti
Champion	Hilstrom	Lenczewski	Nelson	Sailer	Winkler
Clark	Hilty	Lesch	Newton	Scalze	Spk. Kelliher
Davnie	Hornstein	Liebling	Norton	Sertich	
Dittrich	Hortman	Lieder	Obermueller	Simon	
Doty	Hosch	Lillie	Olin	Slawik	
Eken	Huntley	Loeffler	Otremba	Slocum	

The motion did not prevail and the amendment was not adopted.

Seifert moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 81, after line 24, insert:

"Sec. 9. Minnesota Statutes 2008, section 256J.39, is amended by adding a subdivision to read:

Subd. 1b. **EBT cards; photo identification required.** Cashiers at points-of-sale shall request photo identification when an MFIP electronic benefits transfer card is presented."

A roll call was requested and properly seconded.

The question was taken on the Seifert amendment and the roll was called. There were 91 yeas and 41 nays as follows:

Those who voted in the affirmative were:

Abeler	Anderson, S.	Bigham	Brynaert	Cornish	Demmer
Anderson, B.	Beard	Brod	Buesgens	Davids	Dettmer
Anderson, P.	Benson	Brown	Bunn	Dean	Dittrich

Doepke	Hamilton	Knuth	McNamara	Rosenthal	Swails
Doty	Haws	Koenen	Morgan	Ruud	Torkelson
Downey	Hilstrom	Kohls	Morrow	Sailer	Urdahl
Drazkowski	Holberg	Laine	Murdock	Sanders	Ward
Eastlund	Hoppe	Lanning	Newton	Scalze	Welti
Eken	Hortman	Lenczewski	Nornes	Scott	Westrom
Emmer	Hosch	Lillie	Norton	Seifert	Zellers
Faust	Howes	Loon	Obermueller	Severson	Spk. Kelliher
Gardner	Jackson	Mack	Olin	Shimanski	
Garofalo	Kalin	Magnus	Otremba	Simon	
Gottwalt	Kath	Marquart	Peppin	Slawik	
Gunther	Kelly	Masin	Persell	Smith	
Hackbarth	Kiffmeyer	McFarlane	Peterson	Sterner	

Those who voted in the negative were:

Anzelc	Fritz	Huntley	Loeffler	Paymar	Solberg
Atkins	Greiling	Johnson	Mahoney	Pelowski	Thao
Carlson	Hansen	Juhnke	Mariani	Poppe	Thissen
Champion	Hausman	Kahn	Mullery	Reinert	Tillberry
Clark	Hayden	Lesch	Murphy, E.	Rukavina	Wagenius
Davnie	Hilty	Liebling	Murphy, M.	Sertich	Winkler
Falk	Hornstein	Lieder	Nelson	Slocum	

The motion prevailed and the amendment was adopted.

Speaker pro tempore Sertich called Hortman to the Chair.

Gottwalt, Brod, Kiffmeyer, Seifert, Dean and Bunn moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 49, after line 26, insert:

"Sec. 43. **[256L.031] HEALTH COVERAGE CONTRIBUTION PROGRAM.**

**Subdivision 1. Coverage contributions to enrollees.** (a) Beginning January 1, 2011, or upon federal approval, whichever is later, the commissioner shall provide each MinnesotaCare enrollee eligible under section 256L.04, subdivision 7, with gross family income that exceeds 133 percent of the federal poverty guidelines with a monthly coverage contribution to purchase health coverage under a health plan as defined in section 62A.011, subdivision 3.

(b) Enrollees eligible under paragraph (a) shall not be charged premiums under section 256L.15, and are exempt from the managed care enrollment requirement of section 256L.12.

(c) Sections 256L.03 and 256L.05, subdivision 3, do not apply to enrollees eligible under paragraph (a). Covered services, cost-sharing, and the effective date of coverage for enrollees eligible under paragraph (a) shall be as provided under the terms of the health plan purchased by the enrollee.

**Subd. 2. Use of coverage contribution.** An enrollee may use up to the monthly coverage contribution only to pay premiums for coverage under a health plan as defined in section 62A.011, subdivision 3.

**Subd. 3. Determination of coverage contribution amount.** (a) The commissioner shall determine the coverage contribution sliding scale using the base contribution specified in paragraph (b) for the specified age ranges. The commissioner shall use a sliding scale for coverage contributions that provides:

(1) persons with household incomes greater than 133 percent but not exceeding 134 percent of the federal poverty guidelines with a coverage contribution of 150 percent of the base contribution;

(2) persons with household incomes at 175 percent of the federal poverty guidelines with a coverage contribution of 100 percent of the base contribution;

(3) persons with household incomes at 250 percent of the federal poverty guidelines with a coverage contribution of 80 percent of the base contribution; and

(4) persons with household incomes in evenly spaced increments between the percentages of the federal poverty guideline specified in clauses (1) to (3) with a base contribution that is a percentage interpolated from the coverage contribution percentages specified in clauses (1) to (3).

<u>Age</u>	<u>Monthly Per-Person Base Contribution</u>
<u>21-29</u>	<u>122.79</u>
<u>30-31</u>	<u>129.19</u>
<u>32-33</u>	<u>132.38</u>
<u>34-35</u>	<u>134.31</u>
<u>36-37</u>	<u>136.06</u>
<u>38-39</u>	<u>141.02</u>
<u>40-41</u>	<u>151.25</u>
<u>42-43</u>	<u>159.89</u>
<u>44-45</u>	<u>175.08</u>
<u>46-47</u>	<u>191.71</u>
<u>48-49</u>	<u>213.13</u>
<u>50-51</u>	<u>239.51</u>
<u>52-53</u>	<u>266.69</u>
<u>54-55</u>	<u>293.88</u>
<u>56-57</u>	<u>323.77</u>
<u>58-59</u>	<u>341.20</u>
<u>60+</u>	<u>357.19</u>

(b) The commissioner shall multiply the coverage contribution amounts developed under paragraph (a) by 1.20 for enrollees who are denied coverage under an individual health plan by a health plan company, who do not have access to an employer-sponsored group plan, and who purchase coverage through the Minnesota Comprehensive Health Association.

**Subd. 4. Administration by commissioner.** The commissioner shall administer the coverage contributions. The commissioner shall:

(1) calculate and process coverage contributions for enrollees; and

(2) pay the coverage contribution amount to health plan companies or the Minnesota Comprehensive Health Association, as applicable, for enrollee health plan coverage.

Subd. 5. **Assistance to enrollees.** The commissioner of human services, in consultation with the commissioner of commerce, shall develop an efficient and cost-effective method of referring eligible applicants to professional insurance agent associations.

Subd. 6. **MCHA.** Beginning January 1, 2011, or upon federal approval, whichever is later, MinnesotaCare enrollees who are denied coverage under an individual health plan by a health plan company, and who do not have access to an employer-sponsored group plan, are eligible for coverage through a health plan offered by the Minnesota Comprehensive Health Association. Any difference between the revenue and covered losses to the Minnesota Comprehensive Health Association related to implementation of this act shall be paid to the Minnesota Comprehensive Health Association from the health care access fund."

Page 63, after line 3, insert:

"Sec. 64. **REDUCTION BY COMMISSIONER OF REVENUE.**

The commissioner of revenue must reduce the lowest income tax bracket to reflect savings in fiscal year 2012 of \$48,724,000 and in fiscal year 2013 of \$61,813,000."

Page 153, line 23, delete "1,234,000" and insert "1,449,000"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Gottwalt et al amendment and the roll was called. There were 55 yeas and 79 nays as follows:

Those who voted in the affirmative were:

Abeler	Dean	Gottwalt	Kelly	Nornes	Sterner
Anderson, B.	Demmer	Gunther	Kiffmeyer	Obermueller	Torkelson
Anderson, P.	Dettmer	Hackbarth	Kohls	Peppin	Urdahl
Anderson, S.	Dittrich	Hamilton	Lanning	Rosenthal	Westrom
Beard	Doepke	Haws	Loon	Sanders	Zellers
Brod	Downey	Holberg	Mack	Scott	
Buesgens	Drazkowski	Hoppe	Magnus	Seifert	
Bunn	Eastlund	Hosch	McFarlane	Severson	
Cornish	Emmer	Howes	McNamara	Shimanski	
Davids	Garofalo	Kath	Murdock	Smith	

Those who voted in the negative were:

Anzelc	Carlson	Falk	Hayden	Johnson	Lenczewski
Atkins	Champion	Faust	Hilstrom	Juhnke	Lesch
Benson	Clark	Fritz	Hilty	Kahn	Liebling
Bigham	Davnie	Gardner	Hornstein	Kalin	Lieder
Bly	Dill	Greiling	Hortman	Knuth	Lillie
Brown	Doty	Hansen	Huntley	Koenen	Loeffler
Brynaert	Eken	Hausman	Jackson	Laine	Mahoney

Mariani	Murphy, M.	Pelowski	Sailer	Swails	Winkler
Marquart	Nelson	Persell	Scalze	Thao	Spk. Kelliher
Masin	Newton	Peterson	Sertich	Thissen	
Morgan	Norton	Poppe	Simon	Tillberry	
Morrow	Olin	Reinert	Slawik	Wagenius	
Mullery	Otremba	Rukavina	Slocum	Ward	
Murphy, E.	Paymar	Ruud	Solberg	Welti	

The motion did not prevail and the amendment was not adopted.

Speaker pro tempore Hortman called Sertich to the Chair.

Dean moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 20, after line 19, insert:

"Sec. 8. Minnesota Statutes 2008, section 256B.056, subdivision 3, is amended to read:

Subd. 3. **Asset limitations for individuals and families.** To be eligible for medical assistance, a person must not individually own more than \$3,000 in assets, or if a member of a household with two family members, husband and wife, or parent and child, the household must not own more than \$6,000 in assets, plus \$200 for each additional legal dependent. In addition to these maximum amounts, an eligible individual or family may accrue interest on these amounts, but they must be reduced to the maximum at the time of an eligibility redetermination. The accumulation of the clothing and personal needs allowance according to section 256B.35 must also be reduced to the maximum at the time of the eligibility redetermination. The value of assets that are not considered in determining eligibility for medical assistance is the value of those assets excluded under the supplemental security income program for aged, blind, and disabled persons, with the following exceptions:

- (1) household goods and personal effects are not considered;
- (2) capital and operating assets of a trade or business that the local agency determines are necessary to the person's ability to earn an income are not considered;
- (3) motor vehicles are excluded to the same extent excluded by the supplemental security income program, except that the entire value of a motor vehicle valued at more than \$50,000 shall be treated as a nonexempt asset, regardless of the use of the motor vehicle, to the extent allowable under federal law and regulations;
- (4) assets designated as burial expenses are excluded to the same extent excluded by the supplemental security income program. Burial expenses funded by annuity contracts or life insurance policies must irrevocably designate the individual's estate as contingent beneficiary to the extent proceeds are not used for payment of selected burial expenses; and
- (5) effective upon federal approval, for a person who no longer qualifies as an employed person with a disability due to loss of earnings, assets allowed while eligible for medical assistance under section 256B.057, subdivision 9, are not considered for 12 months, beginning with the first month of ineligibility as an employed person with a disability, to the extent that the person's total assets remain within the allowed limits of section 256B.057, subdivision 9, paragraph (c).

Sec. 9. Minnesota Statutes 2009 Supplement, section 256B.056, subdivision 3c, is amended to read:

Subd. 3c. **Asset limitations for families and children.** A household of two or more persons must not own more than \$20,000 in total net assets, and a household of one person must not own more than \$10,000 in total net assets. In addition to these maximum amounts, an eligible individual or family may accrue interest on these amounts, but they must be reduced to the maximum at the time of an eligibility redetermination. The value of assets that are not considered in determining eligibility for medical assistance for families and children is the value of those assets excluded under the AFDC state plan as of July 16, 1996, as required by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), Public Law 104-193, with the following exceptions:

(1) household goods and personal effects are not considered;

(2) capital and operating assets of a trade or business up to \$200,000 are not considered, except that a bank account that contains personal income or assets, or is used to pay personal expenses, is not considered a capital or operating asset of a trade or business;

(3) one motor vehicle is excluded for each person of legal driving age who is employed or seeking employment, except that the entire value of a motor vehicle valued at more than \$50,000 shall be treated as a nonexempt asset, regardless of the use of the motor vehicle, to the extent allowable under federal law and regulations;

(4) assets designated as burial expenses are excluded to the same extent they are excluded by the Supplemental Security Income program;

(5) court-ordered settlements up to \$10,000 are not considered;

(6) individual retirement accounts and funds are not considered; and

(7) assets owned by children are not considered.

The assets specified in clause (2) must be disclosed to the local agency at the time of application and at the time of an eligibility redetermination, and must be verified upon request of the local agency."

Page 78, line 2, reinstate the stricken colon

Page 78, line 3, reinstate the stricken "(1)"

Page 78, line 5, delete the period and insert a semicolon

Page 78, line 6, reinstate the stricken "(2)" and after the stricken period, insert "to the extent allowable under federal law and regulations, they have a vehicle valued at less than \$50,000, regardless of the use of the vehicle."

Page 78, after line 7, insert:

"Sec. 5. Minnesota Statutes 2008, section 256D.425, subdivision 2, is amended to read:

Subd. 2. **Resource standards.** The resource standards and restrictions for supplemental aid under this section shall be those used to determine eligibility for disabled individuals in the supplemental security income program, except that to the extent allowable under federal law and regulations, vehicles must be valued at less than \$50,000, regardless of the use of the vehicle."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Scott moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 92, after line 13, insert:

"Sec. 9. Minnesota Statutes 2008, section 246B.04, subdivision 2, is amended to read:

Subd. 2. **Ban on obscene material ~~or~~, pornographic work, or certain drugs.** The commissioner shall prohibit persons civilly committed as sexual psychopathic personalities or sexually dangerous persons under section 253B.185 from having or receiving material that is obscene as defined under section 617.241, subdivision 1, material that depicts sexual conduct as defined under section 617.241, subdivision 1, ~~or~~ pornographic work as defined under section 617.246, subdivision 1, or drug used for the treatment of impotence or erectile dysfunction while receiving services in any secure treatment facilities operated by the Minnesota sex offender program or any other facilities operated by the commissioner.

Sec. 10. Minnesota Statutes 2009 Supplement, section 246B.06, subdivision 6, is amended to read:

Subd. 6. **Wages.** (a) Notwithstanding section 177.24 or any other law to the contrary, the commissioner of human services has the discretion to set the pay rate for clients participating in the vocational work program. The commissioner has the authority to retain up to 50 percent of any payments made to a client participating in the vocational work program for the purpose of reducing state costs associated with operating the Minnesota sex offender program.

(b) A client who receives payments is prohibited from spending any of the funds received on drugs used for the treatment of impotence or erectile dysfunction while receiving services in any treatment facilities operated by the Minnesota sex offender program or any other facilities operated by the commissioner."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Scott amendment and the roll was called. There were 130 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Atkins	Brod	Carlson	Davnie	Dittrich
Anderson, B.	Beard	Brown	Champion	Dean	Doepke
Anderson, P.	Benson	Brynaert	Clark	Demmer	Doty
Anderson, S.	Bigham	Buesgens	Cornish	Dettmer	Downey
Anzelc	Bly	Bunn	Davids	Dill	Drazkowski

Eastlund	Hilstrom	Koenen	McFarlane	Persell	Solberg
Eken	Holberg	Kohls	McNamara	Peterson	Sterner
Emmer	Hoppe	Laine	Morgan	Poppe	Swails
Falk	Hornstein	Lanning	Morrow	Reinert	Thao
Faust	Hortman	Lenczewski	Mullery	Rosenthal	Thissen
Fritz	Hosch	Lesch	Murdock	Ruud	Tillberry
Gardner	Howes	Liebling	Murphy, E.	Sanders	Torkelson
Garofalo	Huntley	Lieder	Nelson	Scalze	Urdahl
Gottwalt	Jackson	Lillie	Newton	Scott	Wagenius
Greiling	Johnson	Loeffler	Nornes	Seifert	Ward
Gunther	Juhnke	Loon	Norton	Sertich	Welti
Hackbarth	Kahn	Mack	Obermueller	Severson	Westrom
Hamilton	Kalin	Magnus	Olin	Shimanski	Winkler
Hansen	Kath	Mahoney	Otremba	Simon	Zellers
Hausman	Kelly	Mariani	Paymar	Slawik	Spk. Kelliher
Haws	Kiffmeyer	Marquart	Pelowski	Slocum	
Hayden	Knuth	Masin	Peppin	Smith	

The motion prevailed and the amendment was adopted.

Dauids moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 36, after line 14, insert:

"Sec. 26. Minnesota Statutes 2008, section 256B.69, is amended by adding a subdivision to read:

**Subd. 5m. Limits on net income and administrative costs; enabling expansion of prepaid medical assistance.** (a) Notwithstanding any other law to the contrary, the total monthly net income received by a managed care plan for providing covered services under the public programs must not exceed six percent of the total monthly revenues the managed care plan receives from the program. For purposes of this paragraph, "net income" means total revenues received by the managed care plan under the program minus expenses and other adjustments, all as required to be defined for purposes of the managed care plan's annual Statement of Revenue, Expenses, and Net Income, prepared using the appropriate National Association of Insurance Commissioners Blank and related instructions for health maintenance organizations, as required and amended by Minnesota Rules, part 4685.1940. The managed care plan shall refund any amounts of net monthly income in excess of six percent to the commissioner, no later than 30 days after the end of each month.

(b) For services rendered under paragraph (a), allowable administrative costs for a managed care plan are the per-enrollee dollar amount allowed in 2009.

(c) The commissioner shall use 60 percent of savings in costs to the state achieved under this subdivision to provide equal percentage increases in operating payment rates for nursing facilities under section 256B.441 and 40 percent savings in costs to the state achieved under this subdivision to compensate victims of violations of the provisions of article 7, section 7, of this act. Insurance agency owners who suffer a total loss of health insurance business shall be compensated by a payment of 1.25 times the agency owner's commissions in the preceding 12 months. No members of the legislature shall be eligible for a payment.

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



Page 129, after line 14, insert:

"Sec. 7. **INSURANCE AGENTS AND FEDERAL HEALTH REFORM.**

No insurance agent or an employee of the agent shall suffer a job loss, reduction in profit, or loss of business as a result of state implementation of the provisions in the Patient Protection and Affordable Care Act (Public Law No. 111-148), and the health care reform provisions in the Health Care and Education Reconciliation Act of 2010 (Public Law No. 111-152)."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Liebling moved to amend the Davids amendment to H. F. No. 2614, the second engrossment, as amended, as follows:

Page 2, delete lines 2 to 8

A roll call was requested and properly seconded.

The question was taken on the amendment to the amendment and the roll was called. There were 87 yeas and 47 nays as follows:

Those who voted in the affirmative were:

Anzelc	Drazkowski	Hosch	Lillie	Olin	Slawik
Atkins	Eken	Huntley	Loeffler	Otremba	Slocum
Benson	Falk	Jackson	Mahoney	Paymar	Solberg
Bigham	Faust	Johnson	Mariani	Pelowski	Swails
Bly	Fritz	Juhnke	Marquart	Persell	Thao
Brown	Gardner	Kahn	Masin	Peterson	Thissen
Brynaert	Greiling	Kalin	Morgan	Poppe	Tillberry
Bunn	Hansen	Kath	Morrow	Reinert	Wagenius
Carlson	Hausman	Knuth	Mullery	Rosenthal	Ward
Champion	Haws	Koenen	Murphy, E.	Rukavina	Welti
Clark	Hayden	Laine	Murphy, M.	Ruud	Winkler
Davnie	Hilstrom	Lenczewski	Nelson	Sailer	Spk. Kelliher
Dill	Hilty	Lesch	Newton	Scalze	
Dittrich	Hornstein	Liebling	Norton	Sertich	
Doty	Hortman	Lieder	Obermueller	Simon	

Those who voted in the negative were:

Abeler	Davids	Garofalo	Kelly	McNamara	Shimanski
Anderson, B.	Dean	Gottwalt	Kiffmeyer	Murdock	Smith
Anderson, P.	Demmer	Gunther	Kohls	Nornes	Sterner
Anderson, S.	Dettmer	Hackbarth	Lanning	Peppin	Torkelson
Beard	Doepke	Hamilton	Loon	Sanders	Urdahl
Brod	Downey	Holberg	Mack	Scott	Westrom
Buesgens	Eastlund	Hoppe	Magnus	Seifert	Zellers
Cornish	Emmer	Howes	McFarlane	Severson	

The motion prevailed and the amendment to the amendment was adopted.

Thissen moved to amend the Davids amendment, as amended, to H. F. No. 2614, the second engrossment, as amended, as follows:

Page 1, line 20, delete "60" and insert "100"

Page 1, line 22, delete everything after "256B.441" and insert a period

Page 1, delete lines 23 to 27

The motion prevailed and the amendment to the amendment, as amended, was adopted.

The question recurred on the Davids amendment, as amended, to H. F. No. 2614, the second engrossment, as amended. The motion prevailed and the amendment, as amended, was adopted.

Seifert, Gottwalt and Otremba moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 123, after line 1, insert:

"Sec. 17. **[145.9251] USE OF FAMILY PLANNING GRANT FUNDS.**

**Subdivision 1. Definitions.** For purposes of this section, "abortion" means the use or prescription of any instrument, medicine, drug, or any other substance or device to intentionally terminate the pregnancy of a female known to be pregnant, with an intention other than to prevent the death of the female, increase the probability of a live birth, preserve the life or health of the child after live birth, or remove a dead fetus.

**Subd. 2. Uses of family planning grant funds.** No family planning grant funds received under this chapter may be:

(1) expended to directly or indirectly subsidize abortion services or administrative expenses;

(2) paid or granted to an organization or an affiliate of an organization that provides abortion services; or

(3) paid or granted to an organization that has adopted or maintains a policy in writing or through oral public statements that abortion is considered part of a continuum of family planning services, or both.

**Subd. 3. Organizations receiving family planning grant funds.** An organization that receives family planning grant funds:

(1) may provide nondirective counseling relating to pregnancy but may not directly refer patients who seek abortion services to any organization that provides abortion services, including an independent affiliate of the organization receiving family planning grant funds;

(2) may not display or distribute marketing materials about abortion services to patients;

(3) may not engage in public advocacy promoting the legality or accessibility of abortion; and

(4) must be separately incorporated from any affiliated organization that provides abortion services."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Seifert et al amendment and the roll was called. There were 62 yeas and 72 nays as follows:

Those who voted in the affirmative were:

Abeler	Dettmer	Garofalo	Kelly	Murphy, M.	Smith
Anderson, B.	Dill	Gottwalt	Kiffmeyer	Nornes	Sterner
Anderson, P.	Doepke	Gunther	Koenen	Olin	Torkelson
Anderson, S.	Doty	Hackbarth	Kohls	Otremba	Urdahl
Beard	Downey	Hamilton	Lanning	Pelowski	Ward
Brod	Drazkowski	Haws	Loon	Peppin	Westrom
Buesgens	Eastlund	Holberg	Mack	Sanders	Zellers
Cornish	Eken	Hoppe	Magnus	Scott	
Davids	Emmer	Hosch	Marquart	Seifert	
Dean	Faust	Howes	McNamara	Severson	
Demmer	Fritz	Juhnke	Murdock	Shimanski	

Those who voted in the negative were:

Anzelc	Falk	Kahn	Masin	Poppe	Thao
Atkins	Gardner	Kalin	McFarlane	Reinert	Thissen
Benson	Greiling	Kath	Morgan	Rosenthal	Tillberry
Bigham	Hansen	Knuth	Morrow	Rukavina	Wagenius
Bly	Hausman	Laine	Mullery	Ruud	Welti
Brown	Hayden	Lenczewski	Murphy, E.	Sailer	Winkler
Brynaert	Hilstrom	Lesch	Nelson	Scalze	Spk. Kelliher
Bunn	Hilty	Liebling	Newton	Sertich	
Carlson	Hornstein	Lieder	Norton	Simon	
Champion	Hortman	Lillie	Obermueller	Slawik	
Clark	Huntley	Loeffler	Paymar	Slocum	
Davnie	Jackson	Mahoney	Persell	Solberg	
Dittrich	Johnson	Mariani	Peterson	Swails	

The motion did not prevail and the amendment was not adopted.

Gottwalt, Severson, Kiffmeyer and Mack moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 77, after line 10, insert:

"Section 1. **[62A.0412] ABORTION COVERAGE LIMITED; HEALTH INSURANCE EXCHANGES.**

(a) No abortion coverage may be provided by a qualified health plan offered through a health insurance exchange created under the federal Patient Protection and Affordable Care Act within the state of Minnesota.

(b) This limitation shall not apply to an abortion performed when the life of the mother is endangered by a physical disorder, physical illness, or physical injury, including a life-endangering physical condition caused by or arising from the pregnancy itself, or when the pregnancy is the result of rape or incest."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Gottwalt et al amendment and the roll was called. There were 65 yeas and 68 nays as follows:

Those who voted in the affirmative were:

Abeler	Dettmer	Gottwalt	Kelly	McNamara	Severson
Anderson, B.	Dittrich	Gunther	Kiffmeyer	Murdock	Shimanski
Anderson, P.	Doepke	Hackbarth	Koenen	Murphy, M.	Smith
Anderson, S.	Doty	Hamilton	Kohls	Nornes	Solberg
Beard	Downey	Haws	Lanning	Olin	Sterner
Brod	Drazkowski	Holberg	Lenczewski	Otremba	Torkelson
Buesgens	Eastlund	Hoppe	Loon	Pelowski	Urdahl
Cornish	Eken	Hosch	Mack	Peppin	Ward
Davids	Emmer	Howes	Magnus	Sanders	Westrom
Dean	Fritz	Juhnke	Marquart	Scott	Zellers
Demmer	Garofalo	Kath	McFarlane	Seifert	

Those who voted in the negative were:

Anzelc	Dill	Jackson	Mariani	Peterson	Swails
Atkins	Falk	Johnson	Masin	Poppe	Thao
Benson	Gardner	Kahn	Morgan	Reinert	Thissen
Bigham	Greiling	Kalin	Morrow	Rosenthal	Tillberry
Bly	Hansen	Knuth	Mullery	Rukavina	Wagenius
Brown	Hausman	Laine	Murphy, E.	Ruud	Welti
Brynaert	Hayden	Lesch	Nelson	Sailer	Winkler
Bunn	Hilstrom	Liebling	Newton	Scalze	Spk. Kelliher
Carlson	Hilty	Lieder	Norton	Sertich	
Champion	Hornstein	Lillie	Obermueller	Simon	
Clark	Hortman	Loeffler	Paymar	Slawik	
Davnie	Huntley	Mahoney	Persell	Slocum	

The motion did not prevail and the amendment was not adopted.

Brod and Buesgens moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 123, after line 1, insert:

"Sec. 17. Minnesota Statutes 2008, section 145.416, is amended to read:

**145.416 LICENSING AND REGULATION OF FACILITIES.**

The ~~state~~ commissioner of health shall license and promulgate rules for facilities ~~as defined in section 145.411, subdivision 4, which are organized for purposes of delivering abortion services~~ which provide 100 or more abortions annually."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Brod and Buesgens amendment and the roll was called. There were 64 yeas and 68 nays as follows:

Those who voted in the affirmative were:

Abeler	Dettmer	Gottwalt	Kelly	McNamara	Seifert
Anderson, B.	Doepke	Gunther	Kiffmeyer	Murdock	Shimanski
Anderson, P.	Doty	Hackbarth	Koenen	Murphy, M.	Smith
Anderson, S.	Downey	Hamilton	Kohls	Nornes	Sterner
Beard	Drazkowski	Haws	Lanning	Obermueller	Torkelson
Brod	Eastlund	Holberg	Lenczewski	Olin	Urdahl
Buesgens	Eken	Hoppe	Loon	Otremba	Ward
Cornish	Emmer	Hosch	Mack	Pelowski	Westrom
Davids	Faust	Howes	Magnus	Peppin	Zellers
Dean	Fritz	Juhnke	Marquart	Sanders	
Demmer	Garofalo	Kath	McFarlane	Scott	

Those who voted in the negative were:

Anzelc	Dill	Huntley	Mahoney	Peterson	Swails
Atkins	Dittrich	Jackson	Mariani	Poppe	Thao
Benson	Falk	Johnson	Masin	Reinert	Thissen
Bigham	Gardner	Kahn	Morgan	Rosenthal	Tillberry
Bly	Greiling	Kalin	Morrow	Rukavina	Wagenius
Brown	Hansen	Knuth	Mullery	Ruud	Welti
Brynaert	Hausman	Laine	Murphy, E.	Sailer	Winkler
Bunn	Hayden	Lesch	Nelson	Scalze	Spk. Kelliher
Carlson	Hilstrom	Liebling	Newton	Sertich	
Champion	Hilty	Lieder	Norton	Simon	
Clark	Hornstein	Lillie	Paymar	Slawik	
Davnie	Hortman	Loeffler	Persell	Slocum	

The motion did not prevail and the amendment was not adopted.

Dean moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 89, after line 15, insert:

"Sec. 4. **[62Q.521] ABORTION COVERAGE; OPT-OUT PERMITTED.**

For each health plan that a health plan company offers in this state, the health plan company must permit each female enrollee to choose not to have coverage for abortion procedures. The health plan company shall inform each female enrollee of this option at the time of initial enrollment and at each renewal. The health plan company must provide a premium reduction for female enrollees who choose not to have abortion coverage, based upon the expected cost of coverage of abortion procedures. For enrollees under the age of 18, the option must be provided to the enrollee's parent or guardian."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Dean amendment and the roll was called. There were 66 yeas and 68 nays as follows:

Those who voted in the affirmative were:

Abeler	Dettmer	Gottwalt	Kelly	McFarlane	Scott
Anderson, B.	Doepke	Gunther	Kiffmeyer	McNamara	Seifert
Anderson, P.	Doty	Hackbarth	Koenen	Murdock	Severson
Anderson, S.	Downey	Hamilton	Kohls	Murphy, M.	Shimanski
Beard	Drazkowski	Haws	Lanning	Nornes	Smith
Brod	Eastlund	Holberg	Lenczewski	Obermueller	Sterner
Buesgens	Eken	Hoppe	Lieder	Olin	Torkelson
Cornish	Emmer	Hosch	Loon	Otremba	Urdahl
Davids	Faust	Howes	Mack	Pelowski	Ward
Dean	Fritz	Juhnke	Magnus	Peppin	Westrom
Demmer	Garofalo	Kath	Marquart	Sanders	Zellers

Those who voted in the negative were:

Anzelc	Dill	Huntley	Mariani	Poppe	Swails
Atkins	Dittrich	Jackson	Masin	Reinert	Thao
Benson	Falk	Johnson	Morgan	Rosenthal	Thissen
Bigham	Gardner	Kahn	Morrow	Rukavina	Tillberry
Bly	Greiling	Kalin	Mullery	Ruud	Wagenius
Brown	Hansen	Knuth	Murphy, E.	Sailer	Welti
Brynaert	Hausman	Laine	Nelson	Scalze	Winkler
Bunn	Hayden	Lesch	Newton	Sertich	Spk. Kelliher
Carlson	Hilstrom	Liebling	Norton	Simon	
Champion	Hilty	Lillie	Paymar	Slawik	
Clark	Hornstein	Loeffler	Persell	Slocum	
Davnie	Hortman	Mahoney	Peterson	Solberg	

The motion did not prevail and the amendment was not adopted.

Gottwalt moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 19, after line 13, insert:

"Sec. 6. **[256B.012] SEX-SELECTION ABORTION FUNDING BAN.**

**Subdivision 1. Funding restriction.** None of the funds appropriated under this chapter or chapter 256L, nor in any trust fund to which funds are appropriated under this chapter or chapter 256L, shall be expended for any sex-selection abortion nor for health benefits coverage that includes coverage of sex-selection abortion.

**Subd. 2. Definitions.** (a) For the purposes of this section, "sex-selection abortion" means an abortion performed when the provider has knowledge that the pregnant woman is seeking the abortion based solely on the sex of the unborn child.

(b) For the purposes of this section, "health benefits coverage" means the package of services covered by a managed care provider or organization pursuant to a contract or other arrangement.

**Subd. 3. Severability.** If any one or more provisions, subdivisions, paragraphs, sentences, clauses, phrases, or words of this section or the application thereof to any person or circumstance is found to be unconstitutional, the same is hereby declared to be severable and the balance of this section shall remain effective notwithstanding such unconstitutionality. The legislature hereby declares that it would have passed this section, and each provision, subdivision, paragraph, sentence, clause, phrase, or word thereof, irrespective of the fact that any one or more provision, subdivision, paragraph, sentence, clause, phrase, or word be declared unconstitutional.

**Subd. 4. Supreme Court jurisdiction.** The Minnesota Supreme Court has original jurisdiction over an action challenging the constitutionality of this section and shall expedite the resolution of the action."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Gottwalt amendment and the roll was called. There were 79 yeas and 54 nays as follows:

Those who voted in the affirmative were:

Abeler	Dettmer	Gunther	Kohls	Obermueller	Smith
Anderson, B.	Dittrich	Hackbarth	Lanning	Olin	Solberg
Anderson, P.	Doepke	Hamilton	Lenczewski	Otremba	Sterner
Anderson, S.	Doty	Haws	Lieder	Pelowski	Torkelson
Atkins	Downey	Holberg	Lillie	Peppin	Urdahl
Beard	Drazkowski	Hoppe	Loon	Peterson	Ward
Bly	Eastlund	Hortman	Mack	Rosenthal	Welti
Brod	Eken	Hosch	Magnus	Sailer	Westrom
Buesgens	Emmer	Howes	Mariani	Sanders	Zellers
Bunn	Falk	Juhnke	Marquart	Scalze	
Cornish	Faust	Kath	McFarlane	Scott	
Davids	Fritz	Kelly	McNamara	Seifert	
Dean	Garofalo	Kiffmeyer	Murdock	Severson	
Demmer	Gottwalt	Koenen	Nornes	Shimanski	

Those who voted in the negative were:

Anzelc	Dill	Huntley	Loeffler	Norton	Slawik
Benson	Gardner	Jackson	Mahoney	Paymar	Slocum
Bigham	Greiling	Johnson	Masin	Persell	Swails
Brown	Hansen	Kahn	Morgan	Poppe	Thao
Brynaert	Hausman	Kalin	Morrow	Reinert	Thissen
Carlson	Hayden	Knuth	Mullery	Rukavina	Tillberry
Champion	Hilstrom	Laine	Murphy, E.	Ruud	Wagenius
Clark	Hilty	Lesch	Nelson	Sertich	Winkler
Davnie	Hornstein	Liebling	Newton	Simon	Spk. Kelliher

The motion prevailed and the amendment was adopted.

Seifert moved to amend H. F. No. 2614, the second engrossment, as amended.

Fritz requested a division of the Seifert amendment to H. F. No. 2614, the second engrossment, as amended.

The first portion of the Seifert amendment to H. F. No. 2614, the second engrossment, as amended, reads as follows:

Page 81, after line 24, insert:

"Sec. 9. Minnesota Statutes 2008, section 256J.39, is amended by adding a subdivision to read:

Subd. 1a. **EBT cards; prohibited activities.** (a) MFIP recipients are prohibited from using MFIP monthly cash assistance payments issued in the form of an electronic benefits transfer to purchase tobacco products, alcoholic beverages, as defined in section 340A.101, subdivision 2, or lottery tickets."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the first portion of the Seifert amendment and the roll was called. There were 105 yeas and 27 nays as follows:

Those who voted in the affirmative were:

Abeler	Benson	Bunn	Dill	Eken	Gottwalt
Anderson, B.	Bigham	Carlson	Dittrich	Emmer	Gunther
Anderson, P.	Bly	Cornish	Doepke	Falk	Hackbarth
Anderson, S.	Brod	Davids	Doty	Faust	Hamilton
Anzelc	Brown	Dean	Downey	Fritz	Hansen
Atkins	Brynaert	Demmer	Drazkowski	Gardner	Haws
Beard	Buesgens	Detmer	Eastlund	Garofalo	Hilstrom



Holberg	Knuth	Magnus	Olin	Sanders	Swails
Hoppe	Koenen	Marquart	Otremba	Scalze	Tillberry
Hortman	Kohls	Masin	Pelowski	Scott	Torkelson
Hosch	Laine	McFarlane	Peppin	Seifert	Urdahl
Howes	Lanning	McNamara	Persell	Severson	Ward
Huntley	Lenczewski	Morgan	Peterson	Shimanski	Welti
Jackson	Liebling	Morrow	Poppe	Simon	Westrom
Juhnke	Lieder	Murdock	Reinert	Slawik	Zellers
Kath	Lillie	Nornes	Rosenthal	Smith	
Kelly	Loon	Norton	Ruud	Solberg	
Kiffmeyer	Mack	Obermueller	Sailer	Sterner	

Those who voted in the negative were:

Champion	Hayden	Kalin	Mullery	Rukavina	Wagenius
Clark	Hilty	Lesch	Murphy, E.	Sertich	Winkler
Davnie	Hornstein	Loeffler	Murphy, M.	Slocum	
Greiling	Johnson	Mahoney	Nelson	Thao	
Hausman	Kahn	Mariani	Newton	Thissen	

The motion prevailed and the first portion of the Seifert amendment was adopted.

#### CALL OF THE HOUSE

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

Abeler	Dill	Hayden	Lenczewski	Newton	Severson
Anderson, B.	Dittrich	Hilstrom	Lesch	Nornes	Shimanski
Anderson, P.	Doepke	Hilty	Liebling	Norton	Simon
Anderson, S.	Doty	Holberg	Lieder	Obermueller	Slawik
Anzelc	Downey	Hoppe	Lillie	Olin	Slocum
Atkins	Drazkowski	Hornstein	Loeffler	Otremba	Smith
Beard	Eastlund	Hortman	Loon	Paymar	Solberg
Benson	Eken	Hosch	Mack	Pelowski	Sterner
Bigham	Emmer	Howes	Magnus	Peppin	Swails
Brod	Falk	Huntley	Mahoney	Persell	Thao
Brown	Faust	Johnson	Mariani	Peterson	Thissen
Brynaert	Fritz	Juhnke	Marquart	Poppe	Tillberry
Buesgens	Gardner	Kahn	Masin	Reinert	Torkelson
Bunn	Garofalo	Kalin	McFarlane	Rosenthal	Wagenius
Carlson	Gottwalt	Kath	McNamara	Rukavina	Ward
Champion	Greiling	Kelly	Morgan	Ruud	Welti
Clark	Gunther	Kiffmeyer	Morrow	Sailer	Westrom
Cornish	Hackbarth	Knuth	Mullery	Sanders	Winkler
Davids	Hamilton	Koenen	Murdock	Scalze	Zellers
Davnie	Hansen	Kohls	Murphy, E.	Scott	Spk. Kelliher
Dean	Hausman	Laine	Murphy, M.	Seifert	
Dettmer	Haws	Lanning	Nelson	Sertich	

Morrow 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.

The second portion of the Seifert amendment to H. F. No. 2614, the second engrossment, as amended, reads as follows:

Page 81, after line 24, insert:

"Sec. 9. Minnesota Statutes 2008, section 256J.39, is amended by adding a subdivision to read:

(b) MFIP recipients are prohibited from using MFIP monthly cash assistance payments issued in the form of an electronic benefits transfer at vendors located outside of Minnesota."

ReNUMBER the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the second portion of the Seifert amendment and the roll was called. There were 85 yeas and 49 nays as follows:

Those who voted in the affirmative were:

Abeler	Dill	Hansen	Lieder	Otremba	Slawik
Anderson, B.	Dittrich	Hilstrom	Lillie	Peppin	Smith
Anderson, P.	Doepke	Holberg	Loon	Persell	Solberg
Anderson, S.	Doty	Hoppe	Mack	Peterson	Sterner
Beard	Downey	Hortman	Magnus	Poppe	Swails
Bigham	Drazkowski	Hosch	Marquart	Rosenthal	Torkelson
Brod	Eastlund	Howes	Masin	Ruud	Urdahl
Brown	Eken	Jackson	McFarlane	Sailer	Welti
Buesgens	Emmer	Kath	McNamara	Sanders	Westrom
Bunn	Falk	Kelly	Morgan	Scalze	Zellers
Cornish	Garofalo	Kiffmeyer	Morrow	Scott	
Davids	Gottwalt	Koenen	Murdock	Seifert	
Dean	Gunther	Kohls	Nornes	Severson	
Demmer	Hackbarth	Lanning	Obermueller	Shimanski	
Dettmer	Hamilton	Lenzewski	Olin	Simon	

Those who voted in the negative were:

Anzelc	Faust	Huntley	Loeffler	Paymar	Wagenius
Atkins	Fritz	Johnson	Mahoney	Pelowski	Ward
Benson	Gardner	Juhnke	Mariani	Reinert	Winkler
Bly	Greiling	Kahn	Mullery	Rukavina	Spk. Kelliher
Brynaert	Hausman	Kalin	Murphy, E.	Sertich	
Carlson	Haws	Knuth	Murphy, M.	Slocum	
Champion	Hayden	Laine	Nelson	Thao	
Clark	Hilty	Lesch	Newton	Thissen	
Davnie	Hornstein	Liebling	Norton	Tillberry	

The motion prevailed and the second portion of the Seifert amendment was adopted.

Westrom moved to amend H. F. No. 2614, the second engrossment, as amended, as follows:

Page 163, delete lines 16 to 20

Correct the section totals and the appropriation summary

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Westrom amendment and the roll was called.

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

There were 31 yeas and 102 nays as follows:

Those who voted in the affirmative were:

Anderson, B.	Downey	Gunther	Kohls	Sanders	Westrom
Buesgens	Drazkowski	Hackbarth	Mack	Scott	
Cornish	Eastlund	Holberg	Masin	Seifert	
Dean	Emmer	Hoppe	Murdock	Severson	
Dettmer	Garofalo	Howes	Obermueller	Shimanski	
Doepke	Gottwalt	Kiffmeyer	Peppin	Sterner	

Those who voted in the negative were:

Abeler	Dill	Hosch	Loeffler	Otremba	Swails
Anderson, P.	Dittrich	Huntley	Loon	Paymar	Thao
Anderson, S.	Doty	Jackson	Magnus	Pelowski	Thissen
Anzelc	Eken	Johnson	Mahoney	Persell	Tillberry
Atkins	Falk	Juhnke	Mariani	Peterson	Torkelson
Beard	Faust	Kahn	Marquart	Poppe	Urdahl
Benson	Fritz	Kalin	McFarlane	Reinert	Wagenius
Bigham	Gardner	Kath	McNamara	Rosenthal	Ward
Bly	Greiling	Kelly	Morgan	Rukavina	Welti
Brod	Hamilton	Knuth	Morrow	Ruud	Winkler
Brown	Hansen	Koenen	Mullery	Sailer	Zellers
Brynaert	Hausman	Laine	Murphy, E.	Scalze	Spk. Kelliher
Bunn	Haws	Lanning	Murphy, M.	Sertich	
Carlson	Hayden	Lenczewski	Nelson	Simon	
Champion	Hilstrom	Lesch	Newton	Slawik	
Clark	Hilty	Liebling	Nornes	Slocum	
Davids	Hornstein	Lieder	Norton	Smith	
Davnie	Hortman	Lillie	Olin	Solberg	

The motion did not prevail and the amendment was not adopted.

H. F. No. 2614, A bill for an act relating to state government; licensing; state health care programs; continuing care; children and family services; health reform; Department of Health; public health; health plans; assessing administrative penalties; modifying foreign operating corporation taxes; requiring reports; making supplemental and contingent appropriations and reductions for the Departments of Health and Human Services and other health-related boards and councils; amending Minnesota Statutes 2008, sections 62D.08, by adding a subdivision; 62J.07, subdivision 2, by adding a subdivision; 62J.38; 62J.692, subdivision 4; 62Q.19, subdivision 1; 62Q.76, subdivision 1; 62U.05; 119B.025, subdivision 1; 119B.09, subdivision 4; 119B.11, subdivision 1; 144.05, by adding a subdivision; 144.226, subdivision 3; 144.291, subdivision 2; 144.293, subdivision 4, by adding a subdivision; 144.651, subdivision 2; 144.9504, by adding a subdivision; 144A.51, subdivision 5; 144E.37; 214.40, subdivision 7; 245C.27, subdivision 2; 245C.28, subdivision 3; 246B.04, subdivision 2; 254B.01, subdivision 2; 254B.02, subdivisions 1, 5; 254B.03, subdivision 4, by adding a subdivision; 254B.05, subdivision 4; 254B.06, subdivision 2; 254B.09, subdivision 8; 256.01, by adding a subdivision; 256.9657, subdivision 3; 256B.04, subdivision 14; 256B.055, by adding a subdivision; 256B.056, subdivisions 3, 4; 256B.057, subdivision 9; 256B.0625, subdivisions 8, 8a, 8b, 18a, 22, 31, by adding subdivisions; 256B.0631, subdivisions 1, 3; 256B.0644, as amended; 256B.0754, by adding a subdivision; 256B.0915, subdivision 3b; 256B.19, subdivision 1c; 256B.441, by adding a subdivision; 256B.5012, by adding a subdivision; 256B.69, subdivisions 20, as amended, 27, by adding subdivisions; 256B.692, subdivision 1; 256B.75; 256B.76, subdivisions 2, 4, by adding a subdivision; 256D.03, subdivision 3b; 256D.0515; 256D.425, subdivision 2; 256I.05, by adding a subdivision; 256J.20, subdivision 3; 256J.24, subdivision 10; 256J.37, subdivision 3a; 256J.39, by adding subdivisions; 256L.02, subdivision 3; 256L.03, subdivision 3, by adding a subdivision; 256L.04, subdivision 7; 256L.05, by adding a subdivision; 256L.07, subdivision 1, by adding a subdivision; 256L.12, subdivisions 5, 6, 9; 256L.15, subdivision 1; 290.01, subdivision 5, by adding a subdivision; 290.17, subdivision 4; 326B.43, subdivision 2; 626.556, subdivision 10i; 626.557, subdivision 9d; Minnesota Statutes 2009 Supplement, sections 62J.495, subdivisions 1a, 3, by adding a subdivision; 157.16, subdivision 3; 245A.11, subdivision 7b; 245C.27, subdivision 1; 246B.06, subdivision 6; 252.025, subdivision 7; 252.27, subdivision 2a; 256.045, subdivision 3; 256.969, subdivision 3a; 256B.056, subdivision 3c; 256B.0625, subdivisions 9, 13e; 256B.0653, subdivision 5; 256B.0911, subdivision 1a; 256B.0915, subdivision 3a; 256B.69, subdivisions 5a, 23; 256B.76, subdivision 1; 256B.766; 256D.03, subdivision 3, as amended; 256D.44, subdivision 5; 256J.425, subdivision 3; 256L.03, subdivision 5; 256L.11, subdivision 1; 289A.08, subdivision 3; 290.01, subdivisions 19c, 19d; 327.15, subdivision 3; Laws 2005, First Special Session chapter 4, article 8, section 66, as amended; Laws 2009, chapter 79, article 3, section 18; article 5, sections 17; 18; 22; 75, subdivision 1; 78, subdivision 5; article 8, sections 2; 51; 81; article 13, sections 3, subdivisions 1, as amended, 3, as amended, 4, as amended, 8, as amended; 5, subdivision 8, as amended; Laws 2009, chapter 173, article 1, section 17; Laws 2010, chapter 200, article 1, sections 12, subdivisions 5, 6, 7, 8; 13, subdivision 1b; 16; 21; article 2, section 2, subdivisions 1, 8; proposing coding for new law in Minnesota Statutes, chapters 62A; 62D; 62E; 62J; 62Q; 144; 245; 254B; 256; 256B; proposing coding for new law as Minnesota Statutes, chapter 62V; repealing Minnesota Statutes 2008, sections 254B.02, subdivisions 2, 3, 4; 254B.09, subdivisions 4, 5, 7; 256D.03, subdivisions 3a, 3b, 5, 6, 7, 8; 290.01, subdivision 6b; 290.0921, subdivision 7; Minnesota Statutes 2009 Supplement, section 256D.03, subdivision 3; Laws 2009, chapter 79, article 7, section 26, subdivision 3; Laws 2010, chapter 200, article 1, sections 12, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10; 18; 19.

The bill was read for the third time, as amended, and placed upon its final passage.

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

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

There were 79 yeas and 54 nays as follows:

Those who voted in the affirmative were:

Abeler	Bly	Clark	Faust	Hausman	Hornstein
Anzelc	Brown	Davnie	Fritz	Haws	Hortman
Atkins	Brynaert	Dill	Gardner	Hayden	Hosch
Benson	Carlson	Doty	Greiling	Hilstrom	Huntley
Bigham	Champion	Eken	Hansen	Hilty	Jackson

Johnson	Liebling	Morrow	Olin	Simon	Ward
Juhnke	Lieder	Mullery	Otremba	Slawik	Welti
Kahn	Lillie	Murphy, E.	Pelowski	Slocum	Winkler
Kalin	Loeffler	Murphy, M.	Persell	Solberg	Spk. Kelliher
Kath	Mahoney	Nelson	Poppe	Swails	
Knuth	Mariani	Newton	Reinert	Thao	
Koenen	Marquart	Nornes	Rukavina	Thissen	
Laine	Masin	Norton	Sailer	Tillberry	
Lesch	Morgan	Obermueller	Sertich	Wagenius	

Those who voted in the negative were:

Anderson, B.	Dean	Falk	Kiffmeyer	Murdock	Seifert
Anderson, P.	Demmer	Garofalo	Kohls	Paymar	Severson
Anderson, S.	Dettmer	Gottwalt	Lanning	Peppin	Shimanski
Beard	Dittrich	Gunther	Lenczewski	Peterson	Smith
Brod	Doepke	Hackbarth	Loon	Rosenthal	Sterner
Buesgens	Downey	Hamilton	Mack	Ruud	Torkelson
Bunn	Drazkowski	Holberg	Magnus	Sanders	Urdahl
Cornish	Eastlund	Hoppe	McFarlane	Scalze	Westrom
Davids	Emmer	Kelly	McNamara	Scott	Zellers

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

Hortman moved that the remaining bills on the Calendar for the Day be continued. The motion prevailed.

## MOTIONS AND RESOLUTIONS

Davids moved that his name be stricken as an author on H. F. No. 3702. The motion prevailed.

Eken moved that the name of Kelliher be added as an author on H. F. No. 3795. The motion prevailed.

## ANNOUNCEMENT BY THE SPEAKER

The Speaker announced the appointment of the following members of the House to a Conference Committee on S. F. No. 184:

Rukavina, Brynaert and McFarlane.

## FISCAL CALENDAR ANNOUNCEMENT

Pursuant to rule 1.22, Solberg announced his intention to place S. F. Nos. 2540, 3325, 1761, 2505 and 3055; H. F. Nos. 3571 and 3660; and S. F. No. 345 on the Fiscal Calendar for Wednesday, May 5, 2010.

## ADJOURNMENT

Hortman moved that when the House adjourns today it adjourn until 12:00 noon, Wednesday, May 5, 2010. The motion prevailed.

Hortman moved that the House adjourn. The motion prevailed, and Speaker pro tempore Sertich declared the House stands adjourned until 12:00 noon, Wednesday, May 5, 2010.

ALBIN A. MATHIOWETZ, Chief Clerk, House of Representatives