

STATE OF MINNESOTA

EIGHTY-NINTH SESSION — 2015

 FORTY-FIFTH DAY

SAINT PAUL, MINNESOTA, THURSDAY, APRIL 23, 2015

The House of Representatives convened at 11:00 a.m. and was called to order by Kurt Daudt, Speaker of the House.

Prayer was offered by the Reverend Ralph Olsen, St. Philip's Lutheran Church, Hastings, Minnesota.

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:

Albright	Dehn, R.	Hoppe	Loon	O'Driscoll	Smith
Allen	Dettmer	Hornstein	Loonan	O'Neill	Sundin
Anderson, M.	Dill	Hortman	Lucero	Pelowski	Swedzinski
Anderson, P.	Drazkowski	Howe	Lueck	Peppin	Theis
Anderson, S.	Erhardt	Isaacson	Mack	Petersburg	Thissen
Anzelc	Erickson	Johnson, B.	Mahoney	Peterson	Torkelson
Applebaum	Fabian	Johnson, C.	Marquart	Pierson	Uglen
Atkins	Fenton	Johnson, S.	Masin	Pinto	Urdahl
Backer	Fischer	Kahn	McDonald	Poppe	Vogel
Baker	Franson	Kelly	McNamara	Pugh	Wagenius
Barrett	Freiberg	Kiel	Metsa	Quam	Ward
Bernardy	Green	Knoblach	Miller	Rarick	Whelan
Bly	Gruenhagen	Koznick	Moran	Rosenthal	Wills
Carlson	Gunther	Kresha	Mullery	Runbeck	Winkler
Christensen	Hackbarth	Laine	Murphy, E.	Sanders	Yarusso
Clark	Hamilton	Lenczewski	Murphy, M.	Schoen	Youakim
Considine	Hancock	Lesch	Nash	Schomacker	Zerwas
Cornish	Hansen	Liebling	Nelson	Schultz	Spk. Daudt
Daniels	Hausman	Lien	Newberger	Scott	
Davids	Heintzeman	Lillie	Newton	Selcer	
Davnie	Hertaus	Loeffler	Nornes	Simonson	
Dean, M.	Hilstrom	Lohmer	Norton	Slocum	

A quorum was present.

Bennett, Garofalo, Halverson, Melin and Persell were excused.

Mariani was excused until 11:45 a.m.

The Chief Clerk proceeded to read the Journal of the preceding day. There being no objection, further reading of the Journal was dispensed with and the Journal was approved as corrected by the Chief Clerk.

REPORTS OF CHIEF CLERK

S. F. No. 5 and H. F. No. 845, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

Nornes moved that S. F. No. 5 be substituted for H. F. No. 845 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 100 and H. F. No. 236, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

Zerwas moved that S. F. No. 100 be substituted for H. F. No. 236 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 495 and H. F. No. 513, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Zerwas moved that S. F. No. 495 be substituted for H. F. No. 513 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 997 and H. F. No. 954, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

Schomacker moved that S. F. No. 997 be substituted for H. F. No. 954 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1406 and H. F. No. 1429, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

Dill moved that S. F. No. 1406 be substituted for H. F. No. 1429 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1455 and H. F. No. 1673, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Newton moved that S. F. No. 1455 be substituted for H. F. No. 1673 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1535 and H. F. No. 1658, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Nornes moved that S. F. No. 1535 be substituted for H. F. No. 1658 and that the House File be indefinitely postponed. The motion prevailed.

CALL OF THE HOUSE

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

Albright	Dehn, R.	Hoppe	Loon	O'Driscoll	Smith
Allen	Dettmer	Hornstein	Loonan	O'Neill	Sundin
Anderson, M.	Dill	Hortman	Lucero	Pelowski	Swedzinski
Anderson, P.	Drazkowski	Howe	Lueck	Peppin	Theis
Anderson, S.	Erhardt	Isaacson	Mack	Petersburg	Thissen
Anzelc	Erickson	Johnson, B.	Mahoney	Peterson	Torkelson
Applebaum	Fabian	Johnson, C.	Marquart	Pierson	Uglem
Atkins	Fenton	Johnson, S.	Masin	Pinto	Urdahl
Backer	Fischer	Kahn	McDonald	Poppe	Vogel
Baker	Franson	Kelly	McNamara	Pugh	Wagenius
Barrett	Freiberg	Kiel	Metsa	Quam	Ward
Bernardy	Green	Knoblach	Miller	Rarick	Whelan
Bly	Gruenhagen	Koznick	Moran	Rosenthal	Wills
Carlson	Gunther	Kresha	Mullery	Runbeck	Winkler
Christensen	Hackbarth	Laine	Murphy, E.	Sanders	Yarusso
Clark	Hamilton	Lenczewski	Murphy, M.	Schoen	Youakim
Considine	Hancock	Lesch	Nash	Schomacker	Zerwas
Cornish	Hansen	Liebling	Nelson	Schultz	Spk. Daudt
Daniels	Hausman	Lien	Newberger	Scott	
Davids	Heintzeman	Lillie	Newton	Selcer	
Davnie	Hertaus	Loeffler	Nornes	Simonson	
Dean, M.	Hilstrom	Lohmer	Norton	Slocum	

All members answered to the call and it was so ordered.

Peppin 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 Speaker pro tempore Davids.

CALL OF THE HOUSE LIFTED

Peppin moved that the call of the House be lifted. The motion prevailed and it was so ordered.

Daudt was excused for the remainder of today's session.

REPORTS OF STANDING COMMITTEES AND DIVISIONS

Davids from the Committee on Taxes to which was referred:

H. F. No. 303, A bill for an act relating to state government; appropriating money from the outdoor heritage fund, clean water fund, parks and trails fund, and arts and cultural heritage fund; establishing policy on milkweed; modifying provisions of Lessard-Sams Outdoor Heritage Council and Clean Water Council; modifying Water Law;

modifying use of legacy funds; modifying previous appropriations; modifying certain grant eligibility; requiring a report; amending Minnesota Statutes 2014, sections 16B.24, by adding a subdivision; 85.53, subdivision 2; 97A.056, subdivisions 2, 8, 11, by adding subdivisions; 103A.206; 103B.101, by adding a subdivision; 103C.101, by adding a subdivision; 103C.401, subdivision 1; 103C.501, subdivision 5; 114D.30, subdivision 2; 114D.50, subdivision 4; 129D.17, subdivision 2; Laws 2012, chapter 264, article 1, section 2, subdivision 5; Laws 2013, chapter 137, article 2, section 6; article 3, section 4; Laws 2014, chapter 256, article 1, section 2, subdivision 5; Laws 2014, chapter 295, section 10, subdivision 12; proposing coding for new law in Minnesota Statutes, chapters 84; 103B.

Reported the same back with the following amendments:

Page 78, line 14, delete "61,192,000" and insert "61,292,000" and delete "62,823,000" and insert "62,923,000"

With the recommendation that when so amended the bill be re-referred to the Committee on Ways and Means.

The report was adopted.

Knoblach from the Committee on Ways and Means to which was referred:

H. F. No. 844, A bill for an act relating to education; providing for funding and policy in early childhood, kindergarten through grade 12, and adult education, including general education, education excellence, standards and assessments, charter schools, special education, facilities and technology, nutrition and accounting, libraries, early childhood education, prevention, self-sufficiency and lifelong learning, state agencies, and forecast adjustments; requiring rulemaking; appropriating money; amending Minnesota Statutes 2014, sections 5A.03; 16A.103, subdivision 1c; 120A.41; 120B.02, subdivision 2; 120B.021, subdivision 4; 120B.022, subdivisions 1, 1a, 1b; 120B.024, subdivision 2; 120B.11, subdivision 1a; 120B.12, subdivision 4a; 120B.125; 120B.13, subdivision 4; 120B.30, subdivisions 1, 1a, 3; 120B.31, subdivision 4; 120B.36, subdivision 1; 121A.17, subdivision 5; 122A.09, subdivision 4, by adding subdivisions; 122A.14, subdivisions 3, 9, by adding a subdivision; 122A.18, subdivisions 2, 7c, 8; 122A.20, subdivision 1; 122A.21, subdivisions 1, 2; 122A.23; 122A.245, subdivisions 1, 3, 7; 122A.25; 122A.30; 122A.31, subdivisions 1, 2; 122A.40, subdivisions 5, 8, 10, 11, 13; 122A.41, subdivisions 2, 5, 6, 14; 122A.414, subdivision 2; 122A.60; 122A.61, subdivision 1; 122A.69; 122A.70, subdivision 1; 123A.24, subdivision 1; 123A.75, subdivision 1; 123B.045; 123B.59, subdivisions 6, 7; 123B.77, subdivision 3; 123B.88, subdivision 1, by adding a subdivision; 124D.041, subdivisions 1, 2; 124D.09, subdivisions 5, 5a, 8, 9, 12; 124D.091, subdivision 1; 124D.10, subdivisions 1, 3, 4, 8, 9, 12, 14, 16, 23, by adding a subdivision; 124D.11, subdivisions 1, 9; 124D.121; 124D.122; 124D.126, subdivision 1; 124D.127; 124D.128, subdivision 1; 124D.13; 124D.135; 124D.16; 124D.165; 124D.531, subdivisions 1, 2, 3; 124D.73, subdivisions 3, 4; 124D.74, subdivisions 1, 3, 6; 124D.75, subdivisions 1, 3, 9; 124D.76; 124D.78; 124D.79, subdivisions 1, 2; 124D.791, subdivision 4; 124D.861; 124D.862; 125A.01; 125A.023, subdivisions 3, 4; 125A.027; 125A.03; 125A.08; 125A.085; 125A.0942, subdivision 3; 125A.21; 125A.28; 125A.63, subdivisions 2, 3, 4, 5; 125A.75, subdivision 9; 125A.76, subdivisions 1, 2c; 125B.26, subdivision 2; 126C.10, subdivisions 1, 2, 2a, 2e, 3, 13a, 18, 24; 126C.13, subdivision 4; 126C.15, subdivisions 1, 2, 3; 126C.17, subdivisions 1, 2; 127A.05, subdivision 6; 127A.49, subdivision 1; 134.355, subdivisions 8, 9, 10; 135A.101, by adding a subdivision; 179A.20, by adding a subdivision; Laws 2013, chapter 116, article 1, section 58, subdivisions 2, as amended, 3, as amended, 4, as amended, 5, as amended, 6, as amended, 7, as amended, 11, as amended; article 3, section 37, subdivisions 3, as amended, 4, as amended, 5, as amended, 20, as amended; article 4, section 9, subdivision 2, as amended; article 5, section 31, subdivisions 2, as amended, 3, as amended, 4, as amended; article 6, section 12, subdivisions 2, as amended, 6, as amended; article 7, sections 19; 21, subdivisions 2, as amended, 3, as amended, 4, as amended; article 8, section 5, subdivisions 3, as amended, 4, as amended, 14, as

amended; Laws 2014, chapter 312, article 16, section 15; proposing coding for new law in Minnesota Statutes, chapters 119A; 122A; 124D; 125A; repealing Minnesota Statutes 2014, sections 120B.128; 122A.40, subdivision 11; 125A.63, subdivision 1; 126C.12, subdivision 6; 126C.13, subdivisions 3a, 3b, 3c; 126C.41, subdivision 1; Minnesota Rules, part 3500.1000.

Reported the same back with the recommendation that the bill be placed on the General Register.

MINORITY REPORT

April 22, 2015

We, the undersigned, being a minority of the Committee on Ways and Means, recommend that H. F. No. 844 be amended as follows and placed on the General Register.

Delete everything after the enacting clause and insert:

"ARTICLE 1 GENERAL EDUCATION

Section 1. Minnesota Statutes 2014, section 120A.41, is amended to read:

120A.41 LENGTH OF SCHOOL YEAR; HOURS OF INSTRUCTION.

A school board's annual school calendar must include at least 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. The school calendar for all-day kindergarten must include at least 850 hours of instruction for the school year. The school calendar for prekindergarten, if offered by the district, must include at least 850 hours of instruction for the school year and at least 200 hours of instruction for the summer. A school board's annual calendar must include at least 165 days of instruction for a student in grades 1 through 11 unless a four-day week schedule has been approved by the commissioner under section 124D.126.

EFFECTIVE DATE. This section is effective for the 2016-2017 school year and later.

Sec. 2. Minnesota Statutes 2014, section 122A.415, subdivision 1, is amended to read:

Subdivision 1. **Revenue amount.** (a) A school district, intermediate school district, school site, or charter school that meets the conditions of section 122A.414 and submits an application approved by the commissioner is eligible for alternative teacher compensation revenue.

(b) For school district and intermediate school district applications, the commissioner must consider only those applications to participate that are submitted jointly by a district and the exclusive representative of the teachers. The application must contain an alternative teacher professional pay system agreement that:

(1) implements an alternative teacher professional pay system consistent with section 122A.414; and

(2) is negotiated and adopted according to the Public Employment Labor Relations Act under chapter 179A, except that notwithstanding section 179A.20, subdivision 3, a district may enter into a contract for a term of two or four years.

Alternative teacher compensation revenue for a qualifying school district or site in which the school board and the exclusive representative of the teachers agree to place teachers in the district or at the site on the alternative teacher professional pay system equals \$260 the alternative teacher compensation allowance times the number of pupils enrolled at the district or site on October 1 of the previous fiscal year. The alternative teacher compensation allowance equals \$260 for fiscal years 2015 through 2017, \$246 for fiscal year 2018, and \$244 for fiscal year 2019 and later. Alternative teacher compensation revenue for a qualifying intermediate school district must be calculated under subdivision 4, paragraph (a).

(c) For a newly combined or consolidated district, the revenue shall be computed using the sum of pupils enrolled on October 1 of the previous year in the districts entering into the combination or consolidation. The commissioner may adjust the revenue computed for a site using prior year data to reflect changes attributable to school closings, school openings, or grade level reconfigurations between the prior year and the current year.

(d) The revenue is available only to school districts, intermediate school districts, school sites, and charter schools that fully implement an alternative teacher professional pay system by October 1 of the current school year.

Sec. 3. Minnesota Statutes 2014, section 124D.11, subdivision 1, is amended to read:

Subdivision 1. **General education revenue.** (a) General education revenue must be paid to a charter school as though it were a district. The general education revenue for each adjusted pupil unit is the state average general education revenue per pupil unit, plus the referendum equalization aid allowance in the pupil's district of residence, minus an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times .0466, calculated without declining enrollment revenue, local optional revenue, basic skills revenue, extended ~~time~~ support revenue, pension adjustment revenue, transition revenue, and transportation sparsity revenue, plus declining enrollment revenue, basic skills revenue, extended ~~time~~ support revenue, pension adjustment revenue, and transition revenue as though the school were a school district.

(b) For a charter school operating an extended day, extended week, or summer program, the general education revenue for each extended time pupil unit equals \$4,794 in paragraph (a) is increased by an amount equal to 25 percent of the statewide average extended support revenue per pupil unit.

EFFECTIVE DATE. This section is effective for fiscal year 2016 and later.

Sec. 4. **[124D.171] PREKINDERGARTEN PROGRAM.**

Subdivision 1. **Programs authorized.** A school district may offer a voluntary prekindergarten program for all four-year-old children.

Subd. 2. **Program characteristics.** (a) High-quality, state-funded prekindergarten must prepare children for kindergarten and meet the state prekindergarten program criteria which include the following:

(1) compensatory instruction that accelerates children's language and literacy skills, mathematical thinking, and social skills;

(2) instructional content and activities that are of sufficient length and intensity to address learning needs;

(3) measurement of each child's cognitive and social skills using a formative measure when the child enters and again before the child leaves the program, screening measures such as literacy, and others from the state-approved menu of kindergarten entrance measures;

(4) class size of 20 or fewer children and child-staff ratios of ten-to-one or less;

(5) an individualized learning plan for each child created by the family and teacher, which includes a transition plan to kindergarten;

(6) a lead classroom teacher that is an appropriately licensed teacher trained in child development, language and literacy development, early education instruction, and native and English language development;

(7) prekindergarten instructional staff salaries comparable to the salaries of local kindergarten through grade 12 instructional staff;

(8) community collaboration and planning, including community health and social service agencies to ensure children have access to comprehensive services;

(9) coordination with all relevant school district programs and services, for example, special education, homeless, and English learners;

(10) parent engagement strategies that include culturally and linguistically responsive activities in prekindergarten through third grade;

(11) development and implementation of curriculum, assessment, and instructional strategies aligned with the state's early learning guidelines and academic standards, prekindergarten through third grade;

(12) inclusion of children with disabilities in the prekindergarten program;

(13) coordinated professional development and training for both school district and community-based early learning providers that is informed by a measure of adult-child interactions; and

(14) a plan for mixed delivery that may include partnerships with child care centers, family child care programs licensed under section 245A.03 and Head Start programs that comply with the state prekindergarten program requirements. Plan components include strategies for recruitment, contracting, and monitoring of fiscal compliance and program quality.

(b) Districts must include their strategy for implementing and measuring the impact of their state-funded prekindergarten program in their World's Best Workforce Plan.

(c) Notwithstanding paragraph (a), clause (6), for fiscal year 2017, every district receiving prekindergarten funding under Minnesota Statutes, section 126C.05, subdivision 1, must ensure at least 25 percent of classroom teachers have the required license or special permission, 50 percent for fiscal year 2018, 75 percent for fiscal year 2019, and 100 percent for each classroom by fiscal year 2020 and thereafter.

Subd. 3. **Child eligibility.** A child may participate in a prekindergarten program if the child:

(1) is not yet in kindergarten and is four years old on September 1 of that school year;

(2) has completed the early childhood health and development screening under sections 121A.16 to 121A.19 within 45 days of enrollment; and

(3) provides documentation of required immunizations under section 121A.15.

Subd. 4. **Hours of instruction.** A school board's annual school calendar for prekindergarten must meet the minimum hours requirement in section 120A.41.

Subd. 5. **Phase-in.** For fiscal years 2017 and 2018, if more students apply for admission to a prekindergarten program operated under this section than for whom funding is available, a school district must grant priority to students from low income families.

EFFECTIVE DATE. This section is effective July 1, 2016.

Sec. 5. Minnesota Statutes 2014, section 124D.59, subdivision 2, is amended to read:

Subd. 2. **English learner.** (a) "English learner" means a pupil in ~~kindergarten~~ prekindergarten through grade 12 who meets the requirements under subdivision 2a or the following requirements:

(1) the pupil, as declared by a parent or guardian first learned a language other than English, comes from a home where the language usually spoken is other than English, or usually speaks a language other than English; and

(2) the pupil is determined by a valid assessment measuring the pupil's English language proficiency and by developmentally appropriate measures, which might include observations, teacher judgment, parent recommendations, or developmentally appropriate assessment instruments, to lack the necessary English skills to participate fully in academic classes taught in English.

(b) A pupil enrolled in a Minnesota public school in any grade 4 through 12 who in the previous school year took a commissioner-provided assessment measuring the pupil's emerging academic English, shall be counted as an English learner in calculating English learner pupil units under section 126C.05, subdivision 17, and shall generate state English learner aid under section 124D.65, subdivision 5, if the pupil scored below the state cutoff score or is otherwise counted as a nonproficient participant on the assessment measuring the pupil's emerging academic English, or, in the judgment of the pupil's classroom teachers, consistent with section 124D.61, clause (1), the pupil is unable to demonstrate academic language proficiency in English, including oral academic language, sufficient to successfully and fully participate in the general core curriculum in the regular classroom.

(c) Notwithstanding paragraphs (a) and (b), a pupil in ~~kindergarten~~ prekindergarten through grade 12 shall not be counted as an English learner in calculating English learner pupil units under section 126C.05, subdivision 17, and shall not generate state English learner aid under section 124D.65, subdivision 5, if:

(1) the pupil is not enrolled during the current fiscal year in an educational program for English learners under sections 124D.58 to 124D.64; or

(2) the pupil has generated ~~six~~ seven 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 2017 and later, except that the amendment to paragraph (c), clause (2), is effective for fiscal year 2016 and later.

Sec. 6. Minnesota Statutes 2014, 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 individualized education program is counted as the ratio of the number of hours of assessment and education service to 825 times 1.0 with a minimum average daily membership of 0.28, but not more than 1.0 pupil unit.

(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 1.0.

(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 individualized education program to 875, but not more than one.

(d) A prekindergarten pupil who is not included in paragraph (a) or (b) is counted as 1.0 pupil unit if the pupil is enrolled in a free all-day, every day prekindergarten program available to all prekindergarten pupils at the pupil's school that meets the minimum hours requirement in section 120A.41 and meets the requirements in section 124D.171. For fiscal year 2017 only, a district's prekindergarten pupil count under this paragraph must not exceed the lesser of the number of students served, or a number equal to 25 percent of the kindergarten pupils served during the previous fiscal year. For fiscal year 2018 only, a district's prekindergarten pupil count under this paragraph must not exceed the lesser of the number of students served, or a number equal to 60 percent of the kindergarten pupils served during the previous fiscal year.

~~(d)~~ (e) A kindergarten pupil who is not included in paragraph (c) is counted as 1.0 pupil unit if the pupil is enrolled in a free all-day, every day kindergarten program available to all kindergarten pupils at the pupil's school that meets the minimum hours requirement in section 120A.41, or is counted as .55 pupil unit, if the pupil is not enrolled in a free all-day, every day kindergarten program available to all kindergarten pupils at the pupil's school.

~~(e)~~ (f) A pupil who is in any of grades 1 to 6 is counted as 1.0 pupil unit.

~~(f)~~ (g) A pupil who is in any of grades 7 to 12 is counted as 1.2 pupil units.

~~(g)~~ (h) A pupil who is in the postsecondary enrollment options program is counted as 1.2 pupil units.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2017 and later.

Sec. 7. Minnesota Statutes 2014, section 126C.10, subdivision 1, is amended to read:

Subdivision 1. **General education revenue.** ~~(a) For fiscal years 2013 and 2014, the general education revenue for each district equals the sum of the district's basic revenue, extended time revenue, gifted and talented revenue, small schools revenue, basic skills 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 year 2015 and later, the general education revenue for each district equals the sum of the district's basic revenue, extended ~~time~~ support revenue, gifted and talented revenue, declining enrollment revenue, local optional revenue, small schools revenue, basic skills revenue, secondary sparsity revenue, elementary sparsity revenue, transportation sparsity revenue, total operating capital revenue, equity revenue, pension adjustment revenue, and transition revenue.

Sec. 8. Minnesota Statutes 2014, section 126C.10, subdivision 2, is amended to read:

Subd. 2. **Basic revenue.** ~~For fiscal year 2014, the basic revenue for each district equals the formula allowance times the adjusted marginal cost pupil units for the school year.~~ For fiscal year 2015 and later, the basic revenue for each district equals the formula allowance times the adjusted pupil units for the school year. ~~The formula allowance~~

~~for fiscal year 2013 is \$5,224. The formula allowance for fiscal year 2014 is \$5,302. The formula allowance for fiscal year 2015 and later is \$5,831. The formula allowance for fiscal year 2016 is \$5,948. The formula allowance for fiscal year 2017 and later is \$6,065.~~

Sec. 9. Minnesota Statutes 2014, section 126C.10, subdivision 2a, is amended to read:

Subd. 2a. **Extended time support revenue.** ~~(a) A school district's extended time revenue for fiscal year 2014 is equal to the product of \$4,601 and the sum of the adjusted marginal cost pupil units of the district for each pupil in average daily membership in excess of 1.0 and less than 1.2 according to section 126C.05, subdivision 8. A school district's extended time support revenue for fiscal year 2015 and later is equal to the product of \$5,017~~ \$5,117 and the sum of the adjusted pupil units of the district for each pupil in average daily membership in excess of 1.0 and less than 1.2 according to section 126C.05, subdivision 8.

(b) A school district's extended ~~time support~~ revenue may be used for extended day programs, extended week programs, summer school, vacation break academies such as spring break academies and summer term academies, and other programming authorized under the learning year program. Extended support revenue may also be used by alternative learning centers serving high school students for academic purposes during the school day.

EFFECTIVE DATE. This section is effective for fiscal year 2016 and later.

Sec. 10. Minnesota Statutes 2014, section 126C.10, subdivision 2d, is amended to read:

Subd. 2d. **Declining enrollment revenue.** (a) A school district's declining enrollment revenue equals the greater of zero or the product of: (1) 28 percent of the formula allowance for that year and (2) the difference between the adjusted pupil units for the preceding year and the adjusted pupil units for the current year.

(b) Notwithstanding paragraph (a), for fiscal years 2015, 2016, and 2017 only, a pupil enrolled at the Crosswinds school shall not generate declining enrollment revenue for the district or charter school in which the pupil was last counted in average daily membership.

(c) Notwithstanding paragraph (a), for fiscal years 2017, 2018, and 2019 only, prekindergarten pupil units under section 126C.05, subdivision 1, paragraph (d), must be excluded from the calculation of declining enrollment revenue.

Sec. 11. Minnesota Statutes 2014, section 126C.10, subdivision 2e, is amended to read:

Subd. 2e. **Local optional revenue.** (a) Local optional revenue for a school district equals \$424 times the adjusted pupil units of the district for that school year.

(b) A district's local optional levy equals its local optional revenue times the lesser of one or the ratio of its referendum market value per resident pupil unit to ~~\$510,000~~ the local optional equalizing factor. The local optional revenue levy must be spread on referendum market value. A district may levy less than the permitted amount.

(c) A district's local optional aid equals its local optional revenue less its local optional levy, times the ratio of the actual amount levied to the permitted levy.

(d) A district's local optional equalizing factor equals \$510,000 times the greater of one or the ratio of the district's seasonal recreational factor to 0.30.

(e) A district's seasonal recreational factor equals the ratio of the market value of property in the district classified as 4(c)12 under section 273.13 to the district's total taxable market value under section 273.13.

EFFECTIVE DATE. This section is effective for taxes payable in 2016 and later.

Sec. 12. Minnesota Statutes 2014, section 126C.10, subdivision 13a, is amended to read:

Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal year 2015 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 \$14,500 for fiscal years 2015 and 2016, \$38,650 for fiscal year 2017, \$47,700 for fiscal year 2018, and \$50,550 for fiscal year 2019 and later.

Sec. 13. Minnesota Statutes 2014, 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 .141.

(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 .0466.

(v) Subtract the result in clause (iv) from the result in clause (iii).

(vi) Multiply the result in clause (v) by the greater of (1) one or (2) the ratio of the square mile area of the district to 3,000.

(vii) For a district that does not qualify for secondary sparsity revenue under subdivision 7 or elementary sparsity revenue under subdivision 8, multiply the result in clause (vi) by the greater of (1) one or (2) the ratio of the square mile area of the district to 525.

(b) Transportation sparsity revenue is equal to the transportation sparsity allowance times the adjusted pupil units.

EFFECTIVE DATE. This section is effective for revenue in fiscal year 2016 and later.

Sec. 14. **RECIPROCITY AGREEMENT EXEMPTION; HENDRICKS.**

Notwithstanding Minnesota Statutes, sections 124D.04, subdivision 6, paragraph (b); 124D.041, subdivision 3, paragraph (b); and 124D.05, subdivision 2a, the provisions of Minnesota Statutes, section 124D.041 and the agreement shall not apply to Independent School District No. 402, Hendricks.

EFFECTIVE DATE. This section is effective for the 2015-2016 school year and later.

Sec. 15. **APPROPRIATIONS.**

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **General education aid.** For general education aid under Minnesota Statutes, section 126C.13, subdivision 4:

<u>\$6,624,575,000</u>	.....	<u>2016</u>
<u>\$6,871,717,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$622,907,000 for 2015 and \$6,001,523,000 for 2016.

The 2017 appropriation includes \$638,816,000 for 2016 and \$6,232,902,000 for 2017.

Subd. 3. **Enrollment options transportation.** For transportation of pupils attending postsecondary institutions under Minnesota Statutes, section 124D.09, or for transportation of pupils attending nonresident districts under Minnesota Statutes, section 124D.03:

<u>\$39,000</u>	.....	<u>2016</u>
<u>\$42,000</u>	.....	<u>2017</u>

Subd. 4. **Abatement revenue.** For abatement aid under Minnesota Statutes, section 127A.49:

<u>\$2,740,000</u>	.....	<u>2016</u>
<u>\$2,932,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$278,000 for 2015 and \$2,462,000 for 2016.

The 2017 appropriation includes \$273,000 for 2016 and \$2,659,000 for 2017.

Subd. 5. **Consolidation transition.** For districts consolidating under Minnesota Statutes, section 123A.485:

<u>\$292,000</u>	.....	<u>2016</u>
<u>\$165,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$22,000 for 2015 and \$270,000 for 2016.

The 2017 appropriation includes \$30,000 for 2016 and \$135,000 for 2017.

Subd. 6. **Nonpublic pupil education aid.** For nonpublic pupil education aid under Minnesota Statutes, sections 123B.40 to 123B.43 and 123B.87:

<u>\$16,756,000</u>	.....	<u>2016</u>
<u>\$17,527,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$1,575,000 for 2015 and \$15,181,000 for 2016.

The 2017 appropriation includes \$1,686,000 for 2016 and \$15,841,000 for 2017.

Subd. 7. **Nonpublic pupil transportation.** For nonpublic pupil transportation aid under Minnesota Statutes, section 123B.92, subdivision 9:

<u>\$17,322,000</u>	.....	<u>2016</u>
<u>\$17,444,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$1,816,000 for 2015 and \$15,506,000 for 2016.

The 2017 appropriation includes \$1,722,000 for 2016 and \$15,722,000 for 2017.

Subd. 8. **One-room schoolhouse.** For a grant to Independent School District No. 690, Warroad, to operate the Angle Inlet School:

<u>\$65,000</u>	.....	<u>2016</u>
<u>\$65,000</u>	.....	<u>2017</u>

Subd. 9. **Compensatory revenue pilot project.** For grants for participation in the compensatory revenue pilot program under Laws 2005, First Special Session chapter 5, article 1, section 50:

<u>\$7,325,000</u>	.....	<u>2016</u>
<u>\$7,325,000</u>	.....	<u>2017</u>

Of this amount, \$4,730,000 in each year is for a grant to Independent School District No. 11, Anoka-Hennepin; \$240,000 in each year is for a grant to Independent School District No. 286, Brooklyn Center; \$660,000 in each year is for a grant to Independent School District No. 279, Osseo; \$500,000 in each year is for a grant to Independent School District No. 281, Robbinsdale; \$520,000 in each year is for a grant to Independent School District No. 535, Rochester; \$205,000 in each year is for a grant to Independent School District No. 833, South Washington; and \$470,000 in each year is for a grant to Independent School District No. 241, Albert Lea.

If a grant to a specific school district is not awarded, the commissioner may increase the aid amounts to any of the remaining participating school districts.

Subd. 10. **Career and technical aid.** For career and technical aid under Minnesota Statutes, section 124D.4531, subdivision 1b:

<u>\$5,420,000</u>	.....	<u>2016</u>
<u>\$4,405,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$574,000 for 2015 and \$4,846,000 for 2016.

The 2017 appropriation includes \$538,000 for 2016 and \$3,867,000 for 2017.

ARTICLE 2 EDUCATION EXCELLENCE

Section 1. Minnesota Statutes 2014, section 5A.03, is amended to read:

5A.03 ORGANIZATION APPLICATION FOR REGISTRATION.

Subdivision 1. **Placing high school students in Minnesota.** (a) An application for registration as an international student exchange visitor placement organization must be submitted in the form prescribed by the secretary of state. The application must include:

- (1) evidence that the organization meets the standards established by the secretary of state by rule;
- (2) the name, address, and telephone number of the organization, its chief executive officer, and the person within the organization who has primary responsibility for supervising placements within the state;
- (3) the organization's unified business identification number, if any;

(4) the organization's Office of Exchange Coordination and Designation, United States Department of State number, if any;

(5) evidence of Council on Standards for International Educational Travel listing, if any;

(6) whether the organization is exempt from federal income tax; and

(7) a list of the organization's placements in Minnesota for the previous academic year including the number of students placed, their home countries, the school districts in which they were placed, and the length of their placements.

(b) The application must be signed by the chief executive officer of the organization and the person within the organization who has primary responsibility for supervising placements within Minnesota. If the secretary of state determines that the application is complete, the secretary of state shall file the application and the applicant is registered.

(c) Organizations that have registered shall inform the secretary of state of any changes in the information required under paragraph (a), clause (1), within 30 days of the change. There is no fee to amend a registration.

(d) Registration under this chapter is valid for one year. The registration may be renewed annually. The fee to renew a registration is \$50 per year.

(e) Organizations registering for the first time in Minnesota must pay an initial registration fee of \$150.

(f) Fees collected by the secretary of state under this section must be deposited in the state treasury and credited to the general fund.

Subd. 2. Placing Minnesota students in travel abroad programs. (a) A school district or charter school with enrolled students who participate in a foreign exchange or study or other travel abroad program under a written agreement between the district or charter school and the program provider must use a form developed by the Department of Education to annually report to the department by November 1 the following data from the previous school year:

(1) the number of Minnesota student deaths that occurred while Minnesota students were participating in the foreign exchange or study or other travel abroad program and that resulted from Minnesota students participating in the program;

(2) the number of Minnesota students hospitalized due to accidents and the illnesses that occurred while Minnesota students were participating in the foreign exchange or study or other travel abroad program and that resulted from Minnesota students participating in the program; and

(3) the name and type of the foreign exchange or study or other travel abroad program and the city or region where the reported death, hospitalization due to accident, or the illness occurred.

(b) School districts and charter schools must ask but must not require enrolled eligible students and the parents or guardians of other enrolled students who complete a foreign exchange or study or other travel abroad program to disclose the information under paragraph (a).

(c) When reporting the data under paragraph (a), a school district or charter school may supplement the data with a brief explanatory statement. The Department of Education annually must aggregate and publish the reported data on the department Web site in a format that facilitates public access to the aggregated data and include links to both

the United States Department of State's Consular Information Program that informs the public of conditions abroad that may affect students' safety and security and the publicly available reports on sexual assaults and other criminal acts affecting students participating in a foreign exchange or study or other travel abroad program.

(d) School districts and charter schools with enrolled students who participate in foreign exchange or study or other travel abroad programs under a written agreement between the district or charter school and the program provider are encouraged to adopt policies supporting the programs and to include program standards in their policies to ensure students' health and safety.

(e) To be eligible under this subdivision to provide a foreign exchange or study or other travel abroad program to Minnesota students enrolled in a school district or charter school, a program provider annually must register with the secretary of state and provide the following information on a form developed by the secretary of state: the name, address, and telephone number of the program provider, its chief executive officer, and the person within the provider's organization who is primarily responsible for supervising programs within the state; the program provider's unified business identification number, if any; evidence of Council on Standards for International Educational Travel listing, if any; whether the program provider is exempt from federal income tax; a list of the program provider's placements in foreign countries for the previous school year including the number of Minnesota students placed, where Minnesota students were placed, and the length of their placement; the terms and limits of the medical and accident insurance available to cover participating students and the process for filing a claim; and the signatures of the program provider's chief executive officer and the person primarily responsible for supervising Minnesota students' placements in foreign countries. If the secretary of state determines the registration is complete, the secretary of state shall file the registration and the program provider is registered. Registration with the secretary of state must not be considered or represented as an endorsement of the program provider by the secretary of state. The secretary of state annually must publish on its Web site aggregated data under paragraph (c) received from the Department of Education.

(f) Program providers, annually by August 1, must provide the data required under paragraph (a), clauses (1) to (3), to the districts and charter schools with enrolled students participating in the provider's program.

(g) The school district, the charter school, the Department of Education, and their respective employees, when acting in their official capacity, are immune from civil and criminal liability with respect to all activities related to implementing this subdivision.

EFFECTIVE DATE. This section is effective for the 2015-2016 school year and later.

Sec. 2. Minnesota Statutes 2014, section 119B.011, subdivision 15, is amended to read:

Subd. 15. **Income.** "Income" means earned or unearned income received by all family members, including public assistance cash benefits and at-home infant child care subsidy payments, unless specifically excluded and child support and maintenance distributed to the family under section 256.741, subdivision 15. The following are excluded from income: funds used to pay for health insurance premiums for family members, Supplemental Security Income, scholarships, work-study income, ~~and~~ grants, and other financial assistance, including loan forgiveness, that cover costs or reimbursement for tuition, fees, books, and educational supplies; student loans for tuition, fees, books, supplies, and living expenses; state and federal earned income tax credits; assistance specifically excluded as income by law; in-kind income such as food support, energy assistance, foster care assistance, medical assistance, child care assistance, and housing subsidies; earned income of full-time or part-time students up to the age of 19, who have not earned a high school diploma or GED high school equivalency diploma including earnings from summer employment; grant awards under the family subsidy program; nonrecurring lump-sum income only to the extent that it is earmarked and used for the purpose for which it is paid; and any income assigned to the public authority according to section 256.741.

Sec. 3. Minnesota Statutes 2014, section 122A.63, subdivision 4, is amended to read:

Subd. 4. **Grant amount.** The commissioner may award a joint grant in the amount it determines to be appropriate. The grant shall include money for the postsecondary institution, school district, and student scholarships, ~~and student loans.~~ The commissioner may reallocate any unspent funds to one or more of the four joint grant recipients identified in subdivision 1.

Sec. 4. Minnesota Statutes 2014, section 122A.63, subdivision 5, is amended to read:

Subd. 5. **Information to student applicants.** At the time a student applies for a scholarship ~~and loan~~, the student shall be provided information about the fields of licensure needed by school districts in the part of the state within which the district receiving the joint grant is located. The information shall be acquired and periodically updated by the recipients of the joint grant. Information provided to students shall clearly state that scholarship ~~and loan~~ decisions are not based upon the field of licensure selected by the student.

Sec. 5. Minnesota Statutes 2014, section 122A.63, subdivision 6, is amended to read:

Subd. 6. **Eligibility for scholarships ~~and loans.~~** The following American Indian people are eligible for scholarships:

(1) a student, including a teacher aide employed by a district receiving a joint grant, who intends to become a teacher and who is enrolled in a postsecondary institution receiving a joint grant;

(2) a licensed employee of a district receiving a joint grant, who is enrolled in a master of education program; and

(3) a student who, after applying for federal and state financial aid and ~~an~~ the Minnesota Indian scholarship according to section 136A.126, has ~~financial needs that remain unmet-~~ financial need shall be determined according to the congressional methodology for needs determination or as otherwise set in federal law as defined by section 136A.101.

~~A person who has actual living expenses in addition to those addressed by the congressional methodology for needs determination, or as otherwise set in federal law, may receive a loan according to criteria established by the commissioner. A contract shall be executed between the state and the student for the amount and terms of the loan.~~

Sec. 6. **[122A.80] TEACHMN.**

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

(b) "High needs area" means a high needs area as defined in the Department of Education biannual teacher supply and demand report under section 127A.05, subdivision 6, or other surveys conducted by the Department of Education that provide indicators for teacher supply and demand needs not captured by the teacher supply and demand report.

(c) "High needs school" means a school that:

(1) is a focus or priority school under the multiple measurement rating;

(2) has a concentration of students above the state average for free and reduced-price lunch; or

(3) is geographically isolated and experiencing a teacher shortage.

(d) "Qualified candidate" means a teacher candidate enrolled in a Minnesota teacher licensure program who meets the program eligibility requirements in subdivision 3 and in rules or procedures adopted under subdivision 7.

Subd. 2. **Account.** An account is created within the Office of Higher Education to disburse fixed-rate forgivable loans to qualified candidates under this section. Unused funds appropriated to the Department of Education and transferred to the Office of Higher Education in a given fiscal year will be carried over for loans and program administrative costs in future years. Principal and interest payments on unforgiven loans shall be credited to the account and shall be carried over and do not cancel and may be used for administrative program costs not covered by the appropriated amount and for issuing new loans.

Subd. 3. **Eligibility.** A candidate may apply to the commissioner of the Office of Higher Education to receive a forgivable loan under this section. The commissioner must award loans to candidates enrolling in programs in high needs areas and to candidates expressing interest in teaching in high needs schools based on shortages and geographical distribution, and must take into consideration diversifying the teacher workforce. The application must include a letter of support or character reference from a professional supervisor or colleague or academic professor who is not related to the applicant.

Subd. 4. **Loan requirements.** Interest accrues both during and after a borrower's postsecondary enrollment and is capitalized at the time of repayment. At the time of receiving the loan, a candidate must commit to seeking a qualified position in a Minnesota school district for four years upon completion of teacher preparation as a full-time teacher as verified through the Staff Automated Reporting (STAR) system. Candidates who do not complete the four-year service commitment may be required to repay the loan.

Subd. 5. **Usage.** The loan may only be used for tuition and related living and miscellaneous expenses required to complete teacher preparation and attain licensure.

Subd. 6. **Forgiveness and repayment.** (a) If a borrower's eligibility for the loan is based on the candidate's enrollment in a program in a high needs area, the borrower's student loan payment shall be deferred if the candidate completed the program and obtains a full-time position in that discipline. Upon completing four years of teaching in that discipline, the loan obligation shall be forgiven in the full amount of principal plus accrued interest. Except as allowed under paragraph (c), a student borrower has up to five years from graduation or school termination to fulfill the teaching obligation.

(b) If a borrower's eligibility for the loan is based on the candidate's employment in a high needs school, the borrower's student loan payment shall be deferred if the candidate obtains a full-time position in a high needs school at the time of hire. Upon completing four years of teaching at that school or another high needs school at the time of hire, the loan obligation shall be forgiven in the full amount of principal plus accrued interest. Except as allowed under paragraph (c), a student borrower has up to five years from graduation or school termination to fulfill the teaching obligation.

(c) An appeals process shall be established for special circumstances, such as a temporary medical leave of absence or layoff, which may allow the qualifying term to be extended.

(d) For loans not in deferral under paragraph (a) or (b), loan payments are deferred for up to 12 months or until the borrower obtains employment in a nonqualified position, whichever is first. At that time, monthly loan payments will be required from the borrower until the loan is paid in full or the loan is deferred under paragraph (a) or (b).

Subd. 7. **Rulemaking.** The commissioner of education shall adopt rules or procedures, in consultation with the Office of Higher Education, to implement this section, including:

- (1) additional eligibility and renewal criteria;
- (2) annual and lifetime maximum awards per student;
- (3) how the loan funds will be disbursed;
- (4) the interest rate for the loans;
- (5) service fulfillment and repayment criteria; and
- (6) an appeals process consistent with subdivision 6.

Sec. 7. [122A.81] STEPPING UP FOR KIDS; FINANCIAL ASSISTANCE.

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

(b) "High needs area" means a high needs area as defined in the Department of Education biannual teacher supply and demand report under section 127A.05, subdivision 6, or other surveys conducted by the Department of Education that provide indicators for teacher supply and demand needs not captured by the teacher supply and demand report.

(c) "High needs school" means a school that:

- (1) is a focus or priority school under the multiple measurement rating;
- (2) has a concentration of students above the state average for free and reduced-price lunch; or
- (3) is geographically isolated and experiencing a teacher shortage.

(d) "Qualified candidate" means a paraprofessional currently employed in a Minnesota school who has been admitted to a Minnesota teacher licensure program and meets the program eligibility requirements in subdivision 3 and in rules adopted under subdivision 5.

Subd. 2. **Account.** An account is created within the Office of Higher Education to disburse financial assistance for paraprofessionals when enrolled in a program in Minnesota leading to teacher licensure. Unused funds appropriated to the Department of Education in a given fiscal year shall be transferred to the Office of Higher Education and carried over for stepping up for kids financial assistance and program and administrative costs in future years.

Subd. 3. **Eligibility.** (a) A qualified candidate may apply to the commissioner of the Office of Higher Education to receive financial assistance under this section. The commissioner of the Office of Higher Education shall award financial assistance in high needs areas and high needs schools based on shortages, geographical distribution, or other surveys conducted by the Department of Education and must take into consideration diversifying the teacher workforce. The application must include a letter of support from the school district administrator where the paraprofessional is employed.

(b) Candidates must commit to remain employed in a Minnesota school district for four years upon completion of teacher preparation as verified through the Staff Automated Reporting (STAR) system. Candidates who do not complete the four-year service commitment may be required to repay the financial assistance.

Subd. 4. **Usage.** The financial assistance may only be used for tuition and related living and miscellaneous expenses required to complete teacher preparation and attain licensure.

Subd. 5. **Rulemaking.** The commissioner of education shall adopt rules or procedures, in consultation with the Office of Higher Education, to implement this section, including:

- (1) additional eligibility and renewal criteria;
- (2) annual and lifetime maximum awards per student; and
- (3) service fulfillment and repayment criteria.

Sec. 8. **[124D.231] FULL-SERVICE COMMUNITY SCHOOLS.**

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

(a) "Community organization" means a nonprofit organization that has been in existence for three years or more and serves persons within the community surrounding the covered school site on education and other issues.

(b) "Community school consortium" means a group of schools and community organizations that propose to work together to plan and implement community school programming.

(c) "Community school programming" means services, activities, and opportunities described under subdivision 2, paragraph (g).

(d) "High-quality child care or early childhood education programming" means educational programming for preschool-aged children that is grounded in research, consistent with best practices in the field, and provided by licensed teachers.

(e) "School site" means a school site at which an applicant has proposed or has been funded to provide community school programming.

(f) "Site coordinator" is an individual who is responsible for aligning programming with the needs of the school community identified in the baseline analysis.

Subd. 2. **Full-service community school program.** (a) The commissioner shall provide funding to eligible school sites to plan, implement, and improve full-service community schools. Eligible school sites must meet one of the following criteria:

- (1) the school is on a development plan for continuous improvement under section 120B.35, subdivision 2; or
- (2) the school is in a district that has an achievement and integration plan approved by the commissioner of education under sections 124D.861 and 124D.862.

(b) An eligible school site may receive up to \$100,000 annually. School sites receiving funding under this section shall hire or contract with a partner agency to hire a site coordinator to coordinate services at each covered school site.

(c) Implementation funding of up to \$20,000 must be available for up to one year for planning for school sites. At the end of this period, the school must submit a full-service community school plan, pursuant to paragraph (g).

(d) The commissioner shall dispense the funds to schools with significant populations of students receiving free or reduced-price lunches. Schools with significant homeless and highly mobile students shall also be a priority. The commissioner must also dispense the funds in a manner to ensure equity among urban, suburban, and greater Minnesota schools.

(e) A school site must establish a school leadership team responsible for developing school-specific programming goals, assessing program needs, and overseeing the process of implementing expanded programming at each covered site. The school leadership team shall have between 12 to 15 members and shall meet the following requirements:

(1) at least 30 percent of the members are parents and 30 percent of the members are teachers at the school site and must include the school principal and representatives from partner agencies; and

(2) the school leadership team must be responsible for overseeing the baseline analyses under paragraph (f). A school leadership team must have ongoing responsibility for monitoring the development and implementation of full service community school operations and programming at the school site and shall issue recommendations to schools on a regular basis and summarized in an annual report. These reports shall also be made available to the public at the school site and on school and district Web sites.

(f) School sites must complete a baseline analysis prior to beginning programming as a full-service community school. The analysis shall include:

(1) a baseline analysis of needs at the school site, led by the school leadership team, which shall include the following elements:

(i) identification of challenges facing the school;

(ii) analysis of the student body, including:

(A) number and percentage of students with disabilities and needs of these students;

(B) number and percentage of students who are English learners and the needs of these students;

(C) number of students who are homeless or highly mobile; and

(D) number and percentage of students receiving free or reduced-price lunch and the needs of these students; and

(iii) analysis of enrollment and retention rates for students with disabilities, English learners, homeless and highly mobile students, and students receiving free or reduced-price lunch;

(iv) analysis of suspension and expulsion data, including the justification for such disciplinary actions and the degree to which particular populations, including, but not limited to, students of color, students with disabilities, students who are English learners, and students receiving free or reduced-price lunch are represented among students subject to such actions;

(v) analysis of school achievement data disaggregated by major demographic categories, including, but not limited to, race, ethnicity, English learner status, disability status, and free or reduced-price lunch status;

(vi) analysis of current parent engagement strategies and their success; and

(vii) evaluation of the need for and availability of wraparound services, including, but not limited to:

(A) mechanisms for meeting students' social, emotional, and physical health needs, which may include coordination of existing services as well as the development of new services based on student needs; and

(B) strategies to create a safe and secure school environment and improve school climate and discipline, such as implementing a system of positive behavioral supports, and taking additional steps to eliminate bullying;

(2) a baseline analysis of community assets and a strategic plan for utilizing and aligning identified assets. This analysis should include, but is not limited to, a documentation of individuals in the community, faith-based organizations, community and neighborhood associations, colleges, hospitals, libraries, businesses, and social service agencies who may be able to provide support and resources; and

(3) a baseline analysis of needs in the community surrounding the school, led by the school leadership team, including, but not limited to:

(i) the need for high-quality, full-day child care and early childhood education programs;

(ii) the need for physical and mental health care services for children and adults; and

(iii) the need for job training and other adult education programming.

(g) Each school site receiving funding under this section must establish at least two of the following types of programming:

(1) early childhood:

(i) early childhood education; and

(ii) child care services;

(2) academic:

(i) academic support and enrichment activities, including expanded learning time;

(ii) summer or after-school enrichment and learning experiences;

(iii) job training, internship opportunities, and career counseling services;

(iv) programs that provide assistance to students who have been truant, suspended, or expelled; and

(v) specialized instructional support services;

(3) parental involvement:

(i) programs that promote parental involvement and family literacy, including the Reading First and Early Reading First programs authorized under part B of title I of the Elementary and Secondary Education Act of 1965, United States Code, title 20, section 6361, et seq.;

- (ii) parent leadership development activities; and
- (iii) parenting education activities;
- (4) mental and physical health:
 - (i) mentoring and other youth development programs, including peer mentoring and conflict mediation;
 - (ii) juvenile crime prevention and rehabilitation programs;
 - (iii) home visitation services by teachers and other professionals;
 - (iv) developmentally appropriate physical education;
 - (v) nutrition services;
 - (vi) primary health and dental care; and
 - (vii) mental health counseling services;
- (5) community involvement:
 - (i) service and service-learning opportunities;
 - (ii) adult education, including instruction in English as a second language; and
 - (iii) homeless prevention services;
- (6) positive discipline practices; and
- (7) other programming designed to meet school and community needs identified in the baseline analysis and reflected in the full-service community school plan.
- (h) The school leadership team at each school site must develop a full-service community school plan detailing the steps the school leadership team will take, including:
 - (1) timely establishment and consistent operation of the school leadership team;
 - (2) maintenance of attendance records in all programming components;
 - (3) maintenance of measurable data showing annual participation and the impact of programming on the participating children and adults;
 - (4) documentation of meaningful and sustained collaboration between the school and community stakeholders, including local governmental units, civic engagement organizations, businesses, and social service providers;
 - (5) establishment and maintenance of partnerships with institutions, such as universities, hospitals, museums, or not-for-profit community organizations to further the development and implementation of community school programming;
 - (6) ensuring compliance with the district nondiscrimination policy; and
 - (7) plan for school leadership team development.

Subd. 3. **Full-service community school review.** (a) Every three years, a full-service community school site must submit to the commissioner, and make available at the school site and online, a report describing efforts to integrate community school programming at each covered school site and the effect of the transition to a full-service community school on participating children and adults. This report shall include, but is not limited to, the following:

- (1) an assessment of the effectiveness of the school site in development or implementing the community school plan;
- (2) problems encountered in the design and execution of the community school plan, including identification of any federal, state, or local statute or regulation impeding program implementation;
- (3) the operation of the school leadership team and its contribution to successful execution of the community school plan;
- (4) recommendations for improving delivery of community school programming to students and families;
- (5) the number and percentage of students receiving community school programming who had not previously been served;
- (6) the number and percentage of nonstudent community members receiving community school programming who had not previously been served;
- (7) improvement in retention among students who receive community school programming;
- (8) improvement in academic achievement among students who receive community school programming;
- (9) changes in student's readiness to enter school, active involvement in learning and in their community, physical, social and emotional health, and student's relationship with the school and community environment;
- (10) an accounting of anticipated local budget savings, if any, resulting from the implementation of the program;
- (11) improvements to the frequency or depth of families' involvement with their children's education;
- (12) assessment of community stakeholder satisfaction;
- (13) assessment of institutional partner satisfaction;
- (14) the ability, or anticipated ability, of the school site and partners to continue to provide services in the absence of future funding under this section;
- (15) increases in access to services for students and their families; and
- (16) the degree of increased collaboration among participating agencies and private partners.

(b) Reports submitted under this section shall be evaluated by the commissioner with respect to the following criteria:

- (1) the effectiveness of the school or the community school consortium in implementing the full-service community school plan, including the degree to which the school site navigated difficulties encountered in the design and operation of the full-service community school plan, including identification of any federal, state, or local statute or regulation impeding program implementation;

(2) the extent to which the project has produced lessons about ways to improve delivery of community school programming to students;

(3) the degree to which there has been an increase in the number or percentage of students and nonstudents receiving community school programming;

(4) the degree to which there has been an improvement in retention of students and improvement in academic achievement among students receiving community school programming;

(5) local budget savings, if any, resulting from the implementation of the program;

(6) the degree of community stakeholder and institutional partner engagement;

(7) the ability, or anticipated ability, of the school site and partners to continue to provide services in the absence of future funding under this section;

(8) increases in access to services for students and their families; and

(9) the degree of increased collaboration among participating agencies and private partners.

Sec. 9. Minnesota Statutes 2014, section 124D.42, subdivision 8, is amended to read:

Subd. 8. **Minnesota reading corps program.** (a) A Minnesota reading corps program is established to provide ServeMinnesota AmeriCorps members with a data-based problem-solving model of literacy instruction to use in helping to train local Head Start program providers, other prekindergarten program providers, and staff in schools with students in kindergarten through grade 3 to evaluate and teach early literacy skills, including comprehensive, scientifically based reading instruction under section 122A.06, subdivision 4, to children age 3 to grade 3. Priority shall be given to placing AmeriCorps members in prekindergarten, kindergarten, and first grade programs in any of the following: (1) "Focus" or "Priority" schools under the multiple measurements rating; or (2) federal School Improvement Grant recipients.

(b) Literacy programs under this subdivision must comply with the provisions governing literacy program goals and data use under section 119A.50, subdivision 3, paragraph (b).

(c) The commission must submit a biennial report to the committees of the legislature with jurisdiction over kindergarten through grade 12 education that records and evaluates program data to determine the efficacy of the programs under this subdivision.

Sec. 10. Minnesota Statutes 2014, section 124D.81, is amended to read:

124D.81 CONTINUATION OF AMERICAN INDIAN EDUCATION GRANTS AID.

Subdivision 1. **Grants; Procedures.** ~~Each fiscal year the commissioner of education must make grants to no fewer than six American Indian education programs. At least three programs must be in urban areas and at least three must be on or near reservations. The board of a local district, a participating school or a group of boards may develop a proposal for grants in support of American Indian education programs. Proposals~~ (a) A school district, charter school, or American Indian-controlled tribal contract or grant school enrolling at least 20 American Indian students on October 1 of the previous school year and operating an American Indian education program according to section 124D.74 is eligible for Indian education aid if it meets the requirements of this section. Programs may provide for contracts for the provision of program components by nonsectarian nonpublic, community, tribal, charter, or alternative schools. The commissioner shall prescribe the form and manner of application for grants aids, and no grant aid shall be made for a proposal program not complying with the requirements of sections 124D.71 to 124D.82.

Subd. 2. **Plans.** ~~Each~~ To qualify for aid, an eligible district, charter school, or participating tribal contract school submitting a proposal under subdivision 1 must develop and submit with the proposal a plan for approval by the Indian education director which that shall:

- (a) Identify the measures to be used to meet the requirements of sections 124D.71 to 124D.82;
- (b) Identify the activities, methods and programs to meet the identified educational needs of the children to be enrolled in the program;
- (c) Describe how district goals and objectives as well as the objectives of sections 124D.71 to 124D.82 are to be achieved;
- (d) Demonstrate that required and elective courses as structured do not have a discriminatory effect within the meaning of section 124D.74, subdivision 5;
- (e) Describe how each school program will be organized, staffed, coordinated, and monitored; and
- (f) Project expenditures for programs under sections 124D.71 to 124D.82.

Subd. 2a. **American Indian education aid.** (a) The American Indian education aid for an eligible district or tribal contract school equals the greater of (1) the sum of \$20,000 plus the product of \$405 times the difference between the number of American Indian students enrolled on October 1 of the previous school year and 20; or (2) if the district or school received a grant under this section for fiscal year 2015, the amount of the grant for fiscal year 2015.

(b) Notwithstanding paragraph (a), the American Indian education aid must not exceed the district or tribal contract school's actual expenditure according to the approved plan under subdivision 2.

Subd. 3. **Additional requirements.** Each district receiving ~~a grant aid~~ aid under this section must each year conduct a count of American Indian children in the schools of the district; test for achievement; identify the extent of other educational needs of the children to be enrolled in the American Indian education program; and classify the American Indian children by grade, level of educational attainment, age and achievement. Participating schools must maintain records concerning the needs and achievements of American Indian children served.

Subd. 4. **Nondiscrimination; testing.** In accordance with recognized professional standards, all testing and evaluation materials and procedures utilized for the identification, testing, assessment, and classification of American Indian children must be selected and administered so as not to be racially or culturally discriminatory and must be valid for the purpose of identifying, testing, assessing, and classifying American Indian children.

Subd. 5. **Records.** Participating schools and districts must keep records and afford access to them as the commissioner finds necessary to ensure that American Indian education programs are implemented in conformity with sections 124D.71 to 124D.82. Each school district or participating school must keep accurate, detailed, and separate revenue and expenditure accounts for pilot American Indian education programs funded under this section.

Subd. 6. **Money from other sources.** A district or participating school providing American Indian education programs shall be eligible to receive moneys for these programs from other government agencies and from private sources when the moneys are available.

Subd. 7. **Exceptions.** Nothing in sections 124D.71 to 124D.82 shall be construed as prohibiting a district or school from implementing an American Indian education program which is not in compliance with sections 124D.71 to 124D.82 if the proposal and plan for that program is not funded pursuant to this section.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2016 and later.

Sec. 11. Minnesota Statutes 2014, section 124D.83, subdivision 2, is amended to read:

Subd. 2. **Revenue amount.** An American Indian-controlled tribal contract or grant school that is located on a reservation within the state and that complies with the requirements in subdivision 1 is eligible to receive tribal contract or grant school aid. The amount of aid is derived by:

(1) multiplying the formula allowance under section 126C.10, subdivision 2, less \$170, times the difference between (i) the resident pupil units as defined in section 126C.05, subdivision 6, in average daily membership, excluding section 126C.05, subdivision 13, and (ii) the number of pupils for the current school year, weighted according to section 126C.05, subdivision 1, receiving benefits under section 123B.42 or 123B.44 or for which the school is receiving reimbursement under section 124D.69;

(2) adding to the result in clause (1) an amount equal to the product of the formula allowance under section 126C.10, subdivision 2, less \$300 times the tribal contract compensation revenue pupil units;

(3) subtracting from the result in clause (2) the amount of money allotted to the school by the federal government through Indian School Equalization Program of the Bureau of Indian Affairs, according to Code of Federal Regulations, title 25, part 39, subparts A to E, for the basic program as defined by section 39.11, paragraph (b), for the base rate as applied to kindergarten through twelfth grade, excluding small school adjustments and additional weighting, but not money allotted through subparts F to L for contingency funds, school board training, student training, interim maintenance and minor repair, interim administration cost, prekindergarten, and operation and maintenance, and the amount of money that is received according to section 124D.69;

(4) dividing the result in clause (3) by the sum of the resident pupil units in average daily membership, excluding section 126C.05, subdivision 13, plus the tribal contract compensation revenue pupil units; and

(5) multiplying the sum of the resident pupil units, including section 126C.05, subdivision 13, in average daily membership plus the tribal contract compensation revenue pupil units by ~~the lesser of \$1,500 or~~ the result in clause (4).

EFFECTIVE DATE. This section is effective for revenue in fiscal year 2016 and later.

Sec. 12. Minnesota Statutes 2014, section 136A.162, is amended to read:

136A.162 CLASSIFICATION OF DATA.

(a) Except as provided in paragraphs (b) and (c), data on applicants for financial assistance collected and used by the office for student financial aid programs administered by that office, including the programs under sections 122A.80 and 122A.81, are private data on individuals as defined in section 13.02, subdivision 12.

(b) Data on applicants may be disclosed to the commissioner of human services to the extent necessary to determine eligibility under section 136A.121, subdivision 2, clause (5).

(c) The following data collected in the Minnesota supplemental loan program under section 136A.1701 may be disclosed to a consumer credit reporting agency only if the borrower and the cosigner give informed consent, according to section 13.05, subdivision 4, at the time of application for a loan:

- (1) the lender-assigned borrower identification number;
- (2) the name and address of borrower;
- (3) the name and address of cosigner;

- (4) the date the account is opened;
- (5) the outstanding account balance;
- (6) the dollar amount past due;
- (7) the number of payments past due;
- (8) the number of late payments in previous 12 months;
- (9) the type of account;
- (10) the responsibility for the account; and
- (11) the status or remarks code.

Sec. 13. Minnesota Statutes 2014, section 256J.21, subdivision 2, is amended to read:

Subd. 2. **Income exclusions.** The following must be excluded in determining a family's available income:

(1) payments for basic care, difficulty of care, and clothing allowances received for providing family foster care to children or adults under Minnesota Rules, parts 9555.5050 to 9555.6265, 9560.0521, and 9560.0650 to 9560.0655, payments for family foster care for children under section 260C.4411 or chapter 256N, and payments received and used for care and maintenance of a third-party beneficiary who is not a household member;

(2) reimbursements for employment training received through the Workforce Investment Act of 1998, United States Code, title 20, chapter 73, section 9201;

(3) reimbursement for out-of-pocket expenses incurred while performing volunteer services, jury duty, employment, or informal carpooling arrangements directly related to employment;

(4) all educational assistance, including loan forgiveness, except the county agency must count graduate student teaching assistantships, fellowships, and other similar paid work as earned income and, after allowing deductions for any unmet and necessary educational expenses, shall count scholarships or grants awarded to graduate students that do not require teaching or research as unearned income;

(5) loans, regardless of purpose, from public or private lending institutions, governmental lending institutions, or governmental agencies;

(6) loans from private individuals, regardless of purpose, provided an applicant or participant documents that the lender expects repayment;

(7)(i) state income tax refunds; and

(ii) federal income tax refunds;

(8)(i) federal earned income credits;

(ii) Minnesota working family credits;

(iii) state homeowners and renters credits under chapter 290A; and

(iv) federal or state tax rebates;

(9) funds received for reimbursement, replacement, or rebate of personal or real property when these payments are made by public agencies, awarded by a court, solicited through public appeal, or made as a grant by a federal agency, state or local government, or disaster assistance organizations, subsequent to a presidential declaration of disaster;

(10) the portion of an insurance settlement that is used to pay medical, funeral, and burial expenses, or to repair or replace insured property;

(11) reimbursements for medical expenses that cannot be paid by medical assistance;

(12) payments by a vocational rehabilitation program administered by the state under chapter 268A, except those payments that are for current living expenses;

(13) in-kind income, including any payments directly made by a third party to a provider of goods and services;

(14) assistance payments to correct underpayments, but only for the month in which the payment is received;

(15) payments for short-term emergency needs under section 256J.626, subdivision 2;

(16) funeral and cemetery payments as provided by section 256.935;

(17) nonrecurring cash gifts of \$30 or less, not exceeding \$30 per participant in a calendar month;

(18) any form of energy assistance payment made through Public Law 97-35, Low-Income Home Energy Assistance Act of 1981, payments made directly to energy providers by other public and private agencies, and any form of credit or rebate payment issued by energy providers;

(19) Supplemental Security Income (SSI), including retroactive SSI payments and other income of an SSI recipient, except as described in section 256J.37, subdivision 3b;

(20) Minnesota supplemental aid, including retroactive payments;

(21) proceeds from the sale of real or personal property;

(22) adoption or kinship assistance payments under chapter 256N or 259A;

(23) state-funded family subsidy program payments made under section 252.32 to help families care for children with developmental disabilities, consumer support grant funds under section 256.476, and resources and services for a disabled household member under one of the home and community-based waiver services programs under chapter 256B;

(24) interest payments and dividends from property that is not excluded from and that does not exceed the asset limit;

(25) rent rebates;

(26) income earned by a minor caregiver, minor child through age 6, or a minor child who is at least a half-time student in an approved elementary or secondary education program;

(27) income earned by a caregiver under age 20 who is at least a half-time student in an approved elementary or secondary education program;

- (28) MFIP child care payments under section 119B.05;
- (29) all other payments made through MFIP to support a caregiver's pursuit of greater economic stability;
- (30) income a participant receives related to shared living expenses;
- (31) reverse mortgages;
- (32) benefits provided by the Child Nutrition Act of 1966, United States Code, title 42, chapter 13A, sections 1771 to 1790;
- (33) benefits provided by the women, infants, and children (WIC) nutrition program, United States Code, title 42, chapter 13A, section 1786;
- (34) benefits from the National School Lunch Act, United States Code, title 42, chapter 13, sections 1751 to 1769e;
- (35) relocation assistance for displaced persons under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, United States Code, title 42, chapter 61, subchapter II, section 4636, or the National Housing Act, United States Code, title 12, chapter 13, sections 1701 to 1750jj;
- (36) benefits from the Trade Act of 1974, United States Code, title 19, chapter 12, part 2, sections 2271 to 2322;
- (37) war reparations payments to Japanese Americans and Aleuts under United States Code, title 50, sections 1989 to 1989d;
- (38) payments to veterans or their dependents as a result of legal settlements regarding Agent Orange or other chemical exposure under Public Law 101-239, section 10405, paragraph (a)(2)(E);
- (39) income that is otherwise specifically excluded from MFIP consideration in federal law, state law, or federal regulation;
- (40) security and utility deposit refunds;
- (41) American Indian tribal land settlements excluded under Public Laws 98-123, 98-124, and 99-377 to the Mississippi Band Chippewa Indians of White Earth, Leech Lake, and Mille Lacs reservations and payments to members of the White Earth Band, under United States Code, title 25, chapter 9, section 331, and chapter 16, section 1407;
- (42) all income of the minor parent's parents and stepparents when determining the grant for the minor parent in households that include a minor parent living with parents or stepparents on MFIP with other children;
- (43) income of the minor parent's parents and stepparents equal to 200 percent of the federal poverty guideline for a family size not including the minor parent and the minor parent's child in households that include a minor parent living with parents or stepparents not on MFIP when determining the grant for the minor parent. The remainder of income is deemed as specified in section 256J.37, subdivision 1b;
- (44) payments made to children eligible for relative custody assistance under section 257.85;
- (45) vendor payments for goods and services made on behalf of a client unless the client has the option of receiving the payment in cash;
- (46) the principal portion of a contract for deed payment;

(47) cash payments to individuals enrolled for full-time service as a volunteer under AmeriCorps programs including AmeriCorps VISTA, AmeriCorps State, AmeriCorps National, and AmeriCorps NCCC; and

(48) housing assistance grants under section 256J.35, paragraph (a).

Sec. 14. Minnesota Statutes 2014, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) net interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) if included in federal taxable income, the amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. No deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle to provide such transportation for a qualifying child. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

(5) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code, under the provisions of Public Law 109-1 and Public Law 111-126;

(7) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

(8) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (12), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (12), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

(9) job opportunity building zone income as provided under section 469.316;

(10) to the extent included in federal taxable income, the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service, including compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); or (ii) federally funded state active service as defined in section 190.05, subdivision 5b, and "active service" includes service performed in accordance with section 190.08, subdivision 3;

(11) to the extent included in federal taxable income, the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed under United States Code, title 10; or the authority of the United Nations;

(12) an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

(13) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (13), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (13), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(14) to the extent included in the federal taxable income of a nonresident of Minnesota, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

(15) to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved Americorps National Service program;

(16) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under subdivision 19a, clause (13);

(17) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c);

(18) the amount of expenses not allowed for federal income tax purposes due to claiming the railroad track maintenance credit under section 45G(a) of the Internal Revenue Code;

(19) the amount of the limitation on itemized deductions under section 68(b) of the Internal Revenue Code;

(20) the amount of the phaseout of personal exemptions under section 151(d) of the Internal Revenue Code; ~~and~~

(21) to the extent included in federal taxable income, the amount of qualified transportation fringe benefits described in section 132(f)(1)(A) and (B) of the Internal Revenue Code. The subtraction is limited to the lesser of the amount of qualified transportation fringe benefits received in excess of the limitations under section 132(f)(2)(A) of the Internal Revenue Code for the year or the difference between the maximum qualified parking benefits excludable under section 132(f)(2)(B) of the Internal Revenue Code minus the amount of transit benefits excludable under section 132(f)(2)(A) of the Internal Revenue Code;

(22) to the extent included in federal taxable income, the amount of any loan forgiveness under section 122A.80 for the TeachMN program; and

(23) to the extent included in federal taxable income, the amount of any financial assistance paid under section 122A.81 for the stepping up for kids program.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 15. **APPROPRIATIONS.**

Subdivision 1. **Department.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **Charter school building lease aid.** For building lease aid under Minnesota Statutes, section 124D.11, subdivision 4:

<u>\$66,787,000</u>	.....	<u>2016</u>
<u>\$77,148,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$6,032,000 for 2015 and \$60,755,000 for 2016.

The 2017 appropriation includes \$6,750,000 for 2016 and \$70,398,000 for 2017.

Subd. 3. **Achievement and integration aid.** For integration aid under Minnesota Statutes, section 124D.862:

<u>\$65,539,000</u>	.....	<u>2016</u>
<u>\$71,464,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$6,382,000 for 2015 and \$59,157,000 for 2016.

The 2017 appropriation includes \$6,573,000 for 2016 and \$64,891,000 for 2017.

Subd. 4. Literacy incentive aid. For literacy incentive aid under Minnesota Statutes, section 124D.98:

<u>\$44,552,000</u>	<u>.....</u>	<u>2016</u>
<u>\$45,508,000</u>	<u>.....</u>	<u>2017</u>

The 2016 appropriation includes \$4,683,000 for 2015 and \$39,869,000 for 2016.

The 2017 appropriation includes \$4,429,000 for 2016 and \$41,079,000 for 2017.

Subd. 5. Interdistrict desegregation or integration transportation grants. For interdistrict desegregation or integration transportation grants under Minnesota Statutes, section 124D.87:

<u>\$15,023,000</u>	<u>.....</u>	<u>2016</u>
<u>\$15,825,000</u>	<u>.....</u>	<u>2017</u>

Subd. 6. Success for the future. For American Indian success for the future grants under Minnesota Statutes, section 124D.81:

<u>\$213,000</u>	<u>.....</u>	<u>2016</u>
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The 2016 appropriation includes \$213,000 for 2015 and \$0 for 2016.

Subd. 7. American Indian education aid. For American Indian education aid under Minnesota Statutes, section 124D.81, subdivision 2a:

<u>\$9,281,000</u>	<u>.....</u>	<u>2016</u>
<u>\$9,665,000</u>	<u>.....</u>	<u>2017</u>

Subd. 8. American Indian teacher preparation grants. For joint grants to assist American Indian people to become teachers under Minnesota Statutes, section 122A.63:

<u>\$280,000</u>	<u>.....</u>	<u>2016</u>
<u>\$280,000</u>	<u>.....</u>	<u>2017</u>

Subd. 9. Tribal contract schools. For tribal contract school aid under Minnesota Statutes, section 124D.83:

<u>\$4,457,000</u>	<u>.....</u>	<u>2016</u>
<u>\$5,201,000</u>	<u>.....</u>	<u>2017</u>

The 2016 appropriation includes \$204,000 for 2015 and \$4,253,000 for 2016.

The 2017 appropriation includes \$688,000 for 2016 and \$4,513,000 for 2017.

Subd. 10. Early childhood programs at tribal schools. For early childhood family education programs at tribal contract schools under Minnesota Statutes, section 124D.83, subdivision 4:

<u>\$68,000</u>	<u>.....</u>	<u>2016</u>
<u>\$68,000</u>	<u>.....</u>	<u>2017</u>

Subd. 11. **Statewide testing and reporting system.** For the statewide testing and reporting system under Minnesota Statutes, section 120B.30:

<u>\$21,001,000</u>	.....	<u>2016</u>
<u>\$21,001,000</u>	.....	<u>2017</u>

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

Subd. 12. **Examination fees; teacher training and support programs.** (a) For students' advanced placement and international baccalaureate examination fees under Minnesota Statutes, section 120B.13, subdivision 3, and the training and related costs for teachers and other interested educators under Minnesota Statutes, section 120B.13, subdivision 1:

<u>\$4,500,000</u>	.....	<u>2016</u>
<u>\$4,500,000</u>	.....	<u>2017</u>

(b) The advanced placement program shall receive 75 percent of the appropriation each year and the international baccalaureate program shall receive 25 percent of the appropriation each year. The department, in consultation with representatives of the advanced placement and international baccalaureate programs selected by the Advanced Placement Advisory Council and IBMN, respectively, shall determine the amounts of the expenditures each year for examination fees and training and support programs for each program.

(c) Notwithstanding Minnesota Statutes, section 120B.13, subdivision 1, at least \$500,000 each year is for teachers to attend subject matter summer training programs and follow-up support workshops approved by the advanced placement or international baccalaureate programs. The amount of the subsidy for each teacher attending an advanced placement or international baccalaureate summer training program or workshop shall be the same. The commissioner shall determine the payment process and the amount of the subsidy.

(d) The commissioner shall pay all examination fees for all students of low-income families under Minnesota Statutes, section 120B.13, subdivision 3, and to the extent of available appropriations shall also pay examination fees for students sitting for an advanced placement examination, international baccalaureate examination, or both.

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

Subd. 13. **Concurrent enrollment programs.** For concurrent enrollment programs under Minnesota Statutes, section 124D.091:

<u>\$5,000,000</u>	.....	<u>2016</u>
<u>\$8,000,000</u>	.....	<u>2017</u>

If the appropriation is insufficient, the commissioner must proportionately reduce the aid payment to each district.

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

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

<u>\$780,000</u>	.....	<u>2016</u>
<u>\$780,000</u>	.....	<u>2017</u>

\$195,000 each year is for the Southeast Asian teacher program at Concordia University, St. Paul; \$175,000 each year is for the collaborative urban educator program at the University of St. Thomas; \$195,000 each year is for the Center for Excellence in Urban Teaching at Hamline University; and \$195,000 each year is for the East Africa Student to Teacher program at Augsburg College.

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

Each institution shall prepare for the legislature, by January 15 of each year, a detailed report regarding the funds used. The report must include the number of teachers prepared as well as the diversity for each cohort of teachers produced.

Subd. 15. **ServeMinnesota program.** For funding ServeMinnesota programs under Minnesota Statutes, sections 124D.37 to 124D.45:

<u>\$900,000</u>	<u>.....</u>	<u>2016</u>
<u>\$900,000</u>	<u>.....</u>	<u>2017</u>

A grantee organization may provide health and child care coverage to the dependents of each participant enrolled in a full-time ServeMinnesota program to the extent such coverage is not otherwise available.

Subd. 16. **Student organizations.** For student organizations:

<u>\$725,000</u>	<u>.....</u>	<u>2016</u>
<u>\$725,000</u>	<u>.....</u>	<u>2017</u>

\$96,000 each year is for student organizations serving health occupations.

\$43,000 each year is for student organizations serving service occupations.

\$100,000 each year is for student organizations serving trade and industry occupations.

\$95,000 each year is for student organizations serving business occupations.

\$150,000 each year is for student organizations serving agriculture occupations.

\$142,000 each year is for student organizations serving family and consumer science occupations.

\$109,000 each year is for student organizations serving marketing occupations.

\$40,000 each year is for the Minnesota Foundation for Student Organizations.

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

Subd. 17. **Early childhood literacy programs.** For early childhood literacy programs under Minnesota Statutes, section 119A.50, subdivision 3:

<u>\$9,375,000</u>	<u>.....</u>	<u>2016</u>
<u>\$9,375,000</u>	<u>.....</u>	<u>2017</u>

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

Subd. 18. **Minnesota math corps program.** For the Minnesota math corps program under Minnesota Statutes, section 124D.42, subdivision 9:

<u>\$250,000</u>	<u>.....</u>	<u>2016</u>
<u>\$250,000</u>	<u>.....</u>	<u>2017</u>

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

Subd. 19. **Alternative compensation.** For alternative teacher compensation aid under Minnesota Statutes, section 122A.415, subdivision 4:

<u>\$78,331,000</u>	<u>.....</u>	<u>2016</u>
<u>\$77,647,000</u>	<u>.....</u>	<u>2017</u>

The 2016 appropriation includes \$7,766,000 for 2015 and \$70,565,000 for 2016.

The 2017 appropriation includes \$7,840,000 for 2016 and \$69,807,000 for 2017.

Subd. 20. **Starbase MN.** For a grant to Starbase MN for rigorous science, technology, engineering, and math (STEM) program providing students in grades 4 to 6 with a multisensory learning experience and a hands-on curriculum in an aerospace environment using state-of-the-art technology:

<u>\$500,000</u>	<u>.....</u>	<u>2016</u>
<u>\$500,000</u>	<u>.....</u>	<u>2017</u>

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

Subd. 21. **Civic education grants.** For grants to the Minnesota Civic Education Coalition: Kids Voting St. Paul, Learning Law and Democracy Foundation, and YMCA Youth in Government to provide civic education programs for Minnesota youth age 18 and younger. Civic education is the study of constitutional principles and the democratic foundation of our national, state, and local institutions and the study of political processes and structures of government, grounded in the understanding of constitutional government under the rule of law:

<u>\$125,000</u>	<u>.....</u>	<u>2016</u>
<u>\$125,000</u>	<u>.....</u>	<u>2017</u>

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

Subd. 22. **Teacher development and evaluation.** For teacher development and evaluation revenue under Laws 2014, chapter 312, article 16, section 16, subdivision 7:

<u>\$10,000,000</u>	<u>.....</u>	<u>2016</u>
<u>\$10,000,000</u>	<u>.....</u>	<u>2017</u>

The 2016 appropriation includes \$1,000,000 for 2015 and \$9,000,000 for 2016.

The 2017 appropriation includes \$1,000,000 for 2016 and \$9,000,000 for 2017.

Subd. 23. **Recovery program grants.** For recovery program grants under Minnesota Statutes, section 124D.695:

<u>\$500,000</u>	.....	<u>2016</u>
<u>\$500,000</u>	.....	<u>2017</u>

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

Subd. 24. **TeachMN.** For the TeachMN account under Minnesota Statutes, section 122A.80, subdivision 2:

<u>\$10,000,000</u>	.....	<u>2016</u>
<u>\$10,000,000</u>	.....	<u>2017</u>

Up to six percent of the amount each year may be used for administrative costs of the Department of Education and the Office of Higher Education for administering the TeachMN loan program.

\$9,827,000 in fiscal year 2016 and \$9,867,000 in fiscal year 2017 are for a transfer to the Office of Higher Education for loan disbursement and administrative costs.

Unused funds appropriated to the Department of Education and transferred to the Office of Higher Education in a given fiscal year are carried over for the TeachMN loan program and program and administrative costs in future years.

Subd. 25. **Stepping up for kids.** For a transfer to the Office of Higher Education for the stepping up for kids financial assistance account under Minnesota Statutes, section 122A.81, subdivision 2:

<u>\$2,000,000</u>	.....	<u>2016</u>
<u>\$2,000,000</u>	.....	<u>2017</u>

Up to six percent of the amount each year may be used for administrative costs of the Office of Higher Education to administer the stepping up for kids financial assistance program.

Unused funds appropriated to the Department of Education and transferred to the Office of Higher Education in a given fiscal year are carried over for stepping up for kids financial assistance and program and administrative costs in future years.

Subd. 26. **STEM grants.** For school districts to provide STEM-based courses:

<u>\$1,000,000</u>	.....	<u>2016</u>
<u>\$1,000,000</u>	.....	<u>2017</u>

The commissioner must determine the form and manner of application and award criteria. Grant awards are limited to \$50,000 per course. Any balance in the first year does not cancel but is available in the second year of the biennium.

This is a onetime appropriation.

Subd. 27. **Teacher-powered school grants.** For grants to teacher-powered schools under Minnesota Statutes, section 123B.045, subdivision 7:

<u>\$1,000,000</u>	.....	<u>2016</u>
<u>\$1,000,000</u>	.....	<u>2017</u>

The base appropriation in fiscal year 2018 is \$0. Any balance in the first year does not cancel but is available in the second year.

Subd. 28. **Full-service community schools.** For full-service community schools under Minnesota Statutes, section 124D.231:

<u>\$2,000,000</u>	<u>.....</u>	<u>2016</u>
<u>\$2,000,000</u>	<u>.....</u>	<u>2017</u>

This is a onetime appropriation. Any balance in the first year does not cancel but is available in the second year.

Subd. 29. **Northwestern Online College in the High School program.** For the Northwestern Online College in the High School program:

<u>\$50,000</u>	<u>.....</u>	<u>2016</u>
<u>\$50,000</u>	<u>.....</u>	<u>2017</u>

This is a onetime appropriation. Any balance from the first year may carry forward into the second year.

Subd. 30. **School counselors.** For school counseling aid:

<u>\$8,000,000</u>	<u>.....</u>	<u>2017</u>
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Beginning fiscal year 2017, a school district is eligible for school counseling aid equal to \$8,000,000 times the ratio of its number of full-time equivalent licensed school counselors employed or under contract to the school district to the number of full-time equivalent licensed school counselors employed or under contract by school districts in the state.

Sec. 16. **REPEALER.**

Minnesota Statutes 2014, section 122A.63, subdivisions 3, 7, and 8, are repealed for fiscal year 2016 and later.

ARTICLE 3 SPECIAL EDUCATION

Section 1. Minnesota Statutes 2014, section 125A.0942, subdivision 3, is amended to read:

Subd. 3. **Physical holding or seclusion.** (a) Physical holding or seclusion may be used only in an emergency. A school that uses physical holding or seclusion shall meet the following requirements:

- (1) physical holding or seclusion is the least intrusive intervention that effectively responds to the emergency;
- (2) physical holding or seclusion is not used to discipline a noncompliant child;
- (3) physical holding or seclusion ends when the threat of harm ends and the staff determines the child can safely return to the classroom or activity;
- (4) staff directly observes the child while physical holding or seclusion is being used;
- (5) each time physical holding or seclusion is used, the staff person who implements or oversees the physical holding or seclusion documents, as soon as possible after the incident concludes, the following information:
 - (i) a description of the incident that led to the physical holding or seclusion;

- (ii) why a less restrictive measure failed or was determined by staff to be inappropriate or impractical;
 - (iii) the time the physical holding or seclusion began and the time the child was released; and
 - (iv) a brief record of the child's behavioral and physical status;
- (6) the room used for seclusion must:
- (i) be at least six feet by five feet;
 - (ii) be well lit, well ventilated, adequately heated, and clean;
 - (iii) have a window that allows staff to directly observe a child in seclusion;
 - (iv) have tamperproof fixtures, electrical switches located immediately outside the door, and secure ceilings;
 - (v) have doors that open out and are unlocked, locked with keyless locks that have immediate release mechanisms, or locked with locks that have immediate release mechanisms connected with a fire and emergency system; and
 - (vi) not contain objects that a child may use to injure the child or others;
- (7) before using a room for seclusion, a school must:
- (i) receive written notice from local authorities that the room and the locking mechanisms comply with applicable building, fire, and safety codes; and
 - (ii) register the room with the commissioner, who may view that room; and
- (8) until August 1, 2015, a school district may use prone restraints with children age five or older if:
- (i) the district has provided to the department a list of staff who have had specific training on the use of prone restraints;
 - (ii) the district provides information on the type of training that was provided and by whom;
 - (iii) only staff who received specific training use prone restraints;
 - (iv) each incident of the use of prone restraints is reported to the department within five working days on a form provided by the department; and
 - (v) the district, before using prone restraints, must review any known medical or psychological limitations that contraindicate the use of prone restraints.

The department must collect data on districts' use of prone restraints and publish the data in a readily accessible format on the department's Web site on a quarterly basis.

(b) By February 1, 2015, and annually thereafter, stakeholders ~~must~~ may, as necessary, recommend to the commissioner specific and measurable implementation and outcome goals for reducing the use of restrictive procedures and the commissioner must submit to the legislature a report on districts' progress in reducing the use of restrictive procedures that recommends how to further reduce these procedures and eliminate the use of prone

restraints. The statewide plan includes the following components: measurable goals; the resources, training, technical assistance, mental health services, and collaborative efforts needed to significantly reduce districts' use of prone restraints; and recommendations to clarify and improve the law governing districts' use of restrictive procedures. The commissioner must consult with interested stakeholders when preparing the report, including representatives of advocacy organizations, special education directors, teachers, paraprofessionals, intermediate school districts, school boards, day treatment providers, county social services, state human services department staff, mental health professionals, and autism experts. By June 30 each year, districts must report summary data on their use of restrictive procedures to the department, in a form and manner determined by the commissioner. The summary data must include information about the use of restrictive procedures, including use of reasonable force under section 121A.582.

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

Sec. 2. Minnesota Statutes 2014, section 125A.76, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For the purposes of this section and section 125A.79, the definitions in this subdivision apply.

(b) "Basic revenue" has the meaning given it in section 126C.10, subdivision 2. For the purposes of computing basic revenue pursuant to this section, each child with a disability shall be counted as prescribed in section 126C.05, subdivision 1.

(c) "Essential personnel" means teachers, cultural liaisons, related services, and support services staff providing services to students. Essential personnel may also include special education paraprofessionals or clericals providing support to teachers and students by preparing paperwork and making arrangements related to special education compliance requirements, including parent meetings and individualized education programs. Essential personnel does not include administrators and supervisors.

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

(e) "Program growth factor" means 1.046 for fiscal years 2012 through 2015, 1.0 for fiscal year 2016, 1.046 for fiscal year 2017, and the product of 1.046 and the program growth factor for the previous year for fiscal year 2018 and later.

(f) "Nonfederal special education expenditure" means all direct expenditures that are necessary and essential to meet the district's obligation to provide special instruction and services to children with a disability according to sections 124D.454, 125A.03 to 125A.24, 125A.259 to 125A.48, and 125A.65 as submitted by the district and approved by the department under section 125A.75, subdivision 4, excluding expenditures:

- (1) reimbursed with federal funds;
- (2) reimbursed with other state aids under this chapter;
- (3) for general education costs of serving students with a disability;
- (4) for facilities;
- (5) for pupil transportation; and
- (6) for postemployment benefits.

(g) "Old formula special education expenditures" means expenditures eligible for revenue under Minnesota Statutes 2012, section 125A.76, subdivision 2.

(h) For the Minnesota State Academy for the Deaf and the Minnesota State Academy for the Blind, expenditures under paragraphs (f) and (g) are limited to the salary and fringe benefits of one-to-one instructional and behavior management aides and one-to-one licensed, certified professionals assigned to a child attending the academy, if the aides or professionals are required by the child's individualized education program.

(i) "Cross subsidy reduction aid percentage" means 1.0 percent for fiscal year 2014 and 2.27 percent for fiscal year 2015.

(j) "Cross subsidy reduction aid limit" means \$20 for fiscal year 2014 and \$48 for fiscal year 2015.

(k) "Special education aid increase limit" means \$80 for fiscal year 2016, ~~\$100~~ \$160 for fiscal year 2017, \$204 for fiscal year 2018 and, for fiscal year ~~2018~~ 2019 and later, the sum of the special education aid increase limit for the previous fiscal year and ~~\$40~~ \$44.

Sec. 3. Minnesota Statutes 2014, section 125A.76, subdivision 2a, is amended to read:

Subd. 2a. **Special education initial aid.** ~~For fiscal year 2016 and later,~~ A district's special education initial aid equals the sum of:

(1) the least of 62 percent for fiscal year 2016 or 70 percent for fiscal year 2017 and later of the district's old formula special education expenditures for the prior fiscal year, excluding pupil transportation expenditures, 50 percent for fiscal year 2016 or 54 percent for fiscal year 2017 and later of the district's nonfederal special education expenditures for the prior year, excluding pupil transportation expenditures, or 56 percent for fiscal year 2016 or 60 percent for fiscal year 2017 and later of the product of the sum of the following amounts, computed using prior fiscal year data, and the program growth factor:

(i) the product of the district's average daily membership served and the sum of:

(A) \$450; plus

(B) \$400 times the ratio of the sum of the number of pupils enrolled on October 1 who are eligible to receive free lunch plus one-half of the pupils enrolled on October 1 who are eligible to receive reduced-price lunch to the total October 1 enrollment; plus

(C) .008 times the district's average daily membership served; plus

(ii) \$10,400 times the December 1 child count for the primary disability areas of autism spectrum disorders, developmental delay, and severely multiply impaired; plus

(iii) \$18,000 times the December 1 child count for the primary disability areas of deaf and hard-of-hearing and emotional or behavioral disorders; plus

(iv) \$27,000 times the December 1 child count for the primary disability areas of developmentally cognitive mild-moderate, developmentally cognitive severe-profound, physically impaired, visually impaired, and deafblind; plus

(2) the cost of providing transportation services for children with disabilities under section 123B.92, subdivision 1, paragraph (b), clause (4).

Sec. 4. Minnesota Statutes 2014, section 125A.79, subdivision 1, is amended to read:

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

(a) "Unreimbursed old formula special education expenditures" means:

(1) old formula special education expenditures for the prior fiscal year; minus

(2) for fiscal years 2014 and 2015, the sum of the special education aid under section 125A.76, subdivision 5, for the prior fiscal year and the cross subsidy reduction aid under section 125A.76, subdivision 2b, and for fiscal year 2016 and later, the special education initial aid under section 125A.76, subdivision 2a; minus

(3) for fiscal year 2016 and later, the amount of general education revenue, excluding local optional revenue, plus local optional aid and referendum equalization aid for the prior fiscal year attributable to pupils receiving special instruction and services outside the regular classroom for more than 60 percent of the school day for the portion of time the pupils receive special instruction and services outside the regular classroom, excluding portions attributable to district and school administration, district support services, operations and maintenance, capital expenditures, and pupil transportation.

(b) "Unreimbursed nonfederal special education expenditures" means:

(1) nonfederal special education expenditures for the prior fiscal year; minus

(2) special education initial aid under section 125A.76, subdivision 2a; minus

(3) the amount of general education revenue and referendum equalization aid for the prior fiscal year attributable to pupils receiving special instruction and services outside the regular classroom for more than 60 percent of the school day for the portion of time the pupils receive special instruction and services outside of the regular classroom, excluding portions attributable to district and school administration, district support services, operations and maintenance, capital expenditures, and pupil transportation.

(c) "General revenue" for a school district means the sum of the general education revenue according to section 126C.10, subdivision 1, excluding transportation sparsity revenue, local optional revenue, and total operating capital revenue. "General revenue" for a charter school means the sum of the general education revenue according to section 124D.11, subdivision 1, and transportation revenue according to section 124D.11, subdivision 2, excluding referendum equalization aid, transportation sparsity revenue, and operating capital revenue.

Sec. 5. Minnesota Statutes 2014, section 125A.79, subdivision 5, is amended to read:

Subd. 5. **Excess cost aid.** (a) For fiscal year 2016 ~~and later~~, a district's excess cost aid equals the greater of:

(1) 56 percent of the difference between (i) the district's unreimbursed nonfederal special education expenditures and (ii) 7.0 percent of the district's general revenue;

(2) 62 percent of the difference between (i) the district's unreimbursed old formula special education expenditures and (ii) 2.5 percent of the district's general revenue; or

(3) zero.

(b) For fiscal year 2017 and later, a district's excess cost aid equals the greater of:

(1) 60 percent of the difference between (i) the district's unreimbursed nonfederal special education expenditures and (ii) 7.0 percent of the district's general revenue for fiscal year 2017 or 6.8 percent for fiscal year 2018 and later;

(2) 70 percent for fiscal year 2017, 71 percent for fiscal year 2018, and 72 percent for fiscal year 2019 and later of the difference between (i) the district's unreimbursed old formula special education expenditures and (ii) 2.23 percent for fiscal year 2017 and two percent for fiscal year 2018 and later of the district's general revenue; or

(3) zero.

Sec. 6. **APPROPRIATIONS.**

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **Special education; regular.** For special education aid under Minnesota Statutes, section 125A.75:

<u>\$1,170,508,000</u>	<u>.....</u>	<u>2016</u>
<u>\$1,269,172,000</u>	<u>.....</u>	<u>2017</u>

The 2016 appropriation includes \$137,932,000 for 2015 and \$1,032,576,000 for 2016.

The 2017 appropriation includes \$145,356,000 for 2016 and \$1,123,816,000 for 2017.

Subd. 3. **Aid for children with disabilities.** For aid under Minnesota Statutes, section 125A.75, subdivision 3, for children with disabilities placed in residential facilities within the district boundaries for whom no district of residence can be determined:

<u>\$1,406,000</u>	<u>.....</u>	<u>2016</u>
<u>\$1,629,000</u>	<u>.....</u>	<u>2017</u>

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

Subd. 4. **Travel for home-based services.** For aid for teacher travel for home-based services under Minnesota Statutes, section 125A.75, subdivision 1:

<u>\$361,000</u>	<u>.....</u>	<u>2016</u>
<u>\$371,000</u>	<u>.....</u>	<u>2017</u>

The 2016 appropriation includes \$35,000 for 2015 and \$326,000 for 2016.

The 2017 appropriation includes \$36,000 for 2016 and \$335,000 for 2017.

Subd. 5. **Court-placed special education revenue.** For reimbursing serving school districts for unreimbursed eligible expenditures attributable to children placed in the serving school district by court action under Minnesota Statutes, section 125A.79, subdivision 4:

<u>\$56,000</u>	<u>.....</u>	<u>2016</u>
<u>\$57,000</u>	<u>.....</u>	<u>2017</u>

Subd. 6. **Special education out-of-state tuition.** For special education out-of-state tuition according to Minnesota Statutes, section 125A.79, subdivision 8:

<u>\$250,000</u>	.....	<u>2016</u>
<u>\$250,000</u>	.....	<u>2017</u>

Subd. 7. **Positive Behavioral Interventions and Supports (PBIS).** For implementation of schoolwide Positive Behavioral Interventions and Supports (PBIS) in schools and districts throughout Minnesota:

<u>\$2,300,000</u>	.....	<u>2016</u>
<u>\$2,300,000</u>	.....	<u>2017</u>

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

Subd. 8. **Training and technical assistance to reduce district use of seclusion and restraint.** (a) For providing school districts with training and technical assistance to reduce district use of seclusion and restraint on students with complex needs:

<u>\$750,000</u>	<u>2016</u>
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(b) Of this appropriation, \$500,000 is available to the commissioner to reimburse school districts for the cost of hiring experts to provide staff training in reducing district use of seclusion and restraint on students with complex needs.

(c) Of this appropriation, \$250,000 is available to the commissioner for the costs of providing specialized training and assistance to school districts with a high use of seclusion and restraint on students with complex needs.

(d) The commissioner may contract with experts from intermediate school district teams or level four programs to provide the specialized training and technical assistance.

(e) Any funds unexpended in fiscal year 2016 do not cancel but carry forward into the next fiscal year.

ARTICLE 4 FACILITIES AND TECHNOLOGY

Section 1. Minnesota Statutes 2014, section 123A.482, is amended to read:

123A.482 JOINT POWERS COOPERATIVE FACILITY PROGRAM.

Subdivision 1. **Schools may be jointly operated.** Two or more member school districts of Education Innovation Partners Cooperative Center No. 6091 may agree to jointly operate a secondary facility, or otherwise agree to a qualifying cooperative program under subdivision 1a. The districts may choose to operate the facility according to a joint powers agreement under section 123A.78 or 471.59.

Subd. 1a. **Qualifying cooperative program.** A "qualifying cooperative program" means a program operated through a joint powers agreement that utilizes technology and other options to increase the availability and number of curriculum offerings for students.

Subd. 2. **Expanded program offerings.** A qualifying cooperative program under subdivision 1a, or a jointly operated secondary program seeking funding under section 123A.485 must demonstrate to the commissioner's satisfaction that the jointly operated program provides enhanced learning opportunities and broader curriculum offerings to the students attending that program. The commissioner must approve or disapprove a cooperative secondary program or qualifying cooperative program within 60 days of receipt of an application.

Subd. 3. **Transfer of employees.** If an employee is transferred between two employer members of the joint powers agreement under this section, the employee's length of service under section 122A.40, subdivision 5, remains uninterrupted. The employee shall receive credit on the receiving district's salary schedule for the employee's educational attainment and years of continuous service in the sending district, or shall receive a comparable salary, whichever is greater. The employee shall receive credit for accrued sick leave and rights to severance benefits as if the employee had been employed by the receiving district during the employee's years of employment in the sending district.

~~Subd. 4. **Revenue.** An approved program that is jointly operated under this section is eligible for aid under section 123A.485 and qualifies for a facilities grant under sections 123A.44 to 123A.446.~~

Subd. 5. **Duty to maintain elementary and secondary schools met.** A school district operating a qualifying cooperative program or a joint facility under this section meets the requirements of section 123A.64.

Subd. 6. **Estimated market value limit exclusion.** Bonds for a cooperative facility operated under this section or a qualifying cooperative program approved under this section issued by a member school district are not subject to the net debt limit under section 475.53, subdivision 4.

Subd. 7. **Allocation of levy authority for joint facility.** For purposes of determining each member district's school levy, a qualifying cooperative program or a jointly operated secondary program may allocate program costs to each member district according to the joint powers agreement and each member district may include those costs in its tax levy. The joint powers agreement may choose to allocate costs on any basis adopted as part of the joint powers agreement.

Subd. 8. **Effect of consolidation.** The joint powers agreement may allow member school districts that choose to consolidate to continue to certify levies separately based on each component district's characteristics.

Subd. 9. **Bonds.** A joint powers district formed under this section may issue bonds according to section 123A.78 or its member districts may issue bonds individually after complying with this subdivision. The joint powers board must submit the project for review and comment under section 123B.71. The joint powers board must hold a hearing on the proposal. If the bonds are not issued under section 123A.78, each member district of the joint powers district must submit the question of authorizing borrowing of funds for the project to the voters of the district at a special election. The question submitted shall state the total amount of funding needed from that district. The member district may issue the bonds according to chapter 475 and certify the levy required by section 475.61 only if a majority of those voting on the question in that district vote in the affirmative and only after the board has adopted a resolution pledging the full faith and credit of that unit. The resolution must irrevocably commit that unit to pay an agreed-upon share of any debt levy shortages that, together with other funds available, would allow the member school board to pay the principal and interest on the obligations. The clerk of the joint powers board must certify the vote of any bond elections to the commissioner. Bonds issued under this section first qualify for debt service equalization aid in fiscal year ~~2018~~ 2020.

Subd. 10. **Election.** A district entering into a joint powers agreement under this section may conduct a referendum seeking approval for a new facility. This election may be held separately or at the same time as a bond election under subdivision 9. If the election is held at the same time, the questions may be asked separately or as a conjunctive question. The question must be approved by a majority of those voting on the question. If asked separately and the question fails, a district may not proceed with the sale of bonds according to subdivision 9.

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

Sec. 2. Minnesota Statutes 2014, section 123B.57, is amended to read:

123B.57 CAPITAL EXPENDITURE; HEALTH AND SAFETY.

~~Subdivision 1. **Health and safety revenue application.** (a) To receive health and safety revenue for any fiscal year a district must submit to the commissioner a capital expenditure health and safety revenue application by the date determined by the commissioner. The application must include a health and safety budget adopted and confirmed by the school district board as being consistent with the district's health and safety policy under subdivision 2. The budget must include the estimated cost 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. **Health and safety policy.** To qualify for health and safety revenue, a school board must adopt a health and safety policy. The policy must include provisions for implementing a health and safety program that complies with health, safety, and environmental regulations and best practices including indoor air quality management.~~

~~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 pupil units in the district for the school year to which the levy is attributable, to \$3,165.~~

~~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 capital projects.~~ (a) Health and safety ~~revenue may be used only for approved capital projects may include~~ expenditures necessary for the correction of fire and life safety hazards; design, purchase, installation, maintenance, and inspection of fire protection and alarm equipment; purchase or construction of appropriate facilities for the storage of combustible and flammable materials; inventories and facility modifications not related to a remodeling project to comply with lab safety requirements under section 121A.31; inspection, testing, repair, removal or encapsulation, and disposal of asbestos-containing building materials; cleanup and disposal of polychlorinated biphenyls; cleanup and disposal of hazardous and infectious wastes; cleanup, removal, disposal, and repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296A.01; correction of occupational safety and health administration regulated hazards; indoor air quality inspections, investigations, and testing; mold abatement; upgrades or replacement of mechanical ventilation systems to meet American Society of Heating, Refrigerating and Air Conditioning Engineers standards and State Mechanical Code; design, materials, and installation of local exhaust ventilation systems, including required make-up air for controlling regulated hazardous substances; correction of Department of Health Food Code violations; correction of swimming pool hazards excluding depth correction; playground safety inspections, repair of unsafe outdoor playground equipment, and the installation of impact surfacing materials; bleacher repair or rebuilding to comply with the order of a building code inspector under section 326B.112; testing and mitigation of elevated radon hazards; lead testing; copper in water testing; cleanup after major weather-related disasters or flooding; reduction of excessive organic and inorganic levels in wells and capping of abandoned wells; installation and testing of boiler backflow valves to prevent contamination of potable water; vaccinations, titers, and preventative supplies for bloodborne pathogen compliance; costs to comply with the Janet B. Johnson Parents' Right to Know Act; automated external defibrillators and other emergency plan equipment and supplies specific to the district's emergency action plan; compliance with the National Emission Standards for Hazardous Air Pollutants for school generators established by the United States Environmental Protection Agency; and health, safety, and environmental management costs associated with implementing the district's health and safety program including costs to establish and operate safety committees, in school buildings or property owned or being acquired by the district. Testing and calibration activities are permitted for existing mechanical ventilation systems at intervals no less than every five years.

(b) For fiscal years 2014 through 2017, a school district must not include expenses related to emission compliance projects for school generators in its health and safety ~~revenue capital projects~~ unless it reduces its approved spending on other qualified health and safety projects by the same amount.

~~Subd. 6a. Restrictions on health and safety revenue.~~ Notwithstanding subdivision 6, health and safety revenue must not be used:

~~(1) to finance a lease purchase agreement, installment purchase agreement, or other deferred payments agreement;~~

~~(2) for the construction of new facilities, remodeling of existing facilities, or the purchase of portable classrooms;~~

~~(3) for interest or other financing expenses;~~

~~(4) 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;~~

~~(5) 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 public announcement systems and emergency communication devices; or~~

~~(6) 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 may request supporting information and 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 the 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.~~

~~(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 commissioner shall not mandate management assistance or exclude private contractors from the opportunity to provide any health and safety services to school districts.~~

EFFECTIVE DATE. This section is effective for revenue in fiscal year 2017 and later.

Sec. 3. **[123B.595] LONG-TERM FACILITIES MAINTENANCE REVENUE.**

Subdivision 1. Long-term facilities maintenance revenue. For fiscal year 2017 and later, long-term facilities maintenance revenue equals the greater of (1) \$200 times the district's adjusted pupil units times the lesser of one or the ratio of the district's average building age to 35 years, plus the cost approved by the commissioner for indoor air quality, fire alarm and suppression, and asbestos abatement projects under section 123B.57, subdivision 6, with an estimated cost of \$100,000 or more per site or (2) the sum of the amount the district would have qualified for under Minnesota Statutes 2014, section 123B.57, Minnesota Statutes 2014, section 123B.59, and Minnesota Statutes 2014, section 123B.591.

Subd. 2. Long-term facilities maintenance revenue for a charter school. For fiscal year 2017 and later, long-term facilities maintenance revenue for a charter school equals \$38 times the adjusted pupil units.

Subd. 3. Intermediate districts and other cooperative units. Upon approval through the adoption of a resolution by each member district school board of an intermediate district or other cooperative units under section 123A.24, subdivision 2, and the approval of the commissioner of education, a school district may include in its authority under this section a proportionate share of the long-term maintenance costs of the intermediate district or cooperative unit. The cooperative unit may issue bonds to finance the project costs or levy for the costs, using long-term maintenance revenue transferred from member districts to make debt service payments or pay project costs. Authority under this subdivision is in addition to the authority for individual district projects under subdivision 1.

Subd. 4. Facilities plans. (a) To qualify for revenue under this section, a school district or intermediate district, not including a charter school, must have a ten-year facility plan adopted by the school board and approved by the commissioner. The plan must include provisions for implementing a health and safety program that complies with health, safety, and environmental regulations and best practices, including indoor air quality management.

(b) The district must annually update the plan, biennially submit a facility maintenance plan to the commissioner, and indicate whether the district will issue bonds to finance the plan or levy for the costs.

Subd. 5. Bond authorization. (a) A school district may issue general obligation bonds under this section to finance facilities plans approved by its board and the commissioner. Chapter 475, except sections 475.58 and 475.59, must be complied with. The authority to issue bonds under this section is in addition to any bonding authority authorized by this chapter or other law. The amount of bonding authority authorized under this section must be disregarded in calculating the bonding or net debt limits of this chapter, or any other law other than section 475.53, subdivision 4.

(b) At least 20 days before the earliest of solicitation of bids, the issuance of bonds, or the final certification of levies under subdivision 6, the district must publish notice of the intended projects, the amount of the bond issue, and the total amount of district indebtedness.

(c) The portion of revenue under this section for bonded debt must be recognized in the debt service fund.

Subd. 6. Levy authorization. A district may levy for costs related to an approved plan under subdivision 4 as follows:

(1) if the district has indicated to the commissioner that bonds will be issued, the district may levy for the principal and interest payments on outstanding bonds issued under subdivision 5 after reduction for any aid receivable under subdivision 9; or

(2) if the district has indicated to the commissioner that the plan will be funded through levy, the district may levy according to the schedule approved in the plan after reduction for any aid receivable under subdivision 9.

Subd. 7. **Long-term facilities maintenance equalization revenue.** For fiscal year 2017 and later, a district's long-term facilities maintenance equalization revenue equals the lesser of (1) \$200 times the adjusted pupil units or (2) the district's revenue under subdivision 1.

Subd. 8. **Long-term facilities maintenance equalization levy.** For fiscal year 2017 and later, a district's long-term facilities maintenance equalization levy equals the lesser of (1) its long-term facilities maintenance equalization revenue times the lesser of one or the ratio of its adjusted net tax capacity per adjusted pupil unit in the year preceding the year the levy is certified to 125 percent of the state average adjusted net tax capacity per adjusted pupil unit in the year preceding the year the levy is certified or (2) the greater of zero or the district's long-term facilities maintenance equalization revenue minus the amount of aid the district received for fiscal year 2015 under Minnesota Statutes 2014, section 123B.59, subdivision 6.

Subd. 9. **Long-term facilities maintenance equalization aid.** A district's long-term facilities maintenance equalization aid equals the difference between its long-term facilities maintenance equalization revenue and its long-term facilities maintenance equalization levy.

Subd. 10. **Long-term facilities maintenance unequalized levy.** Each year, a district may levy an amount equal to the difference between its total long-term facilities maintenance revenue under subdivision 1 and its long-term facilities maintenance equalization revenue.

Subd. 11. **Allowed uses for long-term facilities maintenance revenue.** (a) A district may use revenue under this section for any of the following:

(1) deferred capital expenditures and maintenance projects necessary to prevent further erosion of facilities;

(2) increasing accessibility of school facilities; or

(3) health and safety capital projects under section 123B.57.

(b) A charter school may use revenue under this section for any purpose related to the school.

Subd. 12. **Restrictions on long-term facilities maintenance revenue.** Notwithstanding subdivision 11, long-term facilities maintenance revenue may not be used:

(1) for the construction of new facilities, remodeling of existing facilities, or the purchase of portable classrooms;

(2) to finance a lease purchase agreement, installment purchase agreement, or other deferred payments agreement;

(3) 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; or

(4) for violence prevention and facility security, ergonomics, or public announcement systems and emergency communication devices.

Subd. 13. **Reserve account.** The portion of long-term facilities maintenance revenue not recognized under subdivision 5, paragraph (c), must be maintained in a reserve account within the general fund.

EFFECTIVE DATE. This section is effective for revenue in fiscal year 2017 and later.

Sec. 4. Minnesota Statutes 2014, section 126C.01, subdivision 2, is amended to read:

Subd. 2. **Adjusted net tax capacity.** (a) Except as provided in paragraph (b), "adjusted net tax capacity" means the net tax capacity of the taxable property of the district as adjusted by the commissioner of revenue under sections 127A.48 and 273.1325. The adjusted net tax capacity for any given calendar year must be used to compute levy limitations for levies certified in the succeeding calendar year and aid for the school year beginning in the second succeeding calendar year.

(b) For purposes of the long-term maintenance facilities equalization levy under section 123B.595, subdivision 8, "adjusted net tax capacity" means the value described in paragraph (a) reduced by 50 percent of the value of class 2a agricultural land determined under that paragraph before the application of the growth limit under section 127A.48, subdivision 7.

EFFECTIVE DATE. This section is effective for taxes payable in 2016 and later.

Sec. 5. Minnesota Statutes 2014, section 127A.33, is amended to read:

127A.33 SCHOOL ENDOWMENT FUND; APPORTIONMENT.

(a) The commissioner shall apportion the school endowment fund semiannually on the first Monday in March and September in each year, to districts whose schools have been in session at least nine months. The apportionment shall be in proportion to each district's adjusted average daily membership during the preceding year. The apportionment shall not be paid to a district for pupils for whom tuition is received by the district.

(b) For fiscal year 2016 and later, a district must reserve for school technology and telecommunications infrastructure, programs, and training an amount equal to the greater of (1) zero or (2) the total fiscal year apportionment per prior year pupil in adjusted average daily membership minus \$31.62.

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

Sec. 6. **COMMISSIONER OF EDUCATION; 1:1 DEVICE PROGRAM GUIDELINES.**

The commissioner of education must research existing 1:1 device programs in Minnesota and across the country to determine best practices for Minnesota schools implementing 1:1 device programs. By February 15, 2016, the commissioner must develop and publish guidelines to ensure maximum effectiveness of 1:1 device programs and make a report on the research findings to the committees of the legislature with jurisdiction over kindergarten through grade 12 education.

Sec. 7. **FAIR SCHOOL CRYSTAL TRANSITION.**

Subdivision 1. **Student enrollment.** A student enrolled in the FAIR School Crystal during the 2014-2015 school year and a student accepted for enrollment during the 2015-2016 school year may continue to enroll in the FAIR School Crystal in any year through the 2019-2020 school year. For the 2015-2016 school year and later, other students may apply for enrollment under Minnesota Statutes, section 124D.03.

Subd. 2. **Compensatory revenue; literacy aid; alternative compensation revenue.** For the 2015-2016 school year only, the Department of Education must calculate compensatory revenue, literacy aid, and alternative compensation revenue for the FAIR School Crystal based on the October 1, 2014, enrollment counts.

Subd. 3. **Pupil transportation.** The district may transport a pupil enrolled in the 2014-2015 school year and a pupil accepted for enrollment during the 2015-2016 school year to and from the FAIR School Crystal in succeeding school years regardless of the pupil's district of residence. Pupil transportation expenses under this section are reimbursable under Minnesota Statutes, section 124D.87.

EFFECTIVE DATE. This section is effective the day following the date on which the real and personal property of the FAIR School Crystal in Crystal is conveyed to Independent School District No. 281, Robbinsdale.

Sec. 8. **FAIR SCHOOL DOWNTOWN TRANSITION.**

Subdivision 1. **Student enrollment.** A student enrolled in the FAIR School downtown during the 2014-2015 school year and a student accepted for enrollment during the 2015-2016 school year may continue to enroll in the FAIR School downtown in any year through the 2018-2019 school year. For the 2015-2016 school year and later, other students may apply for enrollment under Minnesota Statutes, section 124D.03.

Subd. 2. **Compensatory revenue; literacy aid; alternative compensation revenue.** For the 2015-2016 school year only, the Department of Education must calculate compensatory revenue, literacy aid, and alternative compensation revenue for the FAIR School downtown based on the October 1, 2014, enrollment counts.

Subd. 3. **Pupil transportation.** The district may transport a pupil enrolled in the 2014-2015 school year and a pupil accepted for enrollment during the 2015-2016 school year to and from the FAIR School downtown in succeeding school years regardless of the pupil's district of residence. Pupil transportation expenses under this section are reimbursable under Minnesota Statutes, section 124D.87.

EFFECTIVE DATE. This section is effective the day following the date on which the real and personal property of the FAIR School downtown in Minneapolis is conveyed to Special School District No. 1, Minneapolis.

Sec. 9. **INFORMATION TECHNOLOGY CERTIFICATION PARTNERSHIP.**

Subdivision 1. **Request for proposals.** The commissioner of education shall issue a request for proposals no later than July 1, 2015, and award a contract no later than September 1, 2015, to a provider for the program under subdivision 3.

Subd. 2. **Eligible schools.** A school district, intermediate district, or charter school is eligible to participate in the program under this section, as long as funds are available.

Subd. 3. **Program description; provider duties.** (a) The provider must partner with eligible schools to make available a program to teach information technology skills and competencies that are essential for career and college readiness. By December 1, 2015, the provider must contact each eligible school and indicate how the school can access program services under this section.

(b) The provider shall recruit up to 200 schools to participate in the program as long as funds are available. The provider must engage schools on a first-come, first-served basis, except that no more than half of the total funds available may be used to deliver the program to schools located in the seven-county metropolitan area.

(c) The provider shall deliver to each participating school:

(1) a research-based information technology curriculum;

(2) online access to the curriculum;

(3) instructional software for classroom and student use;

(4) training for teachers who will be using the curriculum or instructional software;

(5) industry-recognized certification of skills and competencies in a broad array of information technology-related skill areas; and

(6) project management, deployment, and program support, including, but not limited to, integration with academic standards under Minnesota Statutes, section 120B.021 or 120B.022.

Subd. 4. **Department support.** The Department of Education must make support available to the provider, including acting as the primary liaison between schools and the provider and providing direction and oversight, consistent with the purposes of this section.

Subd. 5. **Report required.** By February 1, 2018, the provider and commissioner must jointly develop and deliver to the committees of the legislature with jurisdiction over kindergarten through grade 12 education, a summary report on program activities and outcomes, including a description of the number and location of participating schools and students, and the number and type of certifications earned by students.

Sec. 10. CANCELLATION OF PREVIOUS BIENNIUM APPROPRIATION.

The appropriation made by Laws 2014, chapter 312, article 16, section 16, subdivision 5, is canceled.

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

Sec. 11. APPROPRIATIONS.

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **Long-term maintenance equalization aid.** For long-term maintenance equalization aid under Minnesota Statutes, section 123B.595:

<u>\$0</u>	<u>.....</u>	<u>2016</u>
<u>\$63,440,000</u>	<u>.....</u>	<u>2017</u>

The 2017 appropriation includes \$0 for 2016 and \$63,440,000 for 2017.

Subd. 3. **Debt service equalization.** For debt service aid according to Minnesota Statutes, section 123B.53, subdivision 6:

<u>\$20,349,000</u>	<u>.....</u>	<u>2016</u>
<u>\$22,171,000</u>	<u>.....</u>	<u>2017</u>

The 2016 appropriation includes \$2,295,000 for 2015 and \$18,054,000 for 2016.

The 2017 appropriation includes \$2,005,000 for 2016 and \$20,166,000 for 2017.

Subd. 4. **Alternative facilities bonding aid.** For alternative facilities bonding aid, according to Minnesota Statutes, section 123B.59, subdivision 1:

<u>\$19,287,000</u>	.....	<u>2016</u>
<u>\$1,928,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$1,928,000 for 2015 and \$17,359,000 for 2016.

The 2017 appropriation includes \$1,928,000 for 2016 and \$0 for 2017.

Subd. 5. **Equity in telecommunications access.** For equity in telecommunications access:

<u>\$5,250,000</u>	.....	<u>2016</u>
<u>\$5,250,000</u>	.....	<u>2017</u>

If the appropriation amount is insufficient, the commissioner shall reduce the reimbursement rate in Minnesota Statutes, section 125B.26, subdivisions 4 and 5, and the revenue for fiscal years 2016 and 2017 shall be prorated.

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

Subd. 6. **Deferred maintenance aid.** For deferred maintenance aid, according to Minnesota Statutes, section 123B.591, subdivision 4:

<u>\$3,520,000</u>	.....	<u>2016</u>
<u>\$345,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$409,000 for 2015 and \$3,111,000 for 2016.

The 2017 appropriation includes \$345,000 for 2016 and \$0 for 2017.

Subd. 7. **Health and safety revenue.** For health and safety aid according to Minnesota Statutes, section 123B.57, subdivision 5:

<u>\$501,000</u>	.....	<u>2016</u>
<u>\$48,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$66,000 for 2015 and \$435,000 for 2016.

The 2017 appropriation includes \$48,000 for 2016 and \$0 for 2017.

Subd. 8. **Information technology certification partnership.** For an information technology certification partnership:

<u>\$500,000</u>	.....	<u>2016</u>
<u>\$0</u>	.....	<u>2017</u>

This is a onetime appropriation. Any balance in the first year does not cancel but is available in the second year. Of this appropriation, five percent is for departmental costs related to providing support for the information technology certification partnership.

Subd. 9. **Northwest mobile manufacturing lab.** For a grant to the Pine to Prairie Cooperative Center:

<u>\$100,000</u>	.....	<u>2016</u>
<u>\$100,000</u>	.....	<u>2017</u>

The grant must be used to establish a northwest mobile manufacturing lab program, containing two manufacturing labs and two welding labs, operated by Pine to Prairie Cooperative Center in collaboration with Northland Community and Technical College.

Any balance in the first year does not cancel but is available in the second year. The base for this program in fiscal year 2018 is \$0.

Subd. 10. **Anoka-Hennepin School District fabrication lab.** For a grant to Independent School District No. 11, Anoka-Hennepin, to purchase equipment and software for a fabrication lab at its Secondary Technical Education Program in collaboration with Anoka Technical College and private program partners.

<u>\$100,000</u>	<u>2016</u>
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This is a onetime appropriation.

Subd. 11. **Cancellation; IT certificates.** All unspent funds, estimated at \$299,000 for the information technology certificate partnership appropriation under Laws 2014, chapter 312, article 16, section 16, subdivision 5, are canceled to the general fund on June 30, 2015.

Sec. 12. **REPEALER.**

Minnesota Statutes 2014, sections 123B.59; and 123B.591, are repealed.

EFFECTIVE DATE. This section is effective for revenue in fiscal year 2017 and later.

ARTICLE 5 NUTRITION AND ACCOUNTING

Section 1. Minnesota Statutes 2014, section 124D.1158, subdivision 3, is amended to read:

Subd. 3. **Program reimbursement.** Each school year, the state must reimburse each participating school 30 cents for each reduced-price breakfast, 55 cents for each fully paid breakfast served to students in grades ~~4 to~~ 4 through 12, and \$1.30 for each fully paid breakfast served to ~~a kindergarten student~~ students in prekindergarten through grade 3. A final claim for reimbursement shall be submitted to the commissioner not later than 60 days following the last day of the full month covered by the claim. Claims not submitted within 60 days following the last day of the full month covered by the claim shall not be eligible for reimbursement, unless otherwise authorized by the commissioner.

Sec. 2. Minnesota Statutes 2014, section 127A.41, subdivision 8, is amended to read:

Subd. 8. **Appropriation transfers.** (a) If a direct appropriation from the general fund to the department for any education aid or grant authorized in this chapter and chapters 122A, 123A, 123B, 124D, 125A, 126C, and 134, excluding appropriations under sections 124D.135, ~~124D.16,~~ 124D.20, 124D.22, 124D.52, 124D.531, 124D.55, and 124D.56, exceeds the amount required, the commissioner may transfer the excess to any education aid or grant appropriation that is insufficient. However, section 126C.20 applies to a deficiency in the direct appropriation for general education aid. Excess appropriations must be allocated proportionately among aids or grants that have

insufficient appropriations. The commissioner of management and budget shall make the necessary transfers among appropriations according to the determinations of the commissioner. If the amount of the direct appropriation for the aid or grant plus the amount transferred according to this subdivision is insufficient, the commissioner shall prorate the available amount among eligible districts. The state is not obligated for any additional amounts.

(b) Transfers for aids paid under section 127A.45, subdivisions 12, paragraph (a), 12a, paragraph (a), and 13, shall be made during the fiscal year after the fiscal year of the entitlement. Transfers for aids paid under section 127A.45, subdivisions 11, 12, paragraph (b), and 12a, paragraph (b), shall be made during the fiscal year of the appropriation.

EFFECTIVE DATE. This section is effective for fiscal year 2017 and later.

Sec. 3. Minnesota Statutes 2014, section 127A.41, subdivision 9, is amended to read:

Subd. 9. **Appropriation transfers for community education programs.** If a direct appropriation from the general fund to the Department of Education for an education aid or grant authorized under section 124D.135, ~~124D.16~~, 124D.20, 124D.22, 124D.52, 124D.531, 124D.55, or 124D.56 exceeds the amount required, the commissioner of education may transfer the excess to any education aid or grant appropriation that is insufficiently funded under these sections. Excess appropriations shall be allocated proportionately among aids or grants that have insufficient appropriations. The commissioner of management and budget shall make the necessary transfers among appropriations according to the determinations of the commissioner of education. If the amount of the direct appropriation for the aid or grant plus the amount transferred according to this subdivision is insufficient, the commissioner shall prorate the available amount among eligible districts. The state is not obligated for any additional amounts.

EFFECTIVE DATE. This section is effective for fiscal year 2017 and later.

Sec. 4. **APPROPRIATIONS.**

Subdivision 1. Department of Education. The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **School lunch.** For school lunch aid according to Minnesota Statutes, section 124D.111, and Code of Federal Regulations, title 7, section 210.17:

<u>\$15,661,000</u>	<u>.....</u>	<u>2016</u>
<u>\$16,791,000</u>	<u>.....</u>	<u>2017</u>

Subd. 3. **School breakfast.** For traditional school breakfast aid under Minnesota Statutes, section 124D.1158:

<u>\$22,646,000</u>	<u>.....</u>	<u>2016</u>
<u>\$26,340,000</u>	<u>.....</u>	<u>2017</u>

Subd. 4. **Kindergarten milk.** For kindergarten milk aid under Minnesota Statutes, section 124D.118:

<u>\$942,000</u>	<u>.....</u>	<u>2016</u>
<u>\$942,000</u>	<u>.....</u>	<u>2017</u>

Subd. 5. **Summer school service replacement aid.** For summer food service replacement aid under Minnesota Statutes, section 124D.119:

<u>\$150,000</u>	.....	<u>2016</u>
<u>\$150,000</u>	.....	<u>2017</u>

ARTICLE 6 LIBRARIES

Section 1. Minnesota Statutes 2014, section 134.355, subdivision 5, is amended to read:

Subd. 5. **Base aid distribution.** ~~Five~~ Thirteen percent of the available aid funds shall be paid to each system as base aid for basic system services.

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

Sec. 2. Minnesota Statutes 2014, section 134.355, subdivision 8, is amended to read:

Subd. 8. **Eligibility.** A regional public library system may apply for regional library telecommunications aid on behalf of itself and member public libraries. The aid must be used for ~~data and video access maintenance, equipment, or installation of telecommunication lines.~~ connections and other eligible nonvoice related e-rate program category 1 services. Aid may be used for e-rate program category 2 services, if sufficient funds remain once category 1 needs are met in each funding year. To be eligible, a regional public library system must be officially designated by the commissioner of education as a regional public library system as defined in section 134.34, subdivision 3, and each of its participating cities and counties must meet local support levels defined in section 134.34, subdivision 1. A public library building that receives aid under this section must be open a minimum of 20 hours per week. Exceptions to the minimum open hours requirement may be granted by the Department of Education on request of the regional public library system for the following circumstances: short-term closing for emergency maintenance and repairs following a natural disaster; in response to exceptional economic circumstances; building repair or maintenance that requires public services areas to be closed; or to adjust hours of public service to respond to documented seasonal use patterns.

Sec. 3. Minnesota Statutes 2014, section 134.355, subdivision 9, is amended to read:

Subd. 9. **Telecommunications aid.** An application for regional library telecommunications aid must, at a minimum, contain information to document the following:

(1) the connections are adequate and employ an open network architecture that will ensure interconnectivity and interoperability with school districts, postsecondary education, or other governmental agencies;

(2) that the connection is established through the most cost-effective means and that the regional library has explored and coordinated connections through school districts, postsecondary education, or other governmental agencies;

(3) that the regional library system ~~has~~ and all member libraries included in the application have filed an e-rate application; and

(4) other information, as determined by the commissioner of education, to ensure that connections are coordinated, efficient, and cost-effective, take advantage of discounts, and meet applicable state standards.

The library system may include costs associated with cooperative arrangements with postsecondary institutions, school districts, and other governmental agencies.

Sec. 4. Minnesota Statutes 2014, section 134.355, subdivision 10, is amended to read:

Subd. 10. **Award of funds.** The commissioner of education shall develop an application and a reporting form and procedures for regional library telecommunications aid. Aid shall be based on actual costs ~~of~~ including, but not limited to, connections as documented in e-rate funding commitment decision letters and funds available for this purpose. The commissioner shall make payments directly to the regional public library system.

Sec. 5. **DEPARTMENT OF EDUCATION; LIBRARY APPROPRIATIONS.**

Subdivision 1. Department of Education. The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. Regional library basic system support. For regional library basic system support aid under Minnesota Statutes, section 134.355:

<u>\$14,920,000</u>	<u>.....</u>	<u>2016</u>
<u>\$15,070,000</u>	<u>.....</u>	<u>2017</u>

The 2016 appropriation includes \$1,357,000 for 2015 and \$13,563,000 for 2016.

The 2017 appropriation includes \$1,507,000 for 2016 and \$13,563,000 for 2017.

Subd. 3. Multicounty, multitype library systems. For aid under Minnesota Statutes, sections 134.353 and 134.354, to multicounty, multitype library systems:

<u>\$1,300,000</u>	<u>.....</u>	<u>2016</u>
<u>\$1,300,000</u>	<u>.....</u>	<u>2017</u>

The 2016 appropriation includes \$130,000 for 2015 and \$1,170,000 for 2016.

The 2017 appropriation includes \$130,000 for 2016 and \$1,170,000 for 2017.

Subd. 4. Electronic library for Minnesota. For statewide licenses to online databases selected in cooperation with the Minnesota Office of Higher Education for school media centers, public libraries, state government agency libraries, and public or private college or university libraries:

<u>\$900,000</u>	<u>.....</u>	<u>2016</u>
<u>\$900,000</u>	<u>.....</u>	<u>2017</u>

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

Subd. 5. Regional library telecommunications aid. For regional library telecommunications aid under Minnesota Statutes, section 134.355:

<u>\$2,300,000</u>	<u>.....</u>	<u>2016</u>
<u>\$2,300,000</u>	<u>.....</u>	<u>2017</u>

The 2016 appropriation includes \$230,000 for 2015 and \$2,070,000 for 2016.

The 2017 appropriation includes \$230,000 for 2016 and \$2,070,000 for 2017.

ARTICLE 7
EARLY CHILDHOOD EDUCATION

Section 1. Minnesota Statutes 2014, section 124D.162, is amended to read:

124D.162 KINDERGARTEN READINESS ASSESSMENT.

~~The commissioner of education may implement a kindergarten readiness assessment representative of incoming kindergartners. The assessment must be based on the Department of Education Kindergarten Readiness Assessment at kindergarten entrance study.~~ The commissioner of education must provide a process for measuring the kindergarten readiness of incoming kindergartners. Districts must choose from a menu of valid and reliable measurement instruments provided by the Department of Education that are aligned to the state early childhood indicators of progress and kindergarten standards that are based on the Department of Education Kindergarten Readiness Study and meet the World's Best Workforce goal of measuring school readiness.

Sec. 2. Minnesota Statutes 2014, section 124D.165, subdivision 2, is amended to read:

Subd. 2. **Family eligibility.** (a) For a family to receive an early learning scholarship, parents or guardians must meet the following eligibility requirements:

(1) have a child ~~three or four~~ under the age of five years of age old on September 1 of the current school year, who has not yet started kindergarten and is not currently enrolled in a prekindergarten program under section 124D.171; and

(2) have income equal to or less than 185 percent of federal poverty level income in the current calendar year, or be able to document their child's current participation in the free and reduced-price lunch program or child and adult care food program, National School Lunch Act, United States Code, title 42, sections 1751 and 1766; the Food Distribution Program on Indian Reservations, Food and Nutrition Act, United States Code, title 7, sections 2011-2036; Head Start under the federal Improving Head Start for School Readiness Act of 2007; Minnesota family investment program under chapter 256J; child care assistance programs under chapter 119B; the supplemental nutrition assistance program; or placement in foster care under section 260C.212.

(b) Notwithstanding the other provisions of this section, a parent under age 21 who is pursuing a high school or general education equivalency diploma is eligible for an early learning scholarship if the parent has a child age zero to five years old and meets the income eligibility guidelines in this subdivision.

(c) Any siblings between the ages zero to five years old of a child who has been awarded a scholarship under this section must be awarded a scholarship upon request, provided the sibling attends the same program as long as funds are available.

(d) A child who has received a scholarship under this section must continue to receive a scholarship each year until that child is eligible for kindergarten under section 120A.20 and as long as funds are available.

(e) Early learning scholarships may not be counted as earned income for the purposes of medical assistance under chapter 256B, MinnesotaCare under chapter 256L, Minnesota family investment program under chapter 256J, child care assistance programs under chapter 119B, or Head Start under the federal Improving Head Start for School Readiness Act of 2007.

EFFECTIVE DATE. This section is effective for fiscal year 2017 and later.

Sec. 3. **[124D.173] HELP ME GROW.**

Subdivision 1. **Purpose.** The purpose of this section is to develop and implement a comprehensive, collaborative resource and referral system for children, prenatal through age eight, and their families.

Subd. 2. **Establishment and administration.** The commissioner of education shall provide funding and shall work collaboratively through interagency agreement with the commissioners of human services and health to implement this section and maintain annual affiliate status with the Help Me Grow National Center.

Subd. 3. **Duties.** (a) The Help Me Grow program shall facilitate collaboration across sectors, including child health, early learning and education, and family supports by:

(1) providing child health care provider outreach to support early detection, intervention, and knowledge about local resources;

(2) identifying and providing access to detection tools used to identify young children at risk for developmental and behavioral problems; and

(3) linking children and families to appropriate community-based services.

(b) The Help Me Grow program shall provide community outreach that includes support for, and participation in, the Help Me Grow system, including disseminating information on the system and compiling and maintaining a resource directory that includes, but is not limited to:

(1) primary and specialty medical care providers;

(2) early childhood education and child care programs;

(3) developmental disabilities assessment and intervention programs;

(4) mental health services;

(5) family and social support programs;

(6) child advocacy and legal services;

(7) public health services and resources; and

(8) other appropriate early childhood information.

(c) The Help Me Grow program shall develop a centralized access point for parents and professionals to obtain information, resources, and other support services.

(d) The Help Me Grow program shall collect data to increase understanding of all aspects of the current and ongoing system under this section, including identification of gaps in service, barriers to finding and receiving appropriate service, and lack of resources.

Subd. 4. **Review.** The Department of Education shall annually review the following:

(1) outcomes achieved by this system;

(2) alignment with overall early childhood goals and objectives; and

(3) impacts on young children.

Sec. 4. **APPROPRIATIONS.**

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **School readiness.** For revenue for school readiness programs under Minnesota Statutes, sections 124D.15 and 124D.16:

<u>\$12,170,000</u>	.....	<u>2016</u>
<u>\$12,170,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$1,217,000 for 2015 and \$10,953,000 for 2016.

The 2017 appropriation includes \$1,217,000 for 2016 and \$10,953,000 for 2017.

Subd. 3. **Early childhood family education aid.** For early childhood family education aid under Minnesota Statutes, section 124D.135:

<u>\$28,046,000</u>	.....	<u>2016</u>
<u>\$29,095,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$2,713,000 for 2015 and \$25,333,000 for 2016.

The 2017 appropriation includes \$2,814,000 for 2016 and \$26,281,000 for 2017.

Subd. 4. **Developmental screening aid.** For developmental screening aid under Minnesota Statutes, sections 121A.17 and 121A.19:

<u>\$3,363,000</u>	.....	<u>2016</u>
<u>\$3,369,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$337,000 for 2015 and \$3,021,000 for 2016.

The 2017 appropriation includes \$335,000 for 2016 and \$3,017,000 for 2017.

Subd. 5. **Head Start program.** For Head Start programs under Minnesota Statutes, section 119A.52:

<u>\$20,100,000</u>	.....	<u>2016</u>
<u>\$39,542,000</u>	.....	<u>2017</u>

Subd. 6. **Educate parents partnership.** For the educate parents partnership under Minnesota Statutes, section 124D.129:

<u>\$49,000</u>	.....	<u>2016</u>
<u>\$49,000</u>	.....	<u>2017</u>

Subd. 7. **Kindergarten entrance assessment initiative and intervention program.** For the kindergarten entrance assessment initiative and intervention program under Minnesota Statutes, section 124D.162:

<u>\$1,881,000</u>	.....	<u>2016</u>
<u>\$1,881,000</u>	.....	<u>2017</u>

Subd. 8. **Early learning scholarships.** For the early learning scholarship program under Minnesota Statutes, section 124D.165:

<u>\$40,384,000</u>	.....	<u>2016</u>
<u>\$50,384,000</u>	.....	<u>2017</u>

Up to \$950,000 each year is for administration of this program.

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

Subd. 9. **Parent-child home program.** For a grant to the parent-child home program:

<u>\$350,000</u>	.....	<u>2016</u>
<u>\$350,000</u>	.....	<u>2017</u>

The grant must be used for an evidence-based and research-validated early childhood literacy and school readiness program for children ages 16 months to four years at its existing suburban program location.

Subd. 10. **Northside Achievement Zone.** For a grant to the Northside Achievement Zone.

<u>\$1,200,000</u>	.....	<u>2016</u>
<u>\$1,200,000</u>	.....	<u>2017</u>

Funds appropriated in this section are to reduce multigenerational poverty and the educational achievement gap through increased enrollment of families within the zone, and may be used for Northside Achievement Zone programming and services consistent with federal Promise Neighborhood program agreements and requirements.

Subd. 11. **St. Paul Promise Neighborhood.** For a grant to the St. Paul Promise Neighborhood.

<u>\$1,200,000</u>	.....	<u>2016</u>
<u>\$1,200,000</u>	.....	<u>2017</u>

Funds appropriated in this section are to reduce multigenerational poverty and the educational achievement gap through increased enrollment of families within the zone, and may be used for St. Paul Promise Neighborhood programming and services consistent with federal Promise Neighborhood program agreements and requirements.

ARTICLE 8 PREVENTION

Section 1. **APPROPRIATION.**

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **Community education aid.** For community education aid under Minnesota Statutes, section 124D.20:

<u>\$788,000</u>	.....	<u>2016</u>
<u>\$554,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$107,000 for 2015 and \$681,000 for 2016.

The 2017 appropriation includes \$75,000 for 2016 and \$479,000 for 2017.

Subd. 3. **Adults with disabilities program aid.** For adults with disabilities programs under Minnesota Statutes, section 124D.56:

<u>\$710,000</u>	.....	<u>2016</u>
<u>\$710,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$71,000 for 2015 and \$639,000 for 2016.

The 2017 appropriation includes \$71,000 for 2016 and \$639,000 for 2017.

Subd. 4. **Hearing-impaired adults.** For programs for hearing-impaired adults under Minnesota Statutes, section 124D.57:

<u>\$70,000</u>	.....	<u>2016</u>
<u>\$70,000</u>	.....	<u>2017</u>

Subd. 5. **School-age care revenue.** For extended day aid under Minnesota Statutes, section 124D.22:

<u>\$1,000</u>	.....	<u>2016</u>
<u>\$1,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$0 for 2015 and \$1,000 for 2016.

The 2017 appropriation includes \$0 for 2016 and \$1,000 for 2017.

ARTICLE 9 SELF-SUFFICIENCY AND LIFELONG LEARNING

Section 1. **APPROPRIATIONS.**

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **Adult basic education aid.** For adult basic education aid under Minnesota Statutes, section 124D.531:

<u>\$49,118,000</u>	.....	<u>2016</u>
<u>\$50,592,000</u>	.....	<u>2017</u>

The 2016 appropriation includes \$4,782,000 for 2015 and \$44,336,000 for 2016.

The 2017 appropriation includes \$4,926,000 for 2016 and \$45,666,000 for 2017.

Subd. 3. **GED tests.** For payment of 60 percent of the costs of GED tests under Minnesota Statutes, section 124D.55:

<u>\$125,000</u>	.....	<u>2016</u>
<u>\$125,000</u>	.....	<u>2017</u>

ARTICLE 10 STATE AGENCIES

Section 1. Minnesota Statutes 2014, section 122A.18, subdivision 8, is amended to read:

Subd. 8. **Background checks.** (a) The Board of Teaching and the commissioner of education must request a criminal history background check from the superintendent of the Bureau of Criminal Apprehension on all applicants for initial licenses under their jurisdiction. An application for a license under this section must be accompanied by:

(1) an executed criminal history consent form, including fingerprints; and

(2) a money order or cashier's check payable to the Bureau of Criminal Apprehension for the fee for conducting the payment to conduct a criminal history background check. Proceeds from this fee are annually appropriated to the commissioner for costs associated with processing licensure applications.

(b) The superintendent of the Bureau of Criminal Apprehension shall perform the background check required under paragraph (a) by retrieving criminal history data as defined in section 13.87 and shall also conduct a search of the national criminal records repository. The superintendent is authorized to exchange fingerprints with the Federal Bureau of Investigation for purposes of the criminal history check. The superintendent shall recover the cost to the bureau of a background check through the fee charged to the applicant under paragraph (a).

(c) The Board of Teaching or the commissioner of education may issue a license pending completion of a background check under this subdivision, but must notify the individual that the individual's license may be revoked based on the result of the background check.

Sec. 2. **RULEMAKING AUTHORITY.**

(a) The Board of Teaching shall adopt rules for a process for approving certificates of advanced professional study. A certificate of advanced professional study is a credential available only to a teacher with a full license in at least one discipline that allows for teaching without further waiver or variance when a licensure program in the discipline does not exist or when a teacher with a full license in the discipline cannot be found. The certificate of advanced professional study must:

(1) have fewer requirements than the full license in the discipline;

(2) set the specific qualifications required to attain it; and

(3) maintain professional standards for teaching in that discipline.

(b) The rules adopted under paragraph (a) must limit certificates of advanced professional study to:

(1) disciplines in which at least one geographic area of the state has a demonstrated shortage of fully licensed teachers; and

(2) emerging disciplines where full licenses or licensure programs do not exist.

Sec. 3. **APPROPRIATIONS; DEPARTMENT OF EDUCATION.**

Subdivision 1. Department of Education. Unless otherwise indicated, the sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. Department. (a) For the Department of Education:

<u>\$31,294,000</u>	<u>.....</u>	<u>2016</u>
<u>\$31,121,000</u>	<u>.....</u>	<u>2017</u>

Of these amounts:

(1) \$260,000 each year is for the Minnesota Children's Museum;

(2) \$41,000 each year is for the Minnesota Academy of Science;

(3) \$50,000 each year is for the Duluth Children's Museum;

(4) \$1,020,000 in fiscal year 2016 and \$718,000 in fiscal year 2017 are for the Board of Teaching;

(5) \$228,000 in fiscal year 2016 and \$231,000 in fiscal year 2017 are for the Board of School Administrators;

(6) \$25,000 each year is for administration of the Innovative Education Pilot under Laws 2012, chapter 263, section 1;

(7) \$7,000,000 each year is for Regional Centers of Excellence under Minnesota Statutes, section 120B.115;

(8) \$500,000 each year is for the School Safety Technical Assistance Center under Minnesota Statutes, section 127A.052;

(9) \$1,000,000 each year is for activities related to the statewide Help Me Grow program under Minnesota Statutes, section 124D.173;

(10) \$250,000 each year is for the School Finance Division to enhance financial data analysis; and

(11) \$23,000 each year is for collecting data on the number of deaths and hospitalizations for students who participate in travel abroad programs.

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

(c) None of the amounts appropriated under this subdivision may be used for Minnesota's Washington, D.C. office.

(d) The expenditures of federal grants and aids as shown in the biennial budget document and its supplements are approved and appropriated and shall be spent as indicated.

(e) This appropriation includes funds for information technology project services and support subject to the provisions of Minnesota Statutes, section 16E.0466. Any ongoing information technology costs will be incorporated into the service level agreement and will be paid to the Office of MN.IT Services by the Department of Education under the rates and mechanism specified in that agreement.

Sec. 4. **APPROPRIATIONS; MINNESOTA STATE ACADEMIES.**

The sums indicated in this section are appropriated from the general fund to the Minnesota State Academies for the Deaf and the Blind for the fiscal years designated:

<u>\$12,853,000</u>	.....	<u>2016</u>
<u>\$12,819,000</u>	.....	<u>2017</u>

Of the amount appropriated, \$708,000 in fiscal year 2016 and \$490,000 in fiscal year 2017 are for technology enhancements and may be used for: (1) computer hardware; (2) computer software; (3) connectivity, communications, and infrastructure; (4) assistive technology; (5) access to electronic books and other online materials, licenses, and subscriptions; and (6) technology staff and training costs.

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

The base appropriation for the Minnesota State Academies for the Deaf and Blind in fiscal year 2018 and later is \$12,804,000.

Sec. 5. **APPROPRIATIONS; PERPICH CENTER FOR ARTS EDUCATION.**

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

<u>\$7,422,000</u>	.....	<u>2016</u>
<u>\$7,523,000</u>	.....	<u>2017</u>

Of the amount appropriated, \$500,000 in fiscal year 2016 and \$500,000 in fiscal year 2017 are for upgrading classrooms, public spaces, and performance areas within the high school and the professional development center on the Golden Valley campus.

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

The base appropriation for the Perpich Center for Arts Education in fiscal year 2018 and later is \$7,123,000."

Amend the title as follows:

Page 1, line 4, delete "standards and assessments, charter schools,"

Correct the title numbers accordingly

Signed:

MARY MURPHY
LYNDON CARLSON

Murphy, M., moved that the Minority Report from the Committee on Ways and Means relating to H. F. No. 844 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

Peppin moved that the Minority Report from the Committee on Ways and Means relating to H. F. No. 844 be laid on the table.

A roll call was requested and properly seconded.

The question was taken on the Peppin motion and the roll was called. There were 69 yeas and 59 nays as follows:

Those who voted in the affirmative were:

Albright	Dettmer	Heintzeman	Loonan	Peppin	Swedzinski
Anderson, M.	Drazkowski	Hertaus	Lucero	Petersburg	Theis
Anderson, P.	Erickson	Hoppe	Lueck	Peterson	Torkelson
Anderson, S.	Fabian	Howe	Mack	Pierson	Uglen
Backer	Fenton	Johnson, B.	McDonald	Pugh	Urdahl
Baker	Franson	Kelly	McNamara	Quam	Vogel
Barrett	Green	Kiel	Miller	Rarick	Whelan
Christensen	Gruenhagen	Knoblach	Nash	Runbeck	Wills
Cornish	Gunther	Koznick	Newberger	Sanders	Zerwas
Daniels	Hackbarth	Kresha	Nornes	Schomacker	
Davids	Hamilton	Lohmer	O'Driscoll	Scott	
Dean, M.	Hancock	Loon	O'Neill	Smith	

Those who voted in the negative were:

Allen	Dehn, R.	Isaacson	Loeffler	Nelson	Simonson
Anzelc	Dill	Johnson, C.	Mahoney	Newton	Slocum
Applebaum	Erhardt	Johnson, S.	Mariani	Norton	Sundin
Atkins	Fischer	Kahn	Marquart	Pelowski	Thissen
Bernardy	Freiberg	Laine	Masin	Pinto	Wagenius
Bly	Hansen	Lenczewski	Metsa	Poppe	Ward
Carlson	Hausman	Lesch	Moran	Rosenthal	Winkler
Clark	Hilstrom	Liebling	Mullery	Schoen	Yarusso
Considine	Hornstein	Lien	Murphy, E.	Schultz	Youakim
Davnie	Hortman	Lillie	Murphy, M.	Selcer	

The motion prevailed and the Minority Report from the Committee on Ways and Means relating to H. F. No. 844 was laid on the table.

The question recurred on the adoption of the Majority Report from the Committee on Ways and Means relating to H. F. No. 844.

A roll call was requested and properly seconded.

The question was taken on the adoption of the Majority Report from the Committee on Ways and Means relating to H. F. No. 844 and the roll was called. There were 69 yeas and 59 nays as follows:

Those who voted in the affirmative were:

Albright	Dettmer	Heintzeman	Loonan	Peppin	Swedzinski
Anderson, M.	Drazkowski	Hertaus	Lucero	Petersburg	Theis
Anderson, P.	Erickson	Hoppe	Lueck	Peterson	Torkelson
Anderson, S.	Fabian	Howe	Mack	Pierson	Uglem
Backer	Fenton	Johnson, B.	McDonald	Pugh	Urdahl
Baker	Franson	Kelly	McNamara	Quam	Vogel
Barrett	Green	Kiel	Miller	Rarick	Whelan
Christensen	Gruenhagen	Knoblach	Nash	Runbeck	Wills
Cornish	Gunther	Koznick	Newberger	Sanders	Zerwas
Daniels	Hackbarth	Kresha	Nornes	Schomacker	
Davids	Hamilton	Lohmer	O'Driscoll	Scott	
Dean, M.	Hancock	Loon	O'Neill	Smith	

Those who voted in the negative were:

Allen	Dehn, R.	Isaacson	Loeffler	Nelson	Simonson
Anzelc	Dill	Johnson, C.	Mahoney	Newton	Slocum
Applebaum	Erhardt	Johnson, S.	Mariani	Norton	Sundin
Atkins	Fischer	Kahn	Marquart	Pelowski	Thissen
Bernardy	Freiberg	Laine	Masin	Pinto	Wagenius
Bly	Hansen	Lenczewski	Metsa	Poppe	Ward
Carlson	Hausman	Lesch	Moran	Rosenthal	Winkler
Clark	Hilstrom	Liebling	Mullery	Schoen	Yarusso
Considine	Hornstein	Lien	Murphy, E.	Schultz	Youakim
Davnie	Hortman	Lillie	Murphy, M.	Selcer	

The Majority Report from the Committee on Ways and Means relating to H. F. No. 844 was adopted.

Davids from the Committee on Taxes to which was referred:

H. F. No. 848, A bill for an act relating to taxation; providing for tax reductions to middle class families; closing loopholes; providing tax fairness; appropriating money; amending Minnesota Statutes 2014, sections 16D.08, subdivision 2; 270.80, subdivisions 1, 2, 3, 4, by adding subdivisions; 270.81, subdivisions 1, 3, by adding a subdivision; 270.82; 270.83, subdivisions 1, 2; 270.84; 270.86; 270.87; 270C.03, subdivision 1; 270C.33, subdivision 6; 272.02, subdivision 9; 275.025, subdivisions 1, 4; 289A.60, by adding a subdivision; 290.01, subdivision 4a, by adding a subdivision; 290.067, subdivisions 1, 2, 2b, 3; 290.0671, subdivision 1; 290.0674, subdivision 2, by adding a subdivision; 290.068, subdivision 2; 290.17, subdivision 4; 290.191, subdivision 5; 290.21, subdivision 4; 290A.03, subdivision 13; 290B.03, subdivision 1; 290B.04, subdivision 1; 291.03, by adding a subdivision; 296A.01, subdivision 12; 296A.08, subdivision 2; 297A.815, subdivision 3; 297A.94; 297H.04, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 270C; repealing Minnesota Statutes 2014, sections 270.81, subdivision 4; 270.83, subdivision 3; 290.067, subdivision 2a; Minnesota Rules, parts 8106.0100, subparts 1, 2, 3, 4, 5, 6, 7, 8, 10, 12, 13, 14, 17, 17a, 18, 19, 20, 21; 8106.0300, subparts 1, 3; 8106.0400; 8106.0500; 8106.0600; 8106.0700; 8106.0800; 8106.9900.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1
INCOME AND FRANCHISE TAXES

Section 1. [16A.728] LONG-TERM CARE SAVINGS PLAN.

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

(b) "Long-term care expense" means the cost of long-term care in a long-term care facility and the cost of care provided in a person's home when the person receiving the care is unable to perform multiple basic life functions independently.

(c) "Long-term care insurance premiums" means premiums paid for a long-term care insurance policy, as defined in section 290.0672.

(d) "Participant" means an individual who has entered into a participation agreement or established an account under the plan with a financial institution with which the commissioner has an agreement under subdivision 2, paragraph (a).

(e) "Qualified individual" means a person who:

(1) incurred long-term care expenses during the taxable year; or

(2) turned 50 years of age or older during the taxable year and who made payments for long-term care insurance premiums during the taxable year.

Subd. 2. Commissioner duties; participation agreement. (a) The Minnesota long-term care savings plan is created. The commissioner shall select the administrator of the plan. If the commissioner receives no acceptable responses to a request for proposals for an administrator for the plan by November 1, 2015, the commissioner may enter into agreements with state chartered or federally chartered banks, savings banks, savings associations, trust companies, or credit unions, or a subsidiary of such an entity, to receive contributions in the form of account deposits. The commissioner may adopt and promulgate rules and regulations to carry out the duties under this subdivision.

(b) If an administrator is selected, participants must enter into participation agreements with the commissioner, and if an administrator is not selected, participants may make contributions to an account with a financial institution with which the commissioner has an agreement under paragraph (a). A lifetime maximum of \$200,000 may be contributed by a participant. The commissioner must adjust the dollar limitation annually for inflation as provided in section 151 of the Internal Revenue Code of 1986, as amended.

(c) Each participation agreement must provide that the agreement may be canceled or transferred to a spouse upon the terms and conditions set by the commissioner. If the participation agreement is canceled or the Minnesota long-term care savings plan is terminated, a participant may receive the principal amount of all contributions made by the participant or on behalf of the participant plus the actual investment earnings on the contributions, less any losses incurred on the contributions. A participant must not receive more than the fair market value of the account under the participation agreement on the applicable liquidation date.

(d) A participant retains ownership of all contributions up to the date of use.

(e) State income tax treatment of contributions and investment earnings is as provided in section 290.01, subdivisions 19a and 19b.

Subd. 3. Long-term care savings plan trust. If an administrator for the Minnesota long-term care savings plan is selected under subdivision 2, the Minnesota long-term care savings plan trust is created. The commissioner is the trustee of the trust and is responsible for the administration, operation, and maintenance of the plan and has all the powers necessary to carry out and effectuate the purposes, objectives, and provisions of the Minnesota long-term care savings plan for the administration, operation, and maintenance of the trust, except that the investment officer has fiduciary responsibility to make all decisions regarding the investment of the money in the trust, including the selection of all investment options and the approval of all fees and other costs charged to trust assets, except costs for administration, operation, and maintenance of the trust, under the directions, guidelines, and policies established by the State Board of Investment. The commissioner may adopt and promulgate rules for the efficient administration, operation, and maintenance of the trust. The commissioner must not adopt and promulgate rules and regulations that in any way interfere with the fiduciary responsibility of the state investment officer to make all decisions regarding the investment of money in the trust. The State Board of Investment may adopt and promulgate rules and regulations to provide for the prudent investment of the assets of the trust. The State Board of Investment or its designee may select and enter into agreements with individuals and entities to provide investment advice and management of the assets held by the trust, establish investment guidelines, objectives, and performance standards for the assets held by the trust, and approve any fees, commissions, and expenses which directly or indirectly affect the return on assets.

Subd. 4. Authorized withdrawals. A qualified individual may make withdrawals as a participant in the Minnesota long-term care savings plan to pay or reimburse long-term care expenses or long-term care insurance premiums. Any participant who is not a qualified individual or who makes a withdrawal for any reason other than a transfer of funds to a spouse, payment of long-term care expenses or long-term care insurance premiums, or the death of the participant is subject to a ten percent penalty on the amount withdrawn. The commissioner shall collect the penalty.

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

Sec. 2. Minnesota Statutes 2014, section 62V.05, subdivision 5, is amended to read:

Subd. 5. Health carrier and health plan requirements; participation. (a) Beginning January 1, 2015, the board may establish certification requirements for health carriers and health plans to be offered through MNsure that satisfy federal requirements under section 1311(c)(1) of the Affordable Care Act, Public Law 111-148.

(b) Paragraph (a) does not apply if by June 1, 2013, the legislature enacts regulatory requirements that:

(1) apply uniformly to all health carriers and health plans in the individual market;

(2) apply uniformly to all health carriers and health plans in the small group market; and

(3) satisfy minimum federal certification requirements under section 1311(c)(1) of the Affordable Care Act, Public Law 111-148.

(c) In accordance with section 1311(e) of the Affordable Care Act, Public Law 111-148, the board shall establish policies and procedures for certification and selection of health plans to be offered as qualified health plans through MNsure. The board shall certify and select a health plan as a qualified health plan to be offered through MNsure, if:

(1) the health plan meets the minimum certification requirements established in paragraph (a) or the market regulatory requirements in paragraph (b);

(2) the board determines that making the health plan available through MNsure is in the interest of qualified individuals and qualified employers;

(3) the health carrier applying to offer the health plan through MNsure also applies to offer health plans at each actuarial value level and service area that the health carrier currently offers in the individual and small group markets; and

(4) the health carrier does not apply to offer health plans in the individual and small group markets through MNsure under a separate license of a parent organization or holding company under section 60D.15, that is different from what the health carrier offers in the individual and small group markets outside MNsure.

(d) In determining the interests of qualified individuals and employers under paragraph (c), clause (2), the board may not exclude a health plan for any reason specified under section 1311(e)(1)(B) of the Affordable Care Act, Public Law 111-148. The board may consider:

(1) affordability;

(2) quality and value of health plans;

(3) promotion of prevention and wellness;

(4) promotion of initiatives to reduce health disparities;

(5) market stability and adverse selection;

(6) meaningful choices and access;

(7) alignment and coordination with state agency and private sector purchasing strategies and payment reform efforts; and

(8) other criteria that the board determines appropriate.

(e) For qualified health plans offered through MNsure on or after January 1, 2015, the board shall establish policies and procedures under paragraphs (c) and (d) for selection of health plans to be offered as qualified health plans through MNsure by February 1 of each year, beginning February 1, 2014. The board shall consistently and uniformly apply all policies and procedures and any requirements, standards, or criteria to all health carriers and health plans. For any policies, procedures, requirements, standards, or criteria that are defined as rules under section 14.02, subdivision 4, the board may use the process described in subdivision 9.

(f) For 2014, the board shall not have the power to select health carriers and health plans for participation in MNsure. The board shall permit all health plans that meet the certification requirements under section 1311(c)(1) of the Affordable Care Act, Public Law 111-148, to be offered through MNsure.

(g) Under this subdivision, the board shall have the power to verify that health carriers and health plans are properly certified to be eligible for participation in MNsure.

(h) The board has the authority to decertify health carriers and health plans that fail to maintain compliance with section 1311(c)(1) of the Affordable Care Act, Public Law 111-148.

(i) For qualified health plans offered through MNsure beginning January 1, 2015, health carriers must use the most current addendum for Indian health care providers approved by the Centers for Medicare and Medicaid Services and the tribes as part of their contracts with Indian health care providers. MNsure shall comply with all future changes in federal law with regard to health coverage for the tribes.

(j) Health carriers offering coverage through MNsure shall provide a premium advance to qualified individuals eligible for a state tax credit under section 290.0661, equal to the amount of the tax credit calculated under that section. Individuals receiving a premium advance under this paragraph must pay to the health carrier the full amount of the premium advance by April 15 of the year following the coverage year for which the premium advance was provided. The MNsure eligibility system must automatically notify health carriers:

(1) if an enrollee is eligible for a state tax credit under section 290.0661; and

(2) the amount of the applicable state tax credit.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 3. Minnesota Statutes 2014, section 116J.8737, subdivision 5, is amended to read:

Subd. 5. **Credit allowed.** (a)(1) A qualified investor or qualified fund is eligible for a credit equal to 25 percent of the qualified investment in a qualified small business. Investments made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The commissioner must not allocate more than \$15,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, 2013, and before January 1, ~~2017~~ 2015, and must not allocate more than \$18,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, 2014, and before January 1, 2019; and

(2) for taxable years beginning after December 31, 2014, and before January 1, 2017, ~~\$7,500,000~~ 50 percent of the amount available for the taxable year must be allocated to credits for qualifying investments in qualified greater Minnesota businesses and minority- or women-owned qualified small businesses in Minnesota. Any portion of a taxable year's credits that is reserved for qualifying investments in greater Minnesota businesses and minority- or women-owned qualified small businesses in Minnesota that is not allocated by September 30 of the taxable year is available for allocation to other credit applications beginning on October 1. Any portion of a taxable year's credits that is not allocated by the commissioner does not cancel and may be carried forward to subsequent taxable years until all credits have been allocated.

(b) The commissioner may not allocate more than a total maximum amount in credits for a taxable year to a qualified investor for the investor's cumulative qualified investments as an individual qualified investor and as an investor in a qualified fund; for married couples filing joint returns the maximum is \$250,000, and for all other filers the maximum is \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits over all taxable years for qualified investments in any one qualified small business.

(c) The commissioner may not allocate a credit to a qualified investor either as an individual qualified investor or as an investor in a qualified fund if, at the time the investment is proposed:

(1) the investor is an officer or principal of the qualified small business; or

(2) the investor, either individually or in combination with one or more members of the investor's family, owns, controls, or holds the power to vote 20 percent or more of the outstanding securities of the qualified small business.

A member of the family of an individual disqualified by this paragraph is not eligible for a credit under this section. For a married couple filing a joint return, the limitations in this paragraph apply collectively to the investor and spouse. For purposes of determining the ownership interest of an investor under this paragraph, the rules under section 267(c) and 267(e) of the Internal Revenue Code apply.

(d) Applications for tax credits for 2010 must be made available on the department's Web site by September 1, 2010, and the department must begin accepting applications by September 1, 2010. Applications for subsequent years must be made available by November 1 of the preceding year.

(e) Qualified investors and qualified funds must apply to the commissioner for tax credits. Tax credits must be allocated to qualified investors or qualified funds in the order that the tax credit request applications are filed with the department. The commissioner must approve or reject tax credit request applications within 15 days of receiving the application. The investment specified in the application must be made within 60 days of the allocation of the credits. If the investment is not made within 60 days, the credit allocation is canceled and available for reallocation. A qualified investor or qualified fund that fails to invest as specified in the application, within 60 days of allocation of the credits, must notify the commissioner of the failure to invest within five business days of the expiration of the 60-day investment period.

(f) All tax credit request applications filed with the department on the same day must be treated as having been filed contemporaneously. If two or more qualified investors or qualified funds file tax credit request applications on the same day, and the aggregate amount of credit allocation claims exceeds the aggregate limit of credits under this section or the lesser amount of credits that remain unallocated on that day, then the credits must be allocated among the qualified investors or qualified funds who filed on that day on a pro rata basis with respect to the amounts claimed. The pro rata allocation for any one qualified investor or qualified fund is the product obtained by multiplying a fraction, the numerator of which is the amount of the credit allocation claim filed on behalf of a qualified investor and the denominator of which is the total of all credit allocation claims filed on behalf of all applicants on that day, by the amount of credits that remain unallocated on that day for the taxable year.

(g) A qualified investor or qualified fund, or a qualified small business acting on their behalf, must notify the commissioner when an investment for which credits were allocated has been made, and the taxable year in which the investment was made. A qualified fund must also provide the commissioner with a statement indicating the amount invested by each investor in the qualified fund based on each investor's share of the assets of the qualified fund at the time of the qualified investment. After receiving notification that the investment was made, the commissioner must issue credit certificates for the taxable year in which the investment was made to the qualified investor or, for an investment made by a qualified fund, to each qualified investor who is an investor in the fund. The certificate must state that the credit is subject to revocation if the qualified investor or qualified fund does not hold the investment in the qualified small business for at least three years, consisting of the calendar year in which the investment was made and the two following years. The three-year holding period does not apply if:

(1) the investment by the qualified investor or qualified fund becomes worthless before the end of the three-year period;

(2) 80 percent or more of the assets of the qualified small business is sold before the end of the three-year period;

(3) the qualified small business is sold before the end of the three-year period;

(4) the qualified small business's common stock begins trading on a public exchange before the end of the three-year period; or

(5) the qualified investor dies before the end of the three-year period.

(h) The commissioner must notify the commissioner of revenue of credit certificates issued under this section.

EFFECTIVE DATE. This section is effective the day following final enactment for taxable years beginning after December 31, 2014.

Sec. 4. Minnesota Statutes 2014, section 116J.8737, subdivision 12, is amended to read:

Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31, ~~2016~~ 2018, except that reporting requirements under subdivision 6 and revocation of credits under subdivision 7 remain in effect through ~~2018~~ 2020 for qualified investors and qualified funds, and through ~~2020~~ 2022 for qualified small businesses, reporting requirements under subdivision 9 remain in effect through ~~2021~~ 2023, and the appropriation in subdivision 11 remains in effect through ~~2020~~ 2022.

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

Sec. 5. **[116J.8739] TECHNOLOGY CORPORATE TAX BENEFIT REFUND PROGRAM.**

Subdivision 1. **Program established.** The commissioner shall establish a corporate tax benefit refund program to allow new or expanding technology and biotechnology companies in this state with unused net operating loss carryovers under section 290.095 to surrender those tax benefits for refunds. The refunds must be used to assist in the funding of costs incurred by the new or expanding technology and biotechnology company.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Biotechnology" means the continually expanding body of fundamental knowledge about the functioning of biological systems from the macro level to the molecular and subatomic levels, as well as novel products, services, technologies, and subtechnologies developed as a result of insights gained from research advances that add to that body of fundamental knowledge.

(c) "Biotechnology company" means an corporation that:

(1) has its headquarters or base of operations in this state;

(2) owns, has filed for, or has a valid license to use protected, proprietary intellectual property; and

(3) is engaged in the research, development, production, or provision of biotechnology to develop or provide products or processes for specific commercial or public purposes including, but not limited to, medical, pharmaceutical, nutritional, and other health-related purposes, agricultural purposes, and environmental purposes.

(d) "Full-time employee" means a person employed by a new or expanding technology or biotechnology company for consideration for at least 35 hours per week, or who renders any other standard of service generally accepted by custom or practice as full-time employment and whose wages are subject to withholding under section 290.92; or who is a partner of a new or expanding technology or biotechnology company who works for the partnership for at least 35 hours per week, or who renders any other standard of service generally accepted by custom or practice as full-time employment, and whose distributive share of income, gain, loss, or deduction, or whose guaranteed payments, or any combination of them, is subject to the payment of estimated taxes, under section 289A.25. To qualify as a full-time employee, an employee must also receive from the new or expanding technology or biotechnology company group health benefits under a health plan as defined under section 62A.011, subdivision 3, or under a self-insured employee welfare benefit plan as defined in United States Code, title 29, section 1002. Full-time employee excludes any person who works as an independent contractor or on a consulting basis for the new or expanding technology or biotechnology company.

(e) "New or expanding" means a technology or biotechnology company that:

(1) on June 30 of the year in which the corporation files an application for surrender of tax benefits under this section and on the date of the grant of the corporate tax benefit certificate, has fewer than 250 employees in the United States;

(2) on June 30 of the year in which the corporation files the application, has at least one full-time employee working in this state if the company has been incorporated for less than three years, has at least five full-time employees working in this state if the company has been incorporated for more than three years but fewer than five years, and has at least ten full-time employees working in this state if the company has been incorporated for more than five years; and

(3) on the date of the grant of the corporate tax benefit certificate, the corporation has the number of full-time employees in this state required by clause (2).

(f) "Technology company" means a corporation that:

(1) has its headquarters or base of operations in this state;

(2) owns, has filed for, or has a valid license to use protected, proprietary intellectual property; and

(3) employs some combination of the following: highly educated or trained managers and workers, or both, employed in this state who use sophisticated scientific research service or production equipment, processes, or knowledge to discover, develop, test, transfer, or manufacture a product or service.

Subd. 3. Allocation of tax benefits; annual limit. (a) The commissioner, in cooperation with the commissioner of revenue, shall review and approve applications by new or expanding technology and biotechnology companies with unused but otherwise allowable net operating loss carryovers under section 290.095 to surrender those tax benefits for the grant of a refund. The amount of the qualifying tax benefit is the amount of the net operating loss carryover multiplied by the new or expanding technology or biotechnology company's anticipated apportionment percentage, as determined under section 290.191, for the taxable year in which the benefit is surrendered and then multiplied by the corporate franchise tax rate under section 290.06, subdivision 1.

(b) The commissioner must approve the grant of no more than \$15,000,000 of tax benefit refunds in each fiscal year. If the total amount of tax benefits requested to be surrendered by approved applicants exceeds \$15,000,000 for a fiscal year, the commissioner, in cooperation with the commissioner of revenue, must not approve the grant of more than \$15,000,000 of tax benefits for that fiscal year and shall allocate the grant of tax benefit refunds by approved corporations using the following method:

(1) an eligible applicant with \$250,000 or less of qualifying tax benefits may surrender the entire amount of its tax benefits;

(2) an eligible applicant with more than \$250,000 of qualifying tax benefits may surrender a minimum of \$250,000 of its tax benefits; and

(3) an eligible applicant with more than \$250,000 of qualifying tax benefits may surrender additional tax benefits determined by multiplying the applicant's tax benefits, less the minimum tax benefits that corporation is authorized to surrender under clause (2), by a fraction, the numerator of which is the total amount of tax benefit grants that the commissioner is authorized to approve less the total amount of tax benefits approved under clauses (1) and (2), and the denominator of which is the total amount of tax benefits requested to be surrendered by all eligible applicants less the total amount of tax benefit grants approved under clauses (1) and (2).

(c) If the total amount of tax benefit grants that would be authorized using the method under paragraph (b) exceeds \$15,000,000 for a fiscal year, then the commissioner, in cooperation with the commissioner of revenue, shall limit the total amount of tax benefit grants authorized to \$15,000,000 by applying the above method on an apportioned basis.

Subd. 4. Qualifying tax benefits and corporations. (a) For purposes of this section, qualifying tax benefits include an eligible applicant's unused but otherwise allowable carryover of net operating losses multiplied by the applicant's anticipated allocation factor as determined under section 290.191 for the taxable year in which the benefit is surrendered and subsequently multiplied by the corporation franchise tax rate under section 290.06, subdivision 1. An eligible applicant's qualifying tax benefits are limited to net operating losses that the applicant requests to surrender in its application to the authority and must not, in total, exceed the maximum amount of tax benefits that the applicant is eligible to surrender. No application for a corporate tax benefit certificate must be approved in which the new or expanding technology or biotechnology company:

(1) has demonstrated positive net operating income in any of the two previous full years of ongoing operations as determined on its financial statements issued according to generally accepted accounting standards endorsed by the Financial Accounting Standards Board; or

(2) is directly or indirectly at least 50 percent owned or controlled by another corporation that has demonstrated positive net operating income in any of the two previous full years of ongoing operations as determined on its financial statements issued according to generally accepted accounting standards endorsed by the Financial Accounting Standards Board or is part of a consolidated group of affiliated corporations, as filed for federal income tax purposes, that in the aggregate has demonstrated positive net operating income in any of the two previous full years of ongoing operations as determined on its combined financial statements issued according to generally accepted accounting standards endorsed by the Financial Accounting Standards Board.

(b) The maximum lifetime value of surrendered tax benefits that a corporation may surrender under the program is \$5,000,000.

Subd. 5. Recapture of tax benefits. The commissioner, in consultation with the commissioner of revenue, shall establish procedures for the recapture of all of, or a portion of, the amount of a grant of a corporate tax benefit certificate from the new or expanding technology or biotechnology company receiving a grant for a refund of surrendered tax benefits under this section if the taxpayer fails to use the refund as required by this section or fails to maintain a headquarters or a base of operation in this state during the five years following receipt of the refund, except if the failure to maintain a headquarters or a base of operation in this state is due to the liquidation of the new or expanding technology or biotechnology company.

Subd. 6. Approval of acquisition of tax benefits; purposes; required agreement. (a) The commissioner must not issue a corporate tax benefit certificate unless the applicant certifies that as of the date of the grant of the certificate that it is operating as a new or expanding technology or biotechnology company in this state and does not intend to cease operating as a new or expanding technology or biotechnology company in this state.

(b) The recipient of a grant under this section must use the refund to pay expenses incurred for the operation of the new or expanding technology or biotechnology company in this state including, but not limited to, the expenses of fixed assets, such as the construction and acquisition and development of real estate, materials, start-up, tenant fit-out, working capital, salaries, research and development expenditures, and any other expenses determined by the commissioner to be necessary to carry out technology or biotechnology company operations in this state.

(c) The commissioner shall enter into a written agreement with the new or expanding technology or biotechnology company specifying the terms and conditions of the grant of the certificate of tax benefits. The written agreement may require the maintenance by the new or expanding technology or biotechnology company of a headquarters or a base of operation in this state.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to taxable years beginning after December 31, 2015.

Sec. 6. Minnesota Statutes 2014, section 289A.02, subdivision 7, as amended by Laws 2015, chapter 1, section 1, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 2014~~ April 1, 2015.

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

Sec. 7. Minnesota Statutes 2014, section 289A.12, is amended by adding a subdivision to read:

Subd. 19. **Charity health care services.** (a) A medical professional, dentist, or chiropractor claiming the subtraction under section 290.01, subdivision 19b, clause (23), must file an informational report with the commissioner documenting the value of charity health care services that the individual provided during the taxable year. A business that employs a medical professional, dentist, or chiropractor may also file an informational report with the commissioner documenting the value of charity health care services its employees provided during the taxable year. The charity health care services reported to the commissioner must be limited to those services covered under medical assistance and for which a federal Medicaid match is available and must be calculated at the reimbursement rates provided in section 256B.76.

(b) For purposes of this subdivision, the following terms have the meanings given:

(1) "chiropractor" means an individual licensed under chapter 148;

(2) "dentist" means an individual licensed under chapter 150A; and

(3) "medical professional" means an individual licensed under chapter 147, an individual licensed under chapter 147B, and a mental health professional as defined under section 245.462, subdivision 18, or section 245.4871, subdivision 27.

(c) The commissioner shall define charity health care services for purposes of this subdivision. In developing this definition, the commissioner shall consider the criteria specified in Minnesota Rules, part 4650.0115, subpart 2.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 8. Minnesota Statutes 2014, section 290.01, subdivision 7, is amended to read:

Subd. 7. **Resident.** (a) The term "resident" means any individual domiciled in Minnesota, except that an individual is not a "resident" for the period of time that the individual is a "qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code, if the qualified individual notifies the county within three months of moving out of the country that homestead status be revoked for the Minnesota residence of the qualified individual, and the property is not classified as a homestead while the individual remains a qualified individual.

(b) "Resident" also means any individual domiciled outside the state who maintains a place of abode in the state and spends in the aggregate more than one-half of the tax year in Minnesota, unless:

- (1) the individual or the spouse of the individual is in the armed forces of the United States; or
- (2) the individual is covered under the reciprocity provisions in section 290.081.

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state, except that a day spent in Minnesota for the primary purpose of receiving medical treatment by the taxpayer, or the spouse, child, or parent of the taxpayer, is not treated as a day spent in Minnesota. "Medical treatment" means treatment as defined in section 213(d)(1)(A) of the Internal Revenue Code. Individuals shall keep adequate records to substantiate the days spent outside the state.

The term "abode" means a dwelling maintained by an individual, whether or not owned by the individual and whether or not occupied by the individual, and includes a dwelling place owned or leased by the individual's spouse.

(c) In determining where an individual is domiciled, neither the commissioner nor any court shall consider:

(1) charitable contributions made by ~~an~~ the individual within or without the state ~~in determining if the individual is domiciled in Minnesota;~~

(2) the location of the individual's attorney, certified public accountant, or financial adviser; or

(3) the place of business of a financial institution at which the individual applies for any new type of credit or at which the individual opens or maintains any type of account.

(d) For purposes of this subdivision, the following terms have the meanings given them:

(1) "financial adviser" means a financial institution or an individual engaged in business as a certified financial planner, registered investment adviser, licensed insurance agent, or securities broker-dealer; and

(2) "financial institution" means a financial institution as defined in section 47.015, subdivision 1; a state or nationally chartered credit union; or a registered broker-dealer under the Securities and Exchange Act of 1934.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 9. Minnesota Statutes 2014, section 290.01, subdivision 19, as amended by Laws 2015, chapter 1, section 2, is amended to read:

Subd. 19. **Net income.** The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating the federal effective dates of changes to the Internal Revenue Code and any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

- (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

The Internal Revenue Code of 1986, as amended through ~~December 31, 2014~~ April 1, 2015, shall be in effect for taxable years beginning after December 31, 1996.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19 to 19f mean the code in effect for purposes of determining net income for the applicable year.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2013.

Sec. 10. Minnesota Statutes 2014, 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

state itemized deduction exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, minus any addition that would have been required under clause (17) if the taxpayer had claimed the standard deduction. For the purpose of this clause, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under clause (15);

(3) the capital gain amount of a lump-sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and taxes based on net income paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10 other than expenses or interest used in computing net interest income for the subtraction allowed under subdivision 19b, clause (1);

(6) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed;

(8) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(9) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

(10) the amount of expenses disallowed under section 290.10, subdivision 2;

(11) for taxable years beginning before January 1, 2010, the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income;

(12) for taxable years beginning before January 1, 2010, the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income;

(13) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code;

(14) changes to federal taxable income attributable to a net operating loss that the taxpayer elected to carry back for more than two years for federal purposes but for which the losses can be carried back for only two years under section 290.095, subdivision 11, paragraph (c);

(15) the amount of disallowed itemized deductions, but the amount of disallowed itemized deductions plus the addition required under clause (2) may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, and reduced by any addition that would have been required under clause (17) if the taxpayer had claimed the standard deduction:

(i) the amount of disallowed itemized deductions is equal to the lesser of:

(A) three percent of the excess of the taxpayer's federal adjusted gross income over the applicable amount; or

(B) 80 percent of the amount of the itemized deductions otherwise allowable to the taxpayer under the Internal Revenue Code for the taxable year;

(ii) the term "applicable amount" means \$100,000, or \$50,000 in the case of a married individual filing a separate return. Each dollar amount shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof;

(iii) the term "itemized deductions" does not include:

(A) the deduction for medical expenses under section 213 of the Internal Revenue Code;

(B) any deduction for investment interest as defined in section 163(d) of the Internal Revenue Code; and

(C) the deduction under section 165(a) of the Internal Revenue Code for casualty or theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue Code or for losses described in section 165(d) of the Internal Revenue Code;

(16) the amount of disallowed personal exemptions for taxpayers with federal adjusted gross income over the threshold amount:

(i) the disallowed personal exemption amount is equal to the number of personal exemptions allowed under section 151(b) and (c) of the Internal Revenue Code multiplied by the dollar amount for personal exemptions under section 151(d)(1) and (2) of the Internal Revenue Code, as adjusted for inflation by section 151(d)(4) of the Internal Revenue Code, and by the applicable percentage;

(ii) "applicable percentage" means two percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. In the case of a married individual filing a separate return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In no event shall the applicable percentage exceed 100 percent;

(iii) the term "threshold amount" means:

(A) \$150,000 in the case of a joint return or a surviving spouse;

(B) \$125,000 in the case of a head of a household;

(C) \$100,000 in the case of an individual who is not married and who is not a surviving spouse or head of a household; and

(D) \$75,000 in the case of a married individual filing a separate return; and

(iv) the thresholds shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; ~~and~~

(17) to the extent deducted in the computation of federal taxable income, for taxable years beginning after December 31, 2010, and before January 1, 2014, the difference between the standard deduction allowed under section 63(c) of the Internal Revenue Code and the standard deduction allowed for 2011, 2012, and 2013 under the Internal Revenue Code as amended through December 1, 2010; and

(18) the amount withdrawn by a participant in the Minnesota long-term care savings plan under section 16A.128 by a person who is not a qualified individual or for any reason other than a transfer of funds to a spouse, payment of long-term care expenses or long-term care insurance premiums, or the death of the participant, including withdrawals made by reason of cancellation of the participation agreement or termination of the plan.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 11. Minnesota Statutes 2014, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) 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, and amounts used to claim the credit under section 290.067, not to exceed \$1,625 \$2,500 for each qualifying child in grades a prekindergarten educational program or in kindergarten to through grade 6 and \$2,500 \$3,750 for each qualifying child in grades 7 to through 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 education-related expenses, as defined in section 290.0674, subdivision 1. 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; and "prekindergarten educational program" has the meaning given in section 290.0674, subdivision 1. The maximum amounts allowed for each qualifying child under this clause must be adjusted for inflation. The commissioner shall adjust the maximum amount by the percentage determined under the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2014" is substituted for the word "1992." For 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2014, to the 12 months ending on August 31, 2015, and in each subsequent year, from the 12 months ending August 31, 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The amounts as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule subject to the Administrative Procedure Act in chapter 14, including section 14.386;~~

(4) income as provided under section 290.0802;

(5) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code, under the provisions of Public Law 109-1 and Public Law 111-126;

(7) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

(8) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (12), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (12), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

(9) job opportunity building zone income as provided under section 469.316;

(10) to the extent included in federal taxable income, the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service, including compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); or (ii) federally funded state active service as defined in section 190.05, subdivision 5b, and "active service" includes service performed in accordance with section 190.08, subdivision 3;

(11) to the extent included in federal taxable income, the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed under United States Code, title 10; or the authority of the United Nations;

(12) an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

~~(13) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (13), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (13), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause~~ the section 179 expensing subtraction as provided under section 290.0803, subdivision 3;

(14) to the extent included in the federal taxable income of a nonresident of Minnesota, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

(15) to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved Americorps National Service program;

(16) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under subdivision 19a, clause (13);

(17) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c);

(18) the amount of expenses not allowed for federal income tax purposes due to claiming the railroad track maintenance credit under section 45G(a) of the Internal Revenue Code;

(19) the amount of the limitation on itemized deductions under section 68(b) of the Internal Revenue Code;

(20) the amount of the phaseout of personal exemptions under section 151(d) of the Internal Revenue Code; ~~and~~

(21) to the extent included in federal taxable income, the amount of qualified transportation fringe benefits described in section 132(f)(1)(A) and (B) of the Internal Revenue Code. The subtraction is limited to the lesser of the amount of qualified transportation fringe benefits received in excess of the limitations under section 132(f)(2)(A) of the Internal Revenue Code for the year or the difference between the maximum qualified parking benefits excludable under section 132(f)(2)(B) of the Internal Revenue Code minus the amount of transit benefits excludable under section 132(f)(2)(A) of the Internal Revenue Code;

(22) to the extent included in federal taxable income, an amount not to exceed \$40 per employee per calendar month, provided that:

(i) for an individual, the subtraction equals the value of the use of an on-premises fitness facility provided by an employer to the individual, or the value of any fees, dues, or membership expenses paid by an employer on behalf of the individual to a fitness facility;

(ii) for an S corporation, sole proprietor, or partnership, the subtraction equals the value of any fees, dues, or membership expenses paid on behalf of its employees to a fitness facility;

(iii) the subtraction under this clause applies only if the use of on-premises fitness facilities or the payment of fees, dues, or membership expenses to a fitness facility are available on substantially the same terms to each member of a group of employees defined under a reasonable classification by the employer, but no classification may include only highly compensated employees, as defined under section 414(q) of the Internal Revenue Code, or any other group that includes only executives, directors, or other managerial employees;

(iv) the subtraction under this clause is only allowed to employers and employees for months in which the employee uses the fitness facility for the preservation, maintenance, encouragement, or development of physical fitness on at least eight days; and

(v) for purposes of this clause, "fitness facility" means a facility located in the state:

(A) that provides instruction in a program of physical exercise; offers facilities for the preservation, maintenance, encouragement, or development of physical fitness; or is the site of such a program of a state or local government;

(B) that is not a private club owned and operated by its members;

(C) that does not offer golf, hunting, sailing, or horseback riding facilities;

(D) whose fitness facility is not incidental to its overall function and purpose; and

(E) that is compliant with antidiscrimination laws under chapter 363A and applicable federal antidiscrimination laws;

(23) to the extent not deducted in computing federal taxable income, the value of charity health care services provided by a medical professional as defined under section 289A.12, subdivision 19, paragraph (b), clause (3), a dentist licensed under chapter 150A, or a chiropractor licensed under chapter 148, and acting within the scope of the individual's license. For the purposes of this clause, the value of charity health care services must be calculated at the applicable reimbursement rate provided under section 256B.76 for the medical professional, dentist, or chiropractor for services for which a federal Medicaid match is available;

(24) for an individual who does not claim the credit under section 290.0677, subdivision 1a, and receives compensation from a pension or other retirement pay from the federal government for service in the military, as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455, or 12732 to 12733, \$1,000 for each year or portion of a year of military service, up to a maximum of 20 years of military service and a maximum subtraction of \$20,000. In the case of a married couple filing jointly, each spouse is eligible for this subtraction. The subtraction under this clause is not limited to the amount of compensation received from a pension or other retirement pay;

(25) to the extent included in federal taxable income, a percentage of Social Security benefits. For purposes of this clause, for the taxable year beginning after December 31, 2014, and before January 1, 2016, the percentage is 20 percent, and the percentage increases by 20 percentage points in each taxable year thereafter until the percentage of Social Security benefits allowed as a subtraction under this clause is 100 percent;

(26) the amount equal to the contributions made during the taxable year to a college savings plan account qualifying under section 529 of the Internal Revenue Code, not including amounts rolled over from other college savings plan accounts, and not to exceed \$3,000 for married couples filing joint returns and \$1,500 for all other filers. The subtraction must not include any amount used to claim the credit allowed under section 290.0684;

(27) to the extent not deducted in determining federal taxable income, an amount equal to contributions made to the Minnesota long-term care savings plan under section 16A.728, up to a maximum of \$2,000 for married individuals filing joint returns and \$1,000 for any other individual, and any investment earnings made as a participant in the Minnesota long-term care savings plan; and

(28) for an individual who is a first responder, an amount equal to the sum of:

(i) \$7.50 per day of deemed meal expenses for two days in each week during the taxable year that the eligible individual was on call for fewer than 21 hours; plus

(ii) \$7.50 per day of deemed meal expenses for four days in each week during the taxable year that the eligible individual was on call for 21 or more hours.

For purposes of this clause, "first responder" means an individual who meets the definition of:

(A) ambulance service personnel in section 144E.001, subdivision 3a;

(B) an emergency medical responder in section 144E.001, subdivision 6;

(C) a volunteer ambulance attendant in section 144E.001, subdivision 15;

(D) a full-time firefighter in section 299N.03, subdivision 5; or

(E) a volunteer firefighter in section 299N.03, subdivision 7.

For the purposes of this clause, "on call" means required to respond to requests for emergency medical services or fire help within the geographic area served by the ambulance service or fire department of which the first responder is an employee or volunteer.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014, except that clause (23) is effective for taxable years beginning after December 31, 2015.

Sec. 12. Minnesota Statutes 2014, 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) 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;

(5) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

(6) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (8), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(7) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(8) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under subdivision 19c, clause (1), in a prior taxable year;

(9) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

(10) the amount of disability access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

(11) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

(12) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

(13) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

(14) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (12), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (12). The resulting delayed depreciation cannot be less than zero;

~~(15) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (13), an amount equal to one fifth of the amount of the addition~~ the section 179 expensing subtraction as provided under section 290.0803, subdivision 3;

(16) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under subdivision 19c, clause (16); ~~and~~

(17) the amount of expenses not allowed for federal income tax purposes due to claiming the railroad track maintenance credit under section 45G(a) of the Internal Revenue Code; ~~and~~

(18) to the extent included in federal taxable income, an amount equal to any fees, dues, or membership expenses paid by an employer on behalf of each employee to a fitness facility, as defined in subdivision 19b, clause (22), item (v), provided that:

(i) the subtraction under this clause shall not exceed \$40 per employee per calendar month;

(ii) the subtraction under this clause is only allowed to employers for months in which the employee uses the fitness facility for the preservation, maintenance, encouragement, or development of physical fitness on at least eight days; and

(iii) the subtraction under this clause applies only if the payment of fees, dues, or membership expenses to a fitness facility are available on substantially the same terms to each member of a group of employees defined under a reasonable classification by the employer, but no classification may include only highly compensated employees, as defined under section 414(q) of the Internal Revenue Code, or any other group that includes only executives, directors, or other managerial employees.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 13. Minnesota Statutes 2014, section 290.01, subdivision 29, is amended to read:

Subd. 29. **Taxable income.** The term "taxable income" means:

(1) for individuals, estates, and trusts, the same as taxable net income;

(2) for corporations, the taxable net income less

(i) the net operating loss deduction under section 290.095, excluding any amount surrendered under section 116J.8739;

(ii) the dividends received deduction under section 290.21, subdivision 4; and

(iii) the exemption for operating in a job opportunity building zone under section 469.317.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 14. Minnesota Statutes 2014, section 290.01, subdivision 31, as amended by Laws 2015, chapter 1, section 3, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 2014~~ April 1, 2015. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as amended through March 18, 2010.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time the changes were effective for federal purposes.

Sec. 15. Minnesota Statutes 2014, section 290.06, is amended by adding a subdivision to read:

Subd. 37. **Refund; technology corporate tax benefits certificate; appropriation.** (a) A corporation is allowed a refund equal to the amount of the qualifying tax benefits certified to the corporation for the taxable year by the commissioner of employment and economic development under section 116J.8739.

(b) An amount sufficient to pay the refunds under this subdivision is appropriated to the commissioner from the general fund.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 16. **[290.0661] STATE TAX CREDIT FOR MNSURE PREMIUM PAYMENTS.**

Subdivision 1. **Definitions.** (a) For purposes of this section, the following definitions apply.

(b) "MNsure" means the insurance exchange established under chapter 62V.

(c) "Federal poverty guidelines" means the federal poverty guidelines published by the United States Department of Health and Human Services that apply to calculate the individual's premium support credit under section 36B of the Internal Revenue Code for the taxable year.

(d) "Qualified individual" means a resident individual applying for, or enrolled in, qualified health plan coverage through MNsure with:

(1) an income greater than 133 percent but not exceeding 200 percent of the federal poverty guidelines; or

(2) an income equal to or less than 133 percent of the federal poverty guidelines, if the applicant or enrollee would have been eligible for MinnesotaCare coverage under the eligibility criteria specified in Minnesota Statutes 2014, chapter 256L.

Subd. 2. Credit allowed; payment to health carrier. (a) A qualified individual is allowed a credit against the tax due under this chapter equal to the amount determined under subdivision 3.

(b) For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(c) A qualified individual receiving a premium advance under section 62V.05, subdivision 5, paragraph (j), must pay to the health carrier the full amount of the premium advance by April 15 of the year following the coverage year for which the premium advance was provided.

Subd. 3. Calculation of credit amount. The commissioner, in consultation with the commissioner of human services and the MNsure board, shall provide qualified individuals with tax credits that reduce the cost of MNsure household premiums for qualified health plans by specified dollar amounts. The dollar amount of the tax credit must equal the base premium reduction amount, adjusted for household size. The commissioner shall establish separate base premium reduction amounts, based on a sliding scale, for:

(1) households with incomes not exceeding 150 percent of the federal poverty guidelines; and

(2) households with incomes greater than 150 percent but not exceeding 200 percent of the federal poverty guidelines.

The commissioner, in developing the tax credit methodology and the base premium reduction amounts, shall ensure that aggregate tax credits provided under this section do not exceed \$50,000,000 per taxable year.

Subd. 4. Credit refundable; appropriation. (a) If the credit allowed under this section exceeds the individual's liability under this chapter, the commissioner shall refund the excess to the taxpayer.

(b) An amount sufficient to pay the credits required by this section is appropriated from the general fund to the commissioner.

Subd. 5. Payment in advance. The commissioner of human services shall seek all federal approvals and waivers necessary to pay the tax credit established under this section on a monthly basis, in advance, to the health carrier providing qualified health plan coverage to the qualified individual without affecting the amount of the qualified individual's federal premium support credit. If the necessary federal approvals and waivers are obtained, the commissioner of human services shall submit to the legislature any legislative changes necessary to implement advanced payment of tax credits, and the MNsure board shall require health carriers to reduce premiums charged to qualified individuals by the amount of the applicable tax credit.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 17. Minnesota Statutes 2014, 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.

(e) 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 (9), 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.

(f) For residents of Minnesota, the subtractions for military pay under section 290.01, subdivision 19b, clauses (10) and (11), are not considered "earned income not subject to tax under this chapter."

(g) 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."

(h) For taxpayers with federal adjusted gross income in excess of \$44,000, the credit is equal to the lesser of the credit otherwise calculated under this subdivision or the amount equal to \$600 minus five percent of federal adjusted gross income in excess of \$44,000 for taxpayers with one qualified individual or \$1,200 minus five percent of

federal adjusted gross income in excess of \$44,000 for taxpayers with two or more qualified individuals, but in no case is the credit less than zero. For purposes of this paragraph, "federal adjusted gross income" has the meaning given in section 62 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 18. Minnesota Statutes 2014, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota 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 2.10 percent of the first \$6,180 of earned income. The credit is reduced by 2.01 percent of earned income or adjusted gross income, whichever is greater, in excess of \$8,130, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 9.35 percent of the first \$11,120 of earned income. The credit is reduced by 6.02 percent of earned income or adjusted gross income, whichever is greater, in excess of \$21,190, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals 11 percent of the first \$18,240 of earned income. The credit is reduced by 10.82 percent of earned income or adjusted gross income, whichever is greater, in excess of \$25,130, 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 (9), 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 (10) and (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, and for tax years beginning after December 31, 2017, the \$8,130 in paragraph (b), the \$21,190 in paragraph (c), and the \$25,130 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)(1) For tax years beginning after December 31, 2012, and before January 1, 2014, 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 increased by \$5,340 for married taxpayers filing joint returns; and (2) for tax years beginning after December 31, 2013, and before January 1, 2018, the \$8,130 in paragraph (b), the \$21,190 in paragraph (c), and the \$25,130 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$5,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2010, and before January 1, 2012, and for tax years beginning after December 31, 2013, and before January 1, 2018, the commissioner shall annually adjust the \$5,000 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 "2008" shall be substituted for the word "1992." For 2011, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2008, to the 12 months ending on August 31, 2010, and in each subsequent year, from the 12 months ending on August 31, 2008, 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.

(i) 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 for taxable years beginning after December 31, 2014.

Sec. 19. Minnesota Statutes 2014, section 290.0671, subdivision 6a, is amended to read:

Subd. 6a. **TANF appropriation for working family credit expansion.** (a) On an annual basis the commissioner of revenue, with the assistance of the commissioner of human services, shall calculate the value of the refundable portion of the Minnesota Working Family Credit provided under this section that qualifies for payment with funds from the federal Temporary Assistance for Needy Families (TANF) block grant. Of this total amount, the commissioner of revenue shall estimate the portion entailed by the expansion of the credit rates provided in Laws 2000, chapter 490, article 4, section 17, for individuals with qualifying children over the rates provided in Laws 1999, chapter 243, article 2, section 12.

(b) An amount sufficient to pay the refunds entailed by the expansion of the credit rates provided in Laws 2000, chapter 490, article 4, section 17, for individuals with qualifying children over the rates provided in Laws 1999, chapter 243, article 2, section 12, as estimated in paragraph (a), is appropriated to the commissioner of human services from the federal Temporary Assistance for Needy Families (TANF) block grant funds, for transfer to the commissioner of revenue for deposit in the general fund.

EFFECTIVE DATE. This section is effective retroactively for transfers in fiscal year 2015 and thereafter.

Sec. 20. Minnesota Statutes 2014, section 290.0672, subdivision 2, is amended to read:

Subd. 2. **Credit.** A taxpayer is allowed a credit against the tax imposed by this chapter for long-term care insurance policy premiums paid during the tax year. The credit for each policy equals ~~25~~ 50 percent of premiums paid to the extent not deducted in determining federal taxable income. A taxpayer may claim a credit for only one policy for each qualified beneficiary. A maximum of ~~\$100~~ \$150 applies to each qualified beneficiary. The maximum total credit allowed per year is ~~\$200~~ \$300 for married couples filing joint returns and ~~\$100~~ \$150 for all other filers. For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 21. Minnesota Statutes 2014, section 290.0674, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** An individual is allowed a credit against the tax imposed by this chapter in an amount equal to 75 percent of the amount paid for education-related expenses for a qualifying child in a prekindergarten educational program or in kindergarten through grade 12. For purposes of this section, "education-related expenses" means:

(1) fees or tuition for instruction by an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers Association, and who is not a lineal ancestor or sibling of the dependent for instruction outside the regular school day or school year, including tutoring, driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity or summer camps, in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year, that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), and that do not include the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;

(2) fees for enrollment in a prekindergarten educational program to the extent not used to claim the credit under section 290.067;

~~(2)~~ (3) expenses for textbooks, including 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. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

~~(3)~~ (4) a maximum expense of \$200 per family for personal computer hardware, excluding single purpose processors, and educational software that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), purchased for use in the taxpayer's home and not used in a trade or business regardless of whether the computer is required by the dependent's school; and

~~(4)~~ (5) the amount paid to others for tuition and transportation of a qualifying child attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. Amounts paid to others for transportation do not include any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle to provide transportation for a qualifying child.

For purposes of this section, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code.

As used in this section, "prekindergarten educational program" means:

(i) prekindergarten programs established by a school district under chapter 124D;

(ii) preschools, nursery schools, and early childhood development programs licensed by the Department of Human Services and eligible for the provider rate differential for accreditation under section 119B.13, subdivision 3a;

(iii) Montessori programs affiliated with or accredited by the American Montessori Society or American Montessori International;

(iv) child care programs provided by family day care providers holding a current early childhood development credential approved by the commissioner of human services; and

(v) a prekindergarten program that participates in the quality rating and improvement system under section 124D.142.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 22. Minnesota Statutes 2014, section 290.0674, subdivision 2, is amended to read:

Subd. 2. **Limitations.** (a) For claimants with income not greater than ~~\$33,500~~ \$47,500, the maximum credit allowed for a family is ~~\$1,000~~ \$1,500 multiplied by the number of qualifying children in ~~kindergarten a prekindergarten educational program~~ through grade 12 in the family. The maximum credit for families with one qualifying child in ~~kindergarten a prekindergarten educational program~~ through grade 12 is reduced by \$1 for each ~~\$4~~ \$6 of household income over ~~\$33,500~~ \$47,500, and the maximum credit for families with two or more qualifying children in ~~kindergarten a prekindergarten educational program~~ through grade 12 is reduced by ~~\$2~~ \$1 for each ~~\$4~~ \$3 of household income over ~~\$33,500~~ \$47,500, but in no case is the credit less than zero.

~~For purposes of this section "income" has the meaning given in section 290.067, subdivision 2a.~~ In the case of a married claimant, a credit is not allowed unless a joint income tax return is filed.

(b) For a nonresident or part-year resident, the credit determined under subdivision 1 and the maximum credit amount in paragraph (a) must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

(c) For purposes of this section, "income" means the sum of the following:

(1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code; and

(2) the sum of the following amounts to the extent not included in clause (1):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code;

(xii) nontaxable scholarship or fellowship grants;

(xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code;

(xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

(xv) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code; and

(xvi) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" means federal adjusted gross income reflected in the fiscal year ending in the next calendar year. Federal adjusted gross income may not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(d) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(2) amounts of any pension or annuity that were exclusively funded by the claimant or spouse if the funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) surplus food or other relief in kind supplied by a governmental agency;

(4) relief granted under chapter 290A;

(5) child support payments received under a temporary or final decree of dissolution or legal separation; and

(6) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 23. Minnesota Statutes 2014, section 290.0674, is amended by adding a subdivision to read:

Subd. 6. **Inflation adjustment.** The credit amount and the income threshold at which the maximum credit begins to be reduced in subdivision 2 must be adjusted for inflation. The commissioner shall adjust the credit amount and income threshold by the percentage determined under the provisions of section 1(f) of the Internal

Revenue Code, except that in section 1(f)(3)(B) the word "2014" is substituted for the word "1992." For 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2014, to the 12 months ending on August 31, 2015, and in each subsequent year, from the 12 months ending August 31, 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The credit amount and income threshold, as adjusted for inflation, must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule subject to the Administrative Procedure Act in chapter 14, including section 14.386.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 24. Minnesota Statutes 2014, section 290.0677, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Designated area" means a:

- (1) combat zone designated by Executive Order from the President of the United States;
- (2) qualified hazardous duty area, designated in Public Law; or
- (3) location certified by the U.S. Department of Defense as eligible for combat zone tax benefits due to the location's direct support of military operations.

(c) "Active military service" means active duty service in any of the United States armed forces, the National Guard, or reserves.

(d) "Qualified individual" means an individual who has:

- (1) met one of the following criteria:
 - (i) has served at least 20 years in the military;
 - (ii) has a service-connected disability rating of 100 percent for a total and permanent disability; or
 - (iii) has been determined by the military to be eligible for compensation from a pension or other retirement pay from the federal government for service in the military, as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455, or 12733; ~~and~~

(2) separated from military service before the end of the taxable year; and

(3) has not claimed the subtraction under section 290.01, subdivision 19b, clause (24).

(e) "Adjusted gross income" has the meaning given in section 61 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 25. Minnesota Statutes 2014, section 290.068, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** Subject to the requirements in subdivision 8, a corporation, ~~partners in a partnership, or shareholders in a corporation treated as an "S" corporation under section 290.9725~~ are individual, trust, or estate is allowed a credit against the tax computed under this chapter for the taxable year equal to:

(a) ten percent of the first \$2,000,000 of the excess (if any) of

- (1) the qualified research expenses for the taxable year, over
- (2) the base amount; and
- (b) ~~2.5~~ four percent on all of such excess expenses over \$2,000,000.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 26. Minnesota Statutes 2014, section 290.068, subdivision 3, is amended to read:

Subd. 3. **Limitation; carryover.** (a) ~~Except as provided in subdivision 6a, paragraph (b), the credit for a taxable year beginning before January 1, 2010, and after December 31, 2012,~~ shall not exceed the liability for tax. "Liability for tax" for purposes of this section means the sum of the tax imposed under section 290.06, subdivisions 1 and 2c, for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter, on all of the entities required to be included on the combined report of the unitary business. If the amount of the credit allowed exceeds the liability for tax of the taxpayer, but is allowed as a result of the liability for tax of other members of the unitary group for the taxable year, the taxpayer must allocate the excess as a research credit to another member of the unitary group.

(b) In the case of a corporation which is a partner in a partnership, the credit allowed for the taxable year shall not exceed the lesser of the amount determined under paragraph (a) for the taxable year or an amount (separately computed with respect to the corporation's interest in the trade or business or entity) equal to the amount of tax attributable to that portion of taxable income which is allocable or apportionable to the corporation's interest in the trade or business or entity.

(c) If the amount of the credit determined under this section for any taxable year exceeds the limitation under paragraph (a) or (b), including amounts allowed as a refund under subdivision 6a, paragraph (b), or allocated to other members of the unitary group, the excess shall be a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 27. Minnesota Statutes 2014, section 290.068, subdivision 6a, is amended to read:

Subd. 6a. **Credit to be refundable.** (a) If the amount of credit allowed in this section for qualified research expenses incurred in taxable years beginning after December 31, 2009, and before January 1, 2013, exceeds the taxpayer's ~~tax~~ liability for tax under this chapter, the commissioner shall refund the excess amount. The credit allowed for qualified research expenses incurred in taxable years beginning after December 31, 2009, and before January 1, 2013, must be used before any research credit earned under subdivision 3.

(b) If the first \$200,000 of the credit allowed in this section for qualified research expenses incurred in taxable years beginning after December 31, 2014, exceeds the taxpayer's liability for tax under this chapter, the commissioner shall refund the excess amount. The \$200,000 limit must be applied at the corporation, partnership, or other entity level. The credit allowed for qualified research expenses incurred in taxable years beginning before January 1, 2015, must be used before any research credit under subdivision 3.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 28. Minnesota Statutes 2014, section 290.068, is amended by adding a subdivision to read:

Subd. 8. **Applications; certification.** (a) A taxpayer claiming a credit under this section must apply to the commissioner of employment and economic development for a determination that the expenses for which the credit is claimed are qualified research expenses. The application must be submitted by September 15 of the calendar year following the end of the taxable year in which the qualified research expenses were incurred. The application must be in a form and manner prescribed by the commissioner of employment and economic development, in consultation with the commissioner, and must contain information sufficient to verify that the expenses for which the credit is claimed under this section are qualified research expenses.

(b) The commissioner of employment and economic development must notify the taxpayer of the determination of the application under paragraph (a) no later than 90 days after the application is received.

(c) Upon approving an application for credit under paragraph (a), the commissioner of employment and economic development must issue a credit certificate to the taxpayer that verifies eligibility for the credit and states the amount of credit and the taxable year to which the credit applies. The commissioner of employment and economic development must notify the commissioner of the issuance of the credit certificate, the amount of the credit, and the taxable year to which the credit applies.

(d) The taxpayer claiming the credit under this section must file an amended return for the taxable year to which the credit applies. The return must contain a copy of the credit certificate issued under paragraph (c).

(e) A credit must not be issued under this section unless the commissioner has received the certification required under paragraph (c).

(f) For purposes of this subdivision, "taxpayer" excludes:

(1) a corporation subject to tax under section 290.06, subdivision 1; and

(2) an individual claiming a credit for qualified research expenditures of an S corporation or partnership.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 29. **[290.0682] CREDIT FOR ATTAINING MASTER'S DEGREE IN TEACHER'S LICENSURE FIELD.**

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

(b) "Master's degree program" means a graduate level program at an accredited university leading to a master of arts or science degree in a core content area directly related to a qualified teacher's licensure field. The master's degree program may not include pedagogy or a pedagogy component. To be eligible under this credit, a licensed elementary school teacher must pursue and complete a master's degree program in a core content area in which the teacher provides direct classroom instruction.

(c) "Qualified teacher" means a K-12 teacher who:

(1) currently holds a continuing license granted by the Minnesota Board of Teaching;

(2) began a master's degree program after June 30, 2015; and

(3) completes the master's degree program during the taxable year.

(d) "Core content area" means the academic subject of reading, English or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, or geography.

Subd. 2. **Credit allowed.** (a) An individual who is a qualified teacher is allowed a credit against the tax imposed under this chapter. The credit equals \$2,500.

(b) For a nonresident or a part-year resident, the credit under this subdivision must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(c) A qualified teacher may claim the credit in this section only one time for each master's degree program completed in a core content area.

Subd. 3. **Credit refundable.** (a) If the amount of the credit for which an individual is eligible exceeds the individual's liability for tax under this chapter, the commissioner shall refund the excess to the individual.

(b) The amount necessary to pay the refunds required by this section is appropriated to the commissioner from the general fund.

Subd. 4. **Delayed payment of 2015 and 2016 credits.** For master's degree programs completed in taxable years beginning after December 31, 2014, and before January 1, 2017, the individual may claim the corresponding credit in the taxable year beginning after December 31, 2016, and before January 1, 2018, but not earlier. Credits claimed for taxable years beginning after December 31, 2014, and before January 1, 2017, are in addition to any credit allowed for the taxable year beginning after December 31, 2016, and before January 1, 2018.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 30. **[290.0683] STUDENT LOAN CREDIT.**

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

(b) "Adjusted gross income" means federal adjusted gross income as defined in section 62 of the Internal Revenue Code.

(c) "Earned income" has the meaning given in section 32(c) of the Internal Revenue Code.

(d) "Eligible individual" means a resident individual with one or more qualified education loans related to an undergraduate or graduate degree program at a postsecondary educational institution.

(e) "Eligible loan payments" means the amount the eligible individual paid during the taxable year to pay principal and interest on qualified education loans.

(f) "Postsecondary educational institution" means a postsecondary institution eligible for state student aid under section 136A.103 or, if the institution is not located in this state, a postsecondary institution participating in the federal Pell Grant program under Title IV of the Higher Education Act of 1965, Public Law 89-329, as amended.

(g) "Qualified education loan" has the meaning given in section 221 of the Internal Revenue Code, but is limited to indebtedness incurred on behalf of the eligible individual or the eligible individual's spouse.

Subd. 2. **Credit allowed.** (a) An eligible individual is allowed a credit against the tax due under this chapter.

(b) The credit for an eligible individual equals the least of:

(1) eligible loan payments minus ten percent of an amount equal to adjusted gross income in excess of \$10,000, but in no case less than zero;

(2) the earned income for the taxable year of the eligible individual and spouse, if any; or

(3) the sum of:

(i) the interest portion of eligible loan payments made during the taxable year; and

(ii) ten percent of the original loan amount of all qualified education loans of the eligible individual and the eligible individual's spouse.

(c) For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 3. **Credit refundable.** If the amount of credit that an individual is eligible to receive under this section exceeds the individual's tax liability under this chapter, the commissioner shall refund the excess to the individual.

Subd. 4. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 31. **[290.0684] SECTION 529 COLLEGE SAVINGS PLAN CREDIT.**

Subdivision 1. **Definitions.** For purposes of this section, the term "federal adjusted gross income" has the meaning given under section 62(a) of the Internal Revenue Code, and "nonqualified distribution" means any distribution that is includible in gross income under section 529 of the Internal Revenue Code.

Subd. 2. **Credit allowed.** (a) A credit of up to \$500 is allowed to a resident individual against the tax imposed by this chapter, subject to the limitations in paragraph (b).

(b) The credit allowed must be calculated by applying the following rates to the amount contributed to a college savings plan account qualifying under section 529 of the Internal Revenue Code, in a taxable year:

(1) 50 percent for individual filers and married couples filing a joint return who have federal adjusted gross income of less than \$80,000;

(2) 25 percent for married couples filing a joint return who have federal adjusted gross income over \$80,000, but not more than \$100,000;

(3) ten percent for married couples filing a joint return who have federal adjusted gross income over \$100,000, but not more than \$120,000; and

(4) five percent for married couples filing a joint return who have federal adjusted gross income over \$120,000, but not more than \$160,000.

(c) The income thresholds in paragraph (b), clauses (1) to (4), used to calculate the credit, must be adjusted for inflation. The commissioner shall adjust by the percentage determined under the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2014" is substituted for the word "1992." For 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2014, to

the 12 months ending on August 31, 2015, and in each subsequent year, from the 12 months ending on August 31, 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act including section 14.386.

Subd. 3. **Credit refundable.** If the amount of credit that an individual is eligible to receive under this section exceeds the individual's tax liability under this chapter, the commissioner shall refund the excess to the individual.

Subd. 4. **Allocation.** For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 5. **Recapture of credit.** In the case of a nonqualified distribution, the taxpayer is liable to the commissioner for the lesser of: ten percent of the amount of the nonqualified distribution, or the sum of credits received under this section for all years.

Subd. 6. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 32. **[290.0803] SECTION 179 EXPENSING SUBTRACTION.**

Subdivision 1. **Current year allowance.** (a) In each of the five tax years immediately following the tax year in which an addition is required under section 290.01, subdivision 19a, clause (8), or 19c, clause (13), the current year allowance equals one-fifth of the addition made by the taxpayer under section 290.01, subdivision 19a, clause (8), or 19c, clause (13).

(b) In the case of a shareholder of a corporation that is an S corporation, the current year allowance is reduced by the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition and, if the net operating loss exceeds the addition for the tax year, the current year allowance is zero.

Subd. 2. **Section 179 expensing carryover.** For purposes of this section, the current year allowance determined under subdivision 1 is considered to be the last subtraction allowed in determining taxable income. If the amount allowed under subdivision 1 exceeds taxable income, then the excess is a section 179 expensing carryover to each of the ten succeeding taxable years. The entire amount of the section 179 expensing carryover is carried first to the earliest taxable year to which the section 179 expensing carryover may be carried and then to each successive year to which the section 179 expensing carryover may be carried.

Subd. 3. **Section 179 expensing subtraction.** A taxpayer is allowed a section 179 expensing subtraction from federal taxable income. The subtraction equals the sum of:

(1) the current year allowance determined under subdivision 1; and

(2) any section 179 expensing carryover from prior taxable years determined under subdivision 2.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 33. Minnesota Statutes 2014, 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 the other state the amount of such loss. This provision shall be effective for all years beginning after December 31, 1972. The data used for computing the loss to either state shall be determined on or before September 30 of the year following the close of the previous calendar year.

(d)(1) Interest is payable on all amounts calculated under paragraph (c) relating to taxable years beginning after December 31, 2000. Interest accrues from July 1 of the taxable year.

(2) The commissioner of revenue is authorized to enter into agreements with the state of Wisconsin specifying the reciprocity payment due dates, conditions constituting delinquency, interest rates, and a method for computing interest due, if the taxing official of the state of Wisconsin agrees to terms consistent with clause (3).

~~(3) For agreements entered into before October 1, 2014, the annual compensation required under paragraph (c) must equal at least the net revenue loss minus \$1,000,000 per fiscal year.~~

~~(4) For agreements entered into after September 30, 2014, (3)~~ The annual compensation required under paragraph (c) must equal the net revenue loss per fiscal year.

~~(5) For the purposes of clauses (3) and (4) this clause,~~ "net revenue loss" means the difference between:

(i) the amount of Minnesota income taxes Minnesota forgoes by not taxing Wisconsin residents on income subject to reciprocity less the cost of providing refundable credits in excess of liability under this chapter to Wisconsin residents; and

(ii) the credit Minnesota would have been required to give under section 290.06, subdivision 22, to Minnesota residents working in Wisconsin had there not been reciprocity amount of Wisconsin income taxes Wisconsin forgoes by not taxing Minnesota residents on income subject to reciprocity.

(e) If an agreement cannot be reached as to the amount of the loss, the commissioner of revenue and the taxing official of the state of Wisconsin shall each appoint a member of a board of arbitration and these members shall appoint the third member of the board. The board shall select one of its members as chair. Such board may administer oaths, take testimony, subpoena witnesses, and require their attendance, require the production of books, papers and documents, and hold hearings at such places as are deemed necessary. The board shall then make a determination as to the amount to be paid the other state which determination shall be final and conclusive.

(f) The commissioner may furnish copies of returns, reports, or other information to the taxing official of the state of Wisconsin, a member of the board of arbitration, or a consultant under joint contract with the states of Minnesota and Wisconsin for the purpose of making a determination as to the amount to be paid the other state under the provisions of this section. Prior to the release of any information under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that the person will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota.

EFFECTIVE DATE. This section is effective the day following final enactment for taxable years beginning after December 31, 2014.

Sec. 34. Minnesota Statutes 2014, 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), and (11) to (14);

less the sum of the amounts determined under the following:

(1) interest income as defined in section 290.01, subdivision 19b, clause (1);

(2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income;

(3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income;

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (6), (8) to (14), (16), ~~and~~ (21), (23), (24), (25), and (27); and

(5) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c).

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Net minimum tax" means the minimum tax imposed by this section.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 35. Minnesota Statutes 2014, section 290.191, subdivision 5, is amended to read:

Subd. 5. **Determination of sales factor.** For purposes of this section, the following rules apply in determining the sales factor.

(a) The sales factor includes all sales, gross earnings, or receipts received in the ordinary course of the business, except that the following types of income are not included in the sales factor:

(1) interest;

(2) dividends;

(3) sales of capital assets as defined in section 1221 of the Internal Revenue Code;

(4) sales of property used in the trade or business, except sales of leased property of a type which is regularly sold as well as leased; and

(5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue Code or sales of stock.

(b) Sales of tangible personal property are made within this state if the property is received by a purchaser at a point within this state, regardless of the f.o.b. point, other conditions of the sale, or the ultimate destination of the property.

(c) Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of the sale.

(d) Notwithstanding paragraphs (b) and (c), when intoxicating liquor, wine, fermented malt beverages, cigarettes, or tobacco products are sold to a purchaser who is licensed by a state or political subdivision to resell this property only within the state of ultimate destination, the sale is made in that state.

(e) Sales made by or through a corporation that is qualified as a domestic international sales corporation under section 992 of the Internal Revenue Code are not considered to have been made within this state.

(f) Sales, rents, royalties, and other income in connection with real property is attributed to the state in which the property is located.

(g) Receipts from the lease or rental of tangible personal property, including finance leases and true leases, must be attributed to this state if the property is located in this state and to other states if the property is not located in this state. Receipts from the lease or rental of moving property including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment are included in the numerator of the receipts factor to the extent that the property is used in this state. The extent of the use of moving property is determined as follows:

(1) A motor vehicle is used wholly in the state in which it is registered.

(2) The extent that rolling stock is used in this state is determined by multiplying the receipts from the lease or rental of the rolling stock by a fraction, the numerator of which is the miles traveled within this state by the leased or rented rolling stock and the denominator of which is the total miles traveled by the leased or rented rolling stock.

(3) The extent that an aircraft is used in this state is determined by multiplying the receipts from the lease or rental of the aircraft by a fraction, the numerator of which is the number of landings of the aircraft in this state and the denominator of which is the total number of landings of the aircraft.

(4) The extent that a vessel, mobile equipment, or other mobile property is used in the state is determined by multiplying the receipts from the lease or rental of the property by a fraction, the numerator of which is the number of days during the taxable year the property was in this state and the denominator of which is the total days in the taxable year.

(h) Royalties and other income received for the use of or for the privilege of using intangible property, including patents, know-how, formulas, designs, processes, patterns, copyrights, trade names, service names, franchises, licenses, contracts, customer lists, or similar items, must be attributed to the state in which the property is used by the purchaser. If the property is used in more than one state, the royalties or other income must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the royalties or other income must be excluded from both the numerator and the denominator. Intangible property is used in this state if the purchaser uses the intangible property or the rights therein in the regular course of its business operations in this state, regardless of the location of the purchaser's customers.

(i) Sales of intangible property are made within the state in which the property is used by the purchaser. If the property is used in more than one state, the sales must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the sale must be excluded from both the numerator and the denominator of the sales factor. Intangible property is used in this state if the purchaser used the intangible property in the regular course of its business operations in this state.

(j) Receipts from the performance of services must be attributed to the state where the services are received. For the purposes of this section, receipts from the performance of services provided to a corporation, partnership, or trust may only be attributed to a state where it has a fixed place of doing business. If the state where the services are received is not readily determinable or is a state where the corporation, partnership, or trust receiving the service does not have a fixed place of doing business, the services shall be deemed to be received at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the services shall be deemed to be received at the office of the customer to which the services are billed. Receipts received as compensation by a nonresident individual for the performance of services as a member of a board of directors, or similar body, are attributed to Minnesota based on the ratio of the time spent in Minnesota providing services as a member of that board divided by the time spent everywhere providing services as a member of that board.

(k) For the purposes of this subdivision and subdivision 6, paragraph (l), receipts from management, distribution, or administrative services performed by a corporation or trust for a fund of a corporation or trust regulated under United States Code, title 15, sections 80a-1 through 80a-64, must be attributed to the state where the shareholder of the fund resides. Under this paragraph, receipts for services attributed to shareholders are determined on the basis of the ratio of: (1) the average of the outstanding shares in the fund owned by shareholders residing within Minnesota at the beginning and end of each year; and (2) the average of the total number of outstanding shares in the fund at the beginning and end of each year. Residence of the shareholder, in the case of an individual, is determined by the mailing address furnished by the shareholder to the fund. Residence of the shareholder, when the shares are held by an insurance company as a depositor for the insurance company policyholders, is the mailing address of the policyholders. In the case of an insurance company holding the shares as a depositor for the insurance company policyholders, if the mailing address of the policyholders cannot be determined by the taxpayer, the receipts must be excluded from both the numerator and denominator. Residence of other shareholders is the mailing address of the shareholder.

EFFECTIVE DATE. This section is effective the day following final enactment and applies retroactively to all open taxable years and returns.

Sec. 36. Minnesota Statutes 2014, section 290A.03, subdivision 15, as amended by Laws 2015, chapter 1, section 4, is amended to read:

Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 2014~~ April 1, 2015.

EFFECTIVE DATE. This section is effective for property tax refunds based on property taxes payable after December 31, 2015, and rent paid after December 31, 2014.

Sec. 37. **ADDITIONAL PERSONAL AND DEPENDENT EXEMPTION AMOUNT FOR 2015 AND 2016.**

(a) For taxable years beginning after December 31, 2014, and before January 1, 2017, an individual subject to tax under Minnesota Statutes, section 290.06, subdivision 2c, is allowed a subtraction from federal taxable income, in addition to the subtractions under Minnesota Statutes, section 290.01, subdivision 19b, equal to the number of personal exemptions allowed under sections 151(b) and (c) of the Internal Revenue Code, multiplied by one-quarter of the dollar amount for personal exemptions under sections 151(d)(1) and (2) of the Internal Revenue Code, as adjusted for inflation by section 151(d)(4) of the Internal Revenue Code.

(b) For taxable years beginning after December 31, 2014, and before January 1, 2017, the additional exemption in paragraph (a) must be added to the disallowed personal exemption amount under Minnesota Statutes, section 290.01, subdivision 19a, clause (16), item (i).

(c) The additional exemption amount under this section is a modification to net income under Minnesota Statutes, section 290.01, subdivision 19.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014, and before January 1, 2017.

Sec. 38. **CREDIT FOR JOB TRAINING CENTER REHABILITATION.**

(a) A taxpayer is allowed a credit against the tax due under Minnesota Statutes, chapter 290, if the taxpayer rehabilitated and placed in service in calendar year 2015 a certified historic structure that once served as a library and is located in a city of the first class. The credit equals 20 percent of the qualified rehabilitation expenditures for the project.

(b) The taxpayer must notify the commissioner within six months of when the project is placed in service, and must provide documentation that the project meets the requirements of this section, in the form and manner prescribed by the commissioner. The commissioner must issue a credit certificate to the developer upon verifying that the project has been placed in service and meets the requirements of this section.

(c) The recipient of a credit certificate may assign the certificate to another taxpayer, including an insurance company, which is then allowed the credit under this section. An assignment is not valid unless the assignee notifies the commissioner within 30 days of the date the assignment is made. The commissioner shall prescribe the forms necessary for notifying the commissioner of the assignment of a credit certificate and for claiming a credit by assignment. In lieu of the credit under paragraph (a), an insurance company that is assigned a credit under this paragraph may claim the credit against the insurance premiums tax imposed under chapter 297I.

(d) Credits granted to a partnership, a limited liability company taxed as a partnership, S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's assets or as specially allocated in their organizational documents or any other executed agreement, as of the last day of the taxable year.

(e) If the amount of credit that a taxpayer is eligible to receive under this section exceeds the taxpayer's liability for tax under Minnesota Statutes, chapter 290, the commissioner shall refund the excess to the taxpayer. If the amount of credit assigned to an insurance company exceeds the liability for tax under chapter 297I, the commissioner shall refund the excess to the insurance company. An amount sufficient to pay the refunds authorized under this section is appropriated to the commissioner from the general fund.

(f) For purposes of this section, the following terms have the meanings given:

(1) "certified historic structure" has the meaning given in section 47(c)(3)(A) of the Internal Revenue Code;

(2) "commissioner" means the commissioner of revenue;

(3) "qualified rehabilitation expenditures" means amounts chargeable to capital accounts but does not include the cost of acquiring the structure or enlarging the structure; and

(4) "project" means rehabilitation of a certified historic structure that is located in Minnesota.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014, and before January 1, 2016, for projects placed in service in calendar year 2015.

Sec. 39. **REPEALER.**

Minnesota Statutes 2014, section 290.067, subdivisions 2, 2a, and 2b, are repealed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

ARTICLE 2
PROPERTY TAXPAYER EMPOWERMENT

Section 1. Minnesota Statutes 2014, 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~~ may be held on a date set by called by the board and, except as provided in paragraph (g), must be held on the first Tuesday after the first Monday in November in either an even-numbered or odd-numbered year. A district must meet the requirements of section 123B.71 for projects funded under this section. If a review and comment is required under section 123B.71, subdivision 8, a referendum for a project not receiving a positive review and comment by the commissioner must be approved by at least 60 percent of the voters at the election.

(b) ~~The A referendum may be called by the school board and~~ under this subdivision 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 district proposes a new capital project to begin at the time the existing capital project expires and 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. An election to renew authority under this paragraph may be called at any time that is otherwise authorized by this subdivision. The ballot notice required under section 275.60 may be modified to read:

"BY VOTING YES ON THIS BALLOT QUESTION, YOU ARE VOTING TO RENEW AN EXISTING CAPITAL PROJECTS REFERENDUM THAT IS SCHEDULED TO EXPIRE."

(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.

(g) Notwithstanding paragraph (a), a referendum to levy the amount needed to finance a district's response to a disaster or emergency may be held on a date set by the board. "Disaster" means a situation that creates an actual or imminent serious threat to the health and safety of persons or a situation that has resulted or is likely to result in catastrophic loss to property or the environment. "Emergency" means an unforeseen combination of circumstances that calls for immediate action to prevent a disaster, identified in the referendum, from developing or occurring.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 2. Minnesota Statutes 2014, section 126C.17, subdivision 9, is amended to read:

Subd. 9. **Referendum revenue.** (a) The revenue authorized by section 126C.10, subdivision 1, may be increased in the amount approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the board. The referendum must be conducted one or two calendar years before the increased levy authority, if approved, first becomes payable. Only one election to approve an increase may be held in a calendar year. Unless the referendum is conducted by mail under subdivision 11, paragraph (a), the referendum must be held on the first Tuesday after the first Monday in November. The ballot must state the maximum amount of the increased revenue per adjusted pupil unit. The ballot may state a schedule, determined by the board, of increased revenue per adjusted pupil unit that differs from year to year over the number of years for which the increased revenue is authorized or may state that the amount shall increase annually by the rate of inflation. The ballot must state the cumulative amount per pupil of any local optional revenue, board-approved referendum authority, and previous voter-approved referendum authority, if any, that the board expects to certify for the next school year. For this purpose, the rate of inflation shall be the annual inflationary increase calculated under subdivision 2, paragraph (b). The ballot may state that existing referendum levy authority is expiring. In this case, the ballot may also compare the proposed levy authority to the existing expiring levy authority, and express the proposed increase as the amount, if any, over the expiring referendum levy authority. The ballot must designate the specific number of years, not to exceed ten, for which the referendum authorization applies. The ballot, including a ballot on the question to revoke or reduce the increased revenue amount under paragraph (c), must abbreviate the term "per adjusted pupil unit" as "per pupil." The notice required under section 275.60 may be modified to read, in cases of renewing existing levies at the same amount per pupil as in the previous year:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING TO EXTEND AN EXISTING PROPERTY TAX REFERENDUM THAT IS SCHEDULED TO EXPIRE."

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

"Shall the increase in the revenue proposed by (petition to) the board of, School District No. ..., be approved?"

If approved, an amount equal to the approved revenue per adjusted pupil unit times the adjusted pupil units for the school year beginning in the year after the levy is certified shall be authorized for certification for the number of years approved, if applicable, or until revoked or reduced by the voters of the district at a subsequent referendum.

(b) The board must prepare and deliver by first class mail at least 15 days but no more than 30 days before the day of the referendum to each taxpayer a notice of the referendum and the proposed revenue increase. The board need not mail more than one notice to any taxpayer. For the purpose of giving mailed notice under this subdivision, owners must be those shown to be owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer. Every property owner whose name does not appear on the records of the county auditor or the county treasurer is deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice must project the anticipated amount of tax increase in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district.

The notice must state the cumulative and individual amounts per pupil of any local optional revenue, board-approved referendum authority, and voter-approved referendum authority, if any, that the board expects to certify for the next school year.

The notice for a referendum may state that an existing referendum levy is expiring and project the anticipated amount of increase over the existing referendum levy in the first year, if any, in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the district.

The notice must include the following statement: "Passage of this referendum will result in an increase in your property taxes." However, in cases of renewing existing levies, the notice may include the following statement: "Passage of this referendum extends an existing operating referendum at the same amount per pupil as in the previous year."

(c) A referendum on the question of revoking or reducing the increased revenue amount authorized pursuant to paragraph (a) may be called by the board. A referendum to revoke or reduce the revenue amount must state the amount per adjusted pupil unit by which the authority is to be reduced. Revenue authority approved by the voters of the district pursuant to paragraph (a) must be available to the school district at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one revocation or reduction referendum may be held to revoke or reduce referendum revenue for any specific year and for years thereafter.

(d) The approval of 50 percent plus one of those voting on the question is required to pass a referendum authorized by this subdivision.

(e) At least 15 days before the day of the referendum, the district must submit a copy of the notice required under paragraph (b) to the commissioner and to the county auditor of each county in which the district is located. Within 15 days after the results of the referendum have been certified by the board, or in the case of a recount, the certification of the results of the recount by the canvassing board, the district must notify the commissioner of the results of the referendum.

Sec. 3. Minnesota Statutes 2014, section 205.10, subdivision 1, is amended to read:

Subdivision 1. **Questions.** Special elections may be held in a city or town on a question on which the voters are authorized by law or charter to pass judgment. A special election on a question may only be held on the first Tuesday after the first Monday in November in either an even-numbered or odd-numbered year. A special election may be ordered by the governing body of the municipality on its own motion or, on a question that has not been submitted to the voters in an election within the previous six months, upon a petition signed by a number of voters

equal to 20 percent of the votes cast at the last municipal general election. A question is carried only with the majority in its favor required by law or charter. The election officials for a special election shall be the same as for the most recent municipal general election unless changed according to law. Otherwise special elections shall be conducted and the returns made in the manner provided for the municipal general election.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 4. Minnesota Statutes 2014, section 205A.05, subdivision 1, is amended to read:

Subdivision 1. **Questions.** ~~(a)~~ Special elections must be held for a school district on a question on which the voters are authorized by law to pass judgment. The special election on a question may only be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. The school board may on its own motion call a special election to vote on any matter requiring approval of the voters of a district. Upon petition filed with the school board of 50 or more voters of the school district or five percent of the number of voters voting at the preceding school district general election, whichever is greater, the school board shall by resolution call a special election to vote on any matter requiring approval of the voters of a district. A question is carried only with the majority in its favor required by law. The election officials for a special election are the same as for the most recent school district general election unless changed according to law. Otherwise, special elections must be conducted and the returns made in the manner provided for the school district general election.

~~(b) A special election may not be held:~~

~~(1) during the 56 days before and the 56 days after a regularly scheduled primary or general election conducted wholly or partially within the school district;~~

~~(2) on the date of a regularly scheduled town election in March conducted wholly or partially within the school district; or~~

~~(3) during the 30 days before or the 30 days after a regularly scheduled town election in March conducted wholly or partially within the school district.~~

~~(c) Notwithstanding any other law to the contrary, the time period in which a special election must be conducted under any other law may be extended by the school board to conform with the requirements of this subdivision.~~

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 5. Minnesota Statutes 2014, section 216B.46, is amended to read:

216B.46 MUNICIPAL ACQUISITION PROCEDURES; NOTICE; ELECTION.

Any municipality which desires to acquire the property of a public utility as authorized under the provisions of section 216B.45 may determine to do so by resolution of the governing body of the municipality taken after a public hearing of which at least 30 days' published notice shall be given as determined by the governing body. The determination shall become effective when ratified by a majority of the qualified electors voting on the question at a special election to be held for that purpose, ~~not less than 60 nor more than 120 days after the resolution of the governing body of the municipality on the first Tuesday after the first Monday in November in either an even-numbered or odd-numbered year.~~

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 6. Minnesota Statutes 2014, section 237.19, is amended to read:

237.19 MUNICIPAL TELECOMMUNICATIONS SERVICES.

Any municipality shall have the right to own and operate a telephone exchange within its own borders, subject to the provisions of this chapter. It may construct such plant, or purchase an existing plant by agreement with the owner, or where it cannot agree with the owner on price, it may acquire an existing plant by condemnation, as hereinafter provided, but in no case shall a municipality construct or purchase such a plant or proceed to acquire an existing plant by condemnation until such action by it is authorized by a majority of the electors voting upon the proposition at a ~~general an election or a special election called for that purpose~~ held on the first Tuesday after the first Monday in November in either an even-numbered or odd-numbered year, and if the proposal is to construct a new exchange where an exchange already exists, it shall not be authorized to do so unless 65 percent of those voting thereon vote in favor of the undertaking. A municipality that owns and operates a telephone exchange may enter into a joint venture as a partner or shareholder with a telecommunications organization to provide telecommunications services within its service area.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 7. Minnesota Statutes 2014, 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 a meeting for each taxing authority in which the budget and levy will be discussed and public input allowed, prior to the final budget and levy 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 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, 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, 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; and

(4) a statement at the top of the notice stating the following: if a county or city's proposed levy for next year is greater than its actual levy for the current year, the voters may have the right to petition for a referendum on next year's levy certification, according to section 275.80, provided that the final levy that the local government certifies in December of this year is also greater than its levy for the current year.

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 taxes payable in 2016 and thereafter.

Sec. 8. Minnesota Statutes 2014, section 275.07, subdivision 1, is amended to read:

Subdivision 1. **Certification of levy.** (a) Except as provided under paragraph (b), the taxes voted by cities, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before five working days after December 20 in each year. A town must certify the levy adopted by the town board to the county auditor by September 15 each year. If the town board modifies the levy at a special town meeting after September 15, the town board must recertify its levy to the county auditor on or before five working days after December 20. If a city or county levy is subject to a referendum under section 275.80 and the referendum was approved by the voters, the maximum levy certified under this section is the proposed levy certified under section 275.065. If the referendum was not approved, the maximum amount of levy that a city or county may approve under this section is the maximum alternative levy allowed in section 275.80, subdivision 2. The city or county may choose to certify a levy less than the allowed maximum amount. If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(b)(i) The taxes voted by counties under sections 103B.241, 103B.245, and 103B.251 shall be separately certified by the county to the county auditor on or before five working days after December 20 in each year. The taxes certified shall not be reduced by the county auditor by the aid received under section 273.1398, subdivision 3. If a county fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(ii) For purposes of the proposed property tax notice under section 275.065 and the property tax statement under section 276.04, for the first year in which the county implements the provisions of this paragraph, the county auditor shall reduce the county's levy for the preceding year to reflect any amount levied for water management purposes under clause (i) included in the county's levy.

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

Sec. 9. Minnesota Statutes 2014, section 275.60, is amended to read:

275.60 LEVY OR BOND REFERENDUM; BALLOT NOTICE.

(a) Notwithstanding any general or special law or any charter provisions, but subject to section 126C.17, subdivision 9, any question submitted to the voters by any local governmental subdivision at ~~a general or special an~~ election after ~~June 8, 1995~~ June 30, 2015, authorizing a property tax levy or tax rate increase, including the issuance of debt obligations payable in whole or in part from property taxes, must include on the ballot the following notice in boldface type:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING FOR A PROPERTY TAX INCREASE."

(b) For purposes of this section and section 275.61, "local governmental subdivision" includes counties, home rule and statutory cities, towns, school districts, and all special taxing districts. This statement is in addition to any general or special laws or any charter provisions that govern the contents of a ballot question and, in the case of a question on the issuance of debt obligations, may be supplemented by a description of revenues pledged to payment of the obligations that are intended as the primary source of payment.

(c) An election under this section must be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. This paragraph does not apply to an election on levying a tax or issuing debt obligations to finance the local government's response to a disaster or emergency. An election for these purposes may be held on a date set by the governing body. "Disaster" means a situation that creates an actual or imminent serious threat to the health and safety of persons or a situation that has resulted or is likely to result in catastrophic loss to property or the environment. "Emergency" means an unforeseen combination of circumstances that calls for immediate action to prevent a disaster, identified in the referendum, from developing or occurring.

(e) (d) This section does not apply to a school district bond election if the debt service payments are to be made entirely from transfers of revenue from the capital fund to the debt service fund.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 10. **[275.80] LEVY INCREASE; REVERSE REFERENDUM AUTHORIZED.**

Subdivision 1. **Citation.** This section shall be known as the "Property Tax Payers' Empowerment Act."

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "General levy" means the total levy certified under section 275.07 by the local governmental unit excluding any levy that was approved by the voters at a general or special election.

(c) "Local governmental unit" means a county or a statutory or home rule charter city with a population of 500 or greater.

(d) "Maximum alternative levy" for taxes levied in a current year by a local governmental unit means the sum of (i) its nondebt levy certified two years previous to the current year, and (ii) the amount of its proposed levy for the current year levied for the purposes listed in section 275.70, subdivision 5, clauses (1) to (5).

(e) "Nondebt levy" means the total levy certified under section 275.07 by the local governmental unit, minus any amount levied for the purposes listed in section 275.70, subdivision 5, clauses (1) to (5).

Subd. 3. **Levy increase; reverse referendum authority.** If the certified general levy exceeds the general levy in the previous year, the voters may petition for a referendum on the levy to be certified for the following year. The county auditor must publish information on the right to petition for a referendum as provided in section 276.04, subdivisions 1 and 2. If by June 30, a petition signed by the voters equal in number to ten percent of the votes cast in the last general election requesting a vote on the levy is filed with the county auditor, a question on the levy to be certified for the current year must be placed on the ballot at either the general election or at a special election held on the first Tuesday after the first Monday in November of the current calendar year.

Subd. 4. **Prohibition against new debt before the election.** Notwithstanding any other provision of law, ordinance, or local charter provision, a county or city must not issue any new debt or obligation from the time the petition for referendum is filed with the county auditor under subdivision 3 until the day after the referendum required under this section is held, except as allowed in this subdivision. Refunding bonds and bonds that have already received voter approval are exempt from the prohibition in this subdivision. For purposes of this subdivision, "obligation" has the meaning given in section 475.51, subdivision 3.

Subd. 5. **Ballot question; consequence of the vote.** (a) The question submitted to the voters as required under subdivision 3 shall take the following form:

"The governing body of has imposed the following property tax levy in the last two years and is proposing the following maximum levy increase for the coming year:

<u>(previous payable year)</u>	<u>(current payable year)</u>	<u>(coming payable year)</u>
<u>Total levy</u>	<u>Total levy</u>	<u>Maximum proposed levy</u>
<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>

Shall the governing body of be allowed to impose the maximum proposed levy listed above?

Yes
No

If the majority of votes cast are "no," its maximum allowed property tax levy for the coming year will be reduced to its maximum alternative levy of"

(b) If a city is subject to this provision, it will provide the county auditor with information on its proposed levy by September 30 necessary to calculate the maximum alternative levy under subdivision 2.

(c) If the majority of votes cast on this question are in the affirmative, the levy certified by the local governmental unit under section 275.07 must be less than or equal to its proposed levy under section 275.065. If the question does not receive sufficient affirmative votes, the levy amount that the local governmental unit certifies under section 275.07 in the current year must be less than or equal to its maximum alternative levy as defined in subdivision 2.

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

Sec. 11. Minnesota Statutes 2014, section 276.04, subdivision 1, is amended to read:

Subdivision 1. **Auditor to publish rates.** On receiving the tax lists from the county auditor, the county treasurer shall, if directed by the county board, give three weeks' published notice in a newspaper specifying the rates of taxation for all general purposes and the amounts raised for each specific purpose. If a city or county is subject to a petition of the voters due to a general levy increase as provided in section 275.80, the published notice must also include the general levy for the current year and the previous year for that city or county along with the statement in the following form:

"Because the governing body of increased its nonvoter approved levy in the current year, the voters in that jurisdiction have the right to petition for a referendum under section 275.80 on that jurisdiction's levy amount. To invoke the referendum, a petition signed by voters equal to ten percent of the votes cast in the last general election must be filed with the county auditor by June 30 of the current year."

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

Sec. 12. Minnesota Statutes 2014, 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 special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), 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 homestead market value exclusion under section 273.13, subdivision 35;

(3) the property's taxable market value under section 272.03, subdivision 15;

(4) the property's gross tax, before credits;

(5) for homestead agricultural properties, the credit under section 273.1384;

(6) 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

(7) the net tax payable in the manner required in paragraph (a).

(d) If a city or county is subject to a petition of the voters due to a general levy increase as provided in section 275.80, the tax statement must also include the general levy for the current year and the previous year for that city or county along with the following statement:

"Because the governing body of increased its nonvoter approved levy in the current year, the voters in that jurisdiction have the right to petition for a referendum on that jurisdiction's levy amount under section 275.80. To invoke the referendum, a petition signed by voters equal to ten percent of the votes cast in the last general election on this issue must be filed with the county auditor by June 30 of the current year."

(e) 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 taxes payable in 2016 and thereafter.

Sec. 13. Minnesota Statutes 2014, section 412.221, subdivision 2, is amended to read:

Subd. 2. **Contracts.** The council shall have power to make such contracts as may be deemed necessary or desirable to make effective any power possessed by the council. The city may purchase personal property through a conditional sales contract and real property through a contract for deed under which contracts the seller is confined to the remedy of recovery of the property in case of nonpayment of all or part of the purchase price, which shall be payable over a period of not to exceed five years. When the contract price of property to be purchased by contract for deed or conditional sales contract exceeds 0.24177 percent of the estimated market value of the city, the city may not enter into such a contract for at least ten days after publication in the official newspaper of a council resolution determining to purchase property by such a contract; and, if before the end of that time a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular city election is filed with the clerk, the city may not enter into such a contract until the proposition has been approved by a majority of the votes cast on the question at ~~a regular or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 14. Minnesota Statutes 2014, section 412.301, is amended to read:

412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.

(a) The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware or software.

(c) The equipment or software must have an expected useful life at least as long as the terms of the certificates or notes.

(d) Such certificates or notes shall be payable in not more than ten years and shall be issued on such terms and in such manner as the council may determine.

(e) If the amount of the certificates or notes to be issued to finance any such purchase exceeds 0.25 percent of the estimated market value of taxable property in the city, they shall not be issued for at least ten days after publication in the official newspaper of a council resolution determining to issue them; and if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election is filed with the clerk, such certificates or notes shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at ~~a regular or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

(f) A tax levy shall be made for the payment of the principal and interest on such certificates or notes, in accordance with section 475.61, as in the case of bonds.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 15. **[416.17] VOTER APPROVAL REQUIRED; LEASES OF PUBLIC BUILDINGS.**

Subdivision 1. Reverse referendum; certain leases. (a) Before executing a qualified lease, a municipality must publish notice of its intention to execute the lease and the date and time of a hearing to obtain public comment on the matter. The notice must be published in the official newspaper of the municipality or in a newspaper of general circulation in the municipality, must be placed prominently on any official municipality Web site, and must include a statement of the amount of the obligations to be issued by the authority and the maximum amount of annual rent to be paid by the municipality under the qualified lease. The notice must be published at least 14, but not more than 28, days before the date of the hearing.

(b) A municipality may enter a lease subject to paragraph (a) only upon obtaining the approval of a majority of the voters voting on the question of issuing the obligations, if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the municipality in the last general election and is filed with the county auditor within 30 days after the public hearing.

Subd. 2. Definitions. (a) For purposes of this section, the following terms have the meanings given them.

(b) "Authority" includes any of the following governmental units, the boundaries of which include all or part of the geographic area of the municipality:

(1) a housing and redevelopment authority, as defined in section 469.002;

(2) a port authority, as defined in section 469.048;

(3) an economic development authority, as defined in section 469.090; or

(4) an entity established or exercising powers under a special law with powers similar to those of an entity described in clauses (1) to (3).

(c) "Municipality" means a statutory or home rule charter city, a county, or a town described in section 368.01, but does not include a city of the first class, however organized, as defined in section 410.01.

(d) "Qualified lease" means a lease for use of public land, all or part of a public building, or other public facilities consisting of real property for a term of three or more years as a lessee if the property to be leased to the municipality was acquired or improved with the proceeds of obligations, as defined in section 475.51, subdivision 3, issued by an authority.

Sec. 16. Minnesota Statutes 2014, section 426.19, subdivision 2, is amended to read:

Subd. 2. **Referendum in certain cases.** Before the pledge of any such revenues to the payment of any such bonds, warrants or certificates of indebtedness, except bonds, warrants or certificates of indebtedness to construct, reconstruct, enlarge or equip a municipal liquor store shall be made, the governing body shall submit to the voters of the city the question of whether such revenues shall be so pledged and such pledge shall not be binding on the city until it shall have been approved by a majority of the voters voting on the question at ~~either a general an election or~~

~~special election called for that purpose held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.~~ No election shall be required for pledge of such revenues for payment of bonds, warrants or certificates of indebtedness to construct, reconstruct, enlarge or equip a municipal liquor store.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 17. Minnesota Statutes 2014, section 447.045, subdivision 2, is amended to read:

Subd. 2. **Statutory city; on-sale and off-sale store.** If the voters of a statutory city operating an on-sale and off-sale municipal liquor store, ~~at a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year, vote in favor of contributing from its liquor dispensary fund toward the construction of a community hospital, the city council may appropriate not more than \$60,000 from the fund to any incorporated nonprofit hospital association to build a community hospital in the statutory city. The hospital must be governed by a board including two or more members of the statutory city council and be open to all residents of the statutory city on equal terms. This appropriation must not exceed one-half the total cost of construction of the hospital. The council must not appropriate the money unless the average net earnings of the on-sale and off-sale municipal liquor store have been at least \$10,000 for the last five completed fiscal years before the date of the appropriation.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 18. Minnesota Statutes 2014, section 447.045, subdivision 3, is amended to read:

Subd. 3. **Statutory city; off-sale or on- and off-sale store.** (a) If a statutory city operates an off-sale, or an on- and off-sale municipal liquor store it may provide for a vote ~~at a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the city liquor dispensary fund to build, maintain, and operate a community hospital. If the vote is in favor, the city council may appropriate money from the fund to an incorporated hospital association for a period of four years. The appropriation must be from the net profits or proceeds of the municipal liquor store. It must not exceed \$4,000 a year for hospital construction and maintenance or \$1,000 a year for operation. The hospital must be open to all residents of the community on equal terms.

(b) The council must not appropriate the money unless the average net earnings of the off-sale, or on- and off-sale municipal liquor store have been at least \$8,000 for the last two completed years before the date of the appropriation.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 19. Minnesota Statutes 2014, section 447.045, subdivision 4, is amended to read:

Subd. 4. **Fourth class city operating store.** If a city of the fourth class operates a municipal liquor store, it may provide for a vote ~~at a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the profit in the city liquor dispensary fund to build, equip, and maintain a community hospital within the city limits. If the vote is in favor, the city council may appropriate not more than \$200,000 from profits in the fund for the purpose. The hospital must be open to all residents of the city on equal terms.

The city may issue certificates of indebtedness in anticipation of and payable only from profits from the operation of municipal liquor stores.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 20. Minnesota Statutes 2014, section 447.045, subdivision 6, is amended to read:

Subd. 6. **Statutory city; fourth class.** If a fourth class statutory city operates a municipal liquor store, it may provide for a vote at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the city liquor dispensary fund not more than \$15,000 a year for five years to build and maintain a community hospital. If the vote is in favor of the council may appropriate the money from the fund to an incorporated community hospital association in the city.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 21. Minnesota Statutes 2014, section 447.045, subdivision 7, is amended to read:

Subd. 7. **Statutory city; any store.** If a statutory city operates a municipal liquor store, it may provide for a vote at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the statutory city liquor dispensary fund toward the acquisition, construction, improvement, maintenance, and operation of a community hospital. If the vote is in favor, the council may appropriate money from time to time out of the net profits or proceeds of the municipal liquor store to an incorporated nonprofit hospital association in the statutory city. The hospital association must be governed by a board of directors elected by donors of \$50 or more, who each have one vote. The hospital must be open to all residents of the community on equal terms.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 22. Minnesota Statutes 2014, section 452.11, is amended to read:

452.11 SUBMISSION TO VOTERS.

No city of the first class shall acquire or construct any public utility under the terms of sections 452.08 to 452.13 unless the proposition to acquire or construct same has first been submitted to the qualified electors of the city at a ~~general city election or at a special election called for that purpose,~~ held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year and has been approved by a majority vote of all electors voting upon the proposition.

The question of issuing public utility certificates as provided in section 452.09 may, at the option of the council, be submitted at the same election as the question of the acquisition or construction of the public utility.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 23. Minnesota Statutes 2014, section 455.24, is amended to read:

455.24 SUBMISSION TO VOTERS.

Before incurring any expense under the powers conferred by section 455.23, the approval of the voters of the city shall first be had at ~~a general or special~~ an election held therein on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. If a majority of the voters of the city participating at the election shall vote in favor of the construction of the system of poles, wires and cables herein authorized to be made, the council shall proceed with the construction.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 24. Minnesota Statutes 2014, section 455.29, is amended to read:

455.29 MUNICIPALITIES MAY EXTEND ELECTRIC SERVICE.

Except as otherwise restricted by chapter 216B, the governing body, or the commission or board charged with the operation of the public utilities, if one exists therein, of any municipality in the state owning and operating an electric light and power plant for the purpose of the manufacture and sale of electrical power or for the purchase and redistribution of electrical power, may, upon a two-thirds vote of the governing body, or the commission or board, in addition to all other powers now possessed by such municipality, sell electricity to customers, singly or collectively, outside of such municipality, within the state but not to exceed a distance of 30 miles from the corporate limits of the municipality. Before any municipality shall have the power to extend its lines and sell electricity outside of the municipality as provided by sections 455.29 and 455.30, the governing body shall first submit to the voters of the municipality, at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year, the general principle of going outside the municipality and fixing the maximum amount of contemplated expenditures reasonably expected to be made for any and all extensions then or thereafter contemplated. Three weeks' published notice shall be given of such election as required by law, and if a majority of those voting upon the proposition favors the same, then the municipality shall thereafter be considered as having chosen to enter the general business of extending its electric light and power facilities beyond the corporate limits of the municipality. It shall not be necessary to submit to a vote of the people the question of any specific enlargement, extension, or improvement of any outside lines; provided the voters of the municipality have generally elected to exercise the privileges afforded by sections 455.29 and 455.30, and, provided, that each and any specific extension, enlargement, or improvement project is within the limit of the maximum expenditure authorized at the election. In cities operating under a home rule charter, where a vote of the people is not now required in order to extend electric light and power lines, no election shall be required under the provisions of any act. At any election held to determine the attitude of the voters upon this principle, the question shall be simply stated upon the ballot provided therefor, and shall be substantially in the following form: "Shall the city of undertake the general proposition of extending its electric light and power lines beyond the limits of the municipality, and limit the maximum expenditures for any and all future extensions to the sum of \$.....?" For this purpose every municipality is authorized and empowered to extend the lines, wires, and fixtures of its plant to such customers and may issue certificates of indebtedness therefor in an amount not to exceed the actual cost of the extensions and for a term not to exceed the reasonable life of the extensions. These certificates of indebtedness shall in no case be made a charge against the municipality, but shall be payable and paid out of current revenues of the plant other than taxes.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 25. Minnesota Statutes 2014, section 459.06, subdivision 1, is amended to read:

Subdivision 1. **Accept donations.** Any county, city, or town may by resolution of its governing body accept donations of land that the governing body deems to be better adapted for the production of timber and wood than for any other purpose, for a forest, and may manage it on forestry principles. The donor of not less than 100 acres of any such land shall be entitled to have the land perpetually bear the donor's name. The governing body of any city or town, when funds are available or have been levied therefor, may, when authorized by a majority vote by ballot of the voters voting at any ~~general or special~~ city election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year or the annual town meeting where the question is properly submitted, purchase or obtain by condemnation proceedings, and preferably at the sources of streams, any tract of land for a forest which is better adapted for the production of timber and wood than for any other purpose, and which is conveniently located for the purpose, and manage it on forestry principles. The city or town may annually levy a tax on all taxable property within its boundaries to procure and maintain such forests.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 26. Minnesota Statutes 2014, section 469.053, subdivision 5, is amended to read:

Subd. 5. **Reverse referendum.** A city may increase its levy for port authority purposes under subdivision 4 only as provided in this subdivision. Its city council must first pass a resolution stating the proposed amount of levy increase. The city must then publish the resolution together with a notice of public hearing on the resolution for two successive weeks in its official newspaper or, if none exists, in a newspaper of general circulation in the city. The hearing must be held two to four weeks after the first publication. After the hearing, the city council may decide to take no action or may adopt a resolution authorizing the proposed increase or a lesser increase. A resolution authorizing an increase must be published in the city's official newspaper or, if none exists, in a newspaper of general circulation in the city. The resolution is not effective if a petition requesting a referendum on the resolution is filed with the city clerk within 30 days of publication of the resolution. The petition must be signed by voters equaling five percent of the votes cast in the city in the last general election. The resolution is effective if approved by a majority of those voting on the question. The commissioner of revenue shall prepare a suggested form of referendum question. The referendum must be held at a ~~special or general~~ an election ~~before October 1 of the year for which the levy increase is proposed~~ conducted on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. If approved by the voters, the levy increase may take effect no sooner than the next calendar year.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 27. Minnesota Statutes 2014, section 469.0724, is amended to read:

469.0724 GENERAL OBLIGATION BONDS.

The port authority of Cannon Falls or Redwood Falls must not proceed with the sale of general obligation tax-supported bonds until the city council by resolution approves the proposed issuance. The resolution must be published in the official newspaper. If, within 30 days after the publication, a petition signed by voters equal in number to ten percent of the number of voters at the last regular city election is filed with the city clerk, the city and port authority must not issue the general obligation tax-supported bonds until the proposition has been approved by a majority of the votes cast on the question at a ~~regular or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

EFFECTIVE DATE. This section is effective for the city of Cannon Falls and the city of Redwood Falls the day after the governing body and chief clerical officer of the city timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 28. Minnesota Statutes 2014, section 469.107, subdivision 2, is amended to read:

Subd. 2. **Reverse referendum.** A city may increase its levy for economic development authority purposes under subdivision 1 in the following way. Its city council must first pass a resolution stating the proposed amount of levy increase. The city must then publish the resolution together with a notice of public hearing on the resolution for two successive weeks in its official newspaper or if none exists in a newspaper of general circulation in the city. The hearing must be held two to four weeks after the first publication. After the hearing, the city council may decide to take no action or may adopt a resolution authorizing the proposed increase or a lesser increase. A resolution authorizing an increase must be published in the city's official newspaper or if none exists in a newspaper of general circulation in the city. The resolution is not effective if a petition requesting a referendum on the resolution is filed with the city clerk within 30 days of publication of the resolution. The petition must be signed by voters equaling five percent of the votes cast in the city in the last general election. The election must be held at a ~~general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. Notice of the election must be given in the manner required by law. The notice must state the purpose and amount of the levy.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 29. Minnesota Statutes 2014, section 469.190, subdivision 1, is amended to read:

Subdivision 1. **Authorization.** Notwithstanding section 477A.016 or any other law, a statutory or home rule charter city may by ordinance, and a town may by the affirmative vote of the electors at the annual town meeting, ~~or at a special town meeting,~~ impose a tax of up to three 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. A statutory or home rule charter city may by ordinance impose the tax authorized under this subdivision on the camping site receipts of a municipal campground.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 30. Minnesota Statutes 2014, section 469.190, subdivision 5, is amended to read:

Subd. 5. **Reverse referendum.** If the county board passes a resolution under subdivision 4 to impose the tax, the resolution must be published for two successive weeks in a newspaper of general circulation within the unorganized territory, together with a notice fixing a date for a public hearing on the proposed tax.

The hearing must be held not less than two weeks nor more than four weeks after the first publication of the notice. After the public hearing, the county board may determine to take no further action, or may adopt a resolution authorizing the tax as originally proposed or approving a lesser rate of tax. The resolution must be published in a newspaper of general circulation within the unorganized territory. The voters of the unorganized territory may request a referendum on the proposed tax by filing a petition with the county auditor within 30 days after the resolution is published. The petition must be signed by voters who reside in the unorganized territory. The number of signatures must equal at least five percent of the number of persons voting in the unorganized territory in the last general election. If such a petition is timely filed, the resolution is not effective until it has been submitted to the voters residing in the unorganized territory at a ~~general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the referendum.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 31. Minnesota Statutes 2014, section 471.57, subdivision 3, is amended to read:

Subd. 3. **May use fund for other purposes upon vote.** The council of any municipality which has established a public works reserve fund by an ordinance designating the specific improvement or type of capital improvement for which the fund may be used may submit to the voters of the municipality at ~~any regular or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year the question of using the fund for some other purpose. If a majority of the votes cast on the question are in favor of such diversion from the original purpose of the fund, it may be used for any purpose so approved by the voters.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 32. Minnesota Statutes 2014, section 471.571, subdivision 3, is amended to read:

Subd. 3. **Expenditure from fund, limitation.** No expenditure for any one project in excess of 60 percent of one year's levy or \$25,000, whichever is greater, may be made from such permanent improvement or replacement fund in any year without first obtaining the approval of a majority of the voters voting at a ~~general or special~~ municipal election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year at which the question of making such expenditure has been submitted. In submitting any proposal to the voters for approval, the amount proposed to be spent and the purpose thereof shall be stated in the proposal submitted. The proceeds of such levies may be pledged for the payment of any bonds issued pursuant to law for any purposes authorized hereby and annual payments upon such bonds or interest may be made without additional authorization.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 33. Minnesota Statutes 2014, section 471.572, subdivision 2, is amended to read:

Subd. 2. **Tax levy.** The governing body of a city may establish, by a two-thirds vote of all its members, by ordinance or resolution a reserve fund and may annually levy a property tax for the support of the fund. The proceeds of taxes levied for its support must be paid into the reserve fund. Any other revenue from a source not required by law to be paid into another fund for purposes other than those provided for the use of the reserve fund may be paid into the fund. Before a tax is levied under this section, the city must publish in the official newspaper of the city an initial resolution authorizing the tax levy. If within ten days after the publication a petition is filed with the city clerk requesting an election on the tax levy signed by a number of qualified voters greater than ten percent of the number who voted in the city at the last general election, the tax may not be levied until the levy has been approved by a majority of the votes cast on it at a ~~regular or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 34. Minnesota Statutes 2014, section 471.572, subdivision 4, is amended to read:

Subd. 4. **Use of fund for a specific purpose.** If the city has established a reserve fund, it may submit to the voters at a ~~regular or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year the question of whether use of the fund should be restricted to a specific improvement or type of capital improvement. If a majority of the votes cast on the question are in favor of the limitation on the use of the reserve fund, it may be used only for the purpose approved by the voters.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 35. Minnesota Statutes 2014, section 475.59, is amended to read:

475.59 MANNER OF SUBMISSION; NOTICE.

Subdivision 1. **Generally; notice.** When the governing body of a municipality resolves to issue bonds for any purpose requiring the approval of the electors, it shall provide for submission of the proposition of their issuance at a general or special election or town or school district meeting. Notice of such election or meeting shall be given in the manner required by law and shall state the maximum amount and the purpose of the proposed issue. In any school district, the school board or board of education may, according to its judgment and discretion, submit as a single ballot question or as two or more separate questions in the notice of election and ballots the proposition of their issuance for any one or more of the following, stated conjunctively or in the alternative: acquisition or enlargement of sites, acquisition, betterment, erection, furnishing, equipping of one or more new schoolhouses, remodeling, repairing, improving, adding to, betterment, furnishing, equipping of one or more existing schoolhouses. In any city, town, or county, the governing body may, according to its judgment and discretion, submit as a single ballot question or as two or more separate questions in the notice of election and ballots the proposition of their issuance, stated conjunctively or in the alternative, for the acquisition, construction, or improvement of any facilities at one or more locations.

Subd. 2. **Election date.** An election to approve issuance of bonds under this section held by a municipality other than a town, must be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. An election under this section held by a town may be held on the same day as the annual town meeting or on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

Subd. 3. **Special laws.** If a referendum on the issuance of bonds or other debt obligations authorized in a special law is required, it must be held on a date as provided in subdivision 2, notwithstanding any provision in the special law authorizing the referendum to be held at any other time.

Subd. 4. **Exception for disaster or emergency.** Subdivisions 2 and 3, and any other law requiring an election to approve issuance of bonds or other debt obligations to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year, do not apply to issuance of bonds or other debt obligations to finance the municipality's response to an emergency or disaster. "Disaster" means a situation that creates an actual or imminent serious threat to the health and safety of persons or a situation that has resulted or is likely to result in catastrophic loss to property or the environment. "Emergency" means an unforeseen combination of circumstances that calls for immediate action to prevent a disaster identified in the referendum from developing or occurring.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 36. **REPEALER.**

Minnesota Statutes 2014, section 205.10, subdivision 3, is repealed.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

ARTICLE 3
PROPERTY TAXES

Section 1. Minnesota Statutes 2014, section 40A.18, subdivision 2, is amended to read:

Subd. 2. **Allowed commercial and industrial operations.** Commercial and industrial operations are not allowed on land within an agricultural preserve except:

(1) small on-farm commercial or industrial operations normally associated with and important to farming in the agricultural preserve area;

(2) storage use of existing farm buildings that does not disrupt the integrity of the agricultural preserve; ~~and~~

(3) small commercial use of existing farm buildings for trades not disruptive to the integrity of the agricultural preserve such as a carpentry shop, small scale mechanics shop, and similar activities that a farm operator might conduct; and

(4) wireless communication installments and related equipment and structure capable of providing technology potentially beneficial to farming activities.

"Existing" in clauses (2) and (3) means existing on August 1, 1989.

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

Sec. 2. Minnesota Statutes 2014, section 273.072, is amended by adding a subdivision to read:

Subd. 7. **Termination of local assessor's office by town vote.** (a) A town or township may elect at its annual meeting to enter into a joint assessment agreement with the county in which the town or township is wholly or partially situated, for purposes of providing assessments under this section. The county to which assessment duties have thereto been transferred shall enter into an agreement with the electing town or township under terms negotiated with the town or township, or, if such terms cannot be mutually determined, on terms pursuant to the county's authority under this chapter.

(b) If after electing to enter into a joint assessment agreement under paragraph (a), the town or township determines that the interests of the town or township may be better served through valuation by local assessors, it may, at its annual meeting, revoke the election. Revocation under this paragraph may not be made within four years after the election in paragraph (a). A revocation under this paragraph is effective at the second assessment date following the revocation. The office of the town or township assessor shall be filled as provided by charter or law 90 days before the effective date of the revocation.

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

Sec. 3. Minnesota Statutes 2014, 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 agricultural property consists of at least 40 acres including undivided government lots and correctional 40's;

(2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner or of 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 agricultural 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) Agricultural 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.

(iv) As used in this paragraph, "agricultural property" means class 2a property and any class 2b property that is contiguous to and under the same ownership as the class 2a property.

(c) 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 agricultural property consists of at least 40 acres, including undivided government lots and correctional 40's;

(2) the owner or the owner's spouse actively farmed the agricultural property for at least ten years, either on the owner'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 owner is a partner, shareholder, or member;

(3) the owner of the agricultural property is a Minnesota resident;

(4) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

(5) the owner lives no 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 may live more than four townships or cities, or combination of four townships or cities, from the agricultural property.

~~(d)~~ (d) 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.

~~(e)~~ (e) 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.

~~(f)~~ (f) 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.

~~(g)~~ (g) 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)~~ (h) 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)~~ (i) 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.

(j) 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.

(k) 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 beginning with assessment year 2015.

Sec. 4. Minnesota Statutes 2014, 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 classification 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 classification rate of 0.5 percent of market value. The remaining property over the first tier has a classification 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 classification 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 classification 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 classification 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:

- (1) contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes; or
- (2) contiguous acreage used during the preceding year for an intensive livestock or poultry confinement operation, provided that land used only for pasturing or grazing does not qualify under this clause.

"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 taxes payable in 2003 because of its enrollment in a qualifying program and the land remains enrolled 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.

"Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion of, a set of contiguous tax parcels under that section that are owned by the same person.

(f) Agricultural land under this section also includes:

(1) contiguous acreage that is less than ten acres in size and exclusively used in the preceding year for raising or cultivating agricultural products; or

(2) contiguous acreage that contains a residence and is less than 11 acres in size, if the contiguous acreage exclusive of the house, garage, and surrounding one acre of land was used in the preceding year for one or more of the following three uses:

(i) for an intensive grain drying or storage operation, or for intensive machinery or equipment storage activities 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 intensively to produce nursery stock are considered agricultural land; or

(iii) for intensive 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.

"Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as described in section 272.193, or all of a set of contiguous tax parcels under that section that are owned by the same person.

(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 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 (i) on a game farm licensed under section 97A.105, provided that the annual licensing report to the Department of Natural Resources, which must be submitted annually by March 30 to the assessor, indicates that at least 500 birds were raised or used for breeding stock on the property during the preceding year and that the owner provides a copy of the owner's most recent schedule F; or (ii) 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) wine produced by a farm winery licensed under section 340A.315.

(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 classification 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 classification 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 beginning with taxes payable in 2016.

Sec. 5. Minnesota Statutes 2014, 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 classification 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 classification rate of 1.25 percent.

(c) Class 4bb includes nonhomestead residential real estate containing one unit, other than seasonal residential recreational property, and a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb property has the same classification rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real and personal property devoted to commercial temporary and seasonal residential occupancy for recreation purposes, for not more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property under this clause must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. A camping pad offered for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c under this clause regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified under this clause, either (i) the business located on the property must provide recreational activities, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (B) at least 20 percent of the annual gross receipts must be from charges for providing recreational activities, or (ii) the business must contain 20 or fewer rental units, and must be located in a township or a city with a population of 2,500 or less located outside the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion of a state trail administered by the Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4c property also includes

commercial use real property used exclusively for recreational purposes in conjunction with other class 4c property classified under this clause and devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. In order for a property to qualify for classification under this clause, the owner must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated class 4c under this clause as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4c property under this clause must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c. For the purposes of this paragraph, "recreational activities" means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; providing marina services, launch services, or guide services; or selling bait and fishing tackle;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of three acres of land owned and used by a nonprofit community service oriented organization and not used for residential purposes on either a temporary or permanent basis, provided that:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause:

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

(B) "property taxes" excludes the state general tax;

(C) a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal Revenue Code; and

(D) "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

(4) postsecondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding manufactured home parks described in section 273.124, subdivision 3a, and (ii) manufactured home parks as defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision 3a;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

- (i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;
- (ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;
- (iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and
- (iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22;

(10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (i) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (ii) 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 item (ii). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year;

(11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide evidence to the assessor that it provides services, including lake or river access to the public by means of an access ramp or other facility that is either located on the property of the marina or at a publicly owned site that abuts the property of the marina. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property; and

(12) real and personal property devoted to noncommercial temporary and seasonal residential occupancy for recreation purposes.

Class 4c property has a classification rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property under clause (12) has the same classification rates as class 4bb property, (ii) manufactured home parks assessed under clause (5), item (i), have the same classification rate as class 4b property, and the market value of manufactured home parks assessed under clause (5), item (ii), has a classification rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a classification rate of one percent if 50 percent or less of the lots are so occupied, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), has a classification 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 classification rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a classification 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 classification rate of 1.25 percent. For taxes payable in 2016 through 2025, property qualifying for classification under clause (3) that is owned or operated by a congressionally chartered veterans organization has a classification rate of one percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

(f) The first tier of market value of class 4d property has a classification rate of 0.75 percent. The remaining value of class 4d property has a classification rate of 0.25 percent. For the purposes of this paragraph, the "first tier of market value of class 4d property" means the market value of each housing unit up to the first tier limit. For the purposes of this paragraph, all class 4d property value must be assigned to individual housing units. The first tier limit is \$100,000 for assessment year 2014. For subsequent years, the limit is adjusted each year by the average statewide change in estimated market value of property classified as class 4a and 4d under this section for the previous assessment year, excluding valuation change due to new construction, rounded to the nearest \$1,000, provided, however, that the limit may never be less than \$100,000. Beginning with assessment year 2015, the commissioner of revenue must certify the limit for each assessment year by November 1 of the previous year.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 6. Minnesota Statutes 2014, section 273.13, subdivision 34, is amended to read:

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

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

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

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

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

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

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

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

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

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

(j) For purposes of this subdivision:

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

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

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

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

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

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 7. Minnesota Statutes 2014, section 274.014, subdivision 2, is amended to read:

Subd. 2. **Appeals and equalization course.** ~~Beginning in 2006, and each year thereafter,~~ (a) There must be at least one member at each meeting of a local board of appeal and equalization who has attended an appeals and equalization course developed or approved by the commissioner within the last four years, as certified by the commissioner. The course may be offered in conjunction with a meeting of the Minnesota League of Cities or the Minnesota Association of Townships. The course content must include, but need not be limited to, a review of the handbook developed by the commissioner under subdivision 1.

(b) The requirement under paragraph (a) does not apply in any year in which the commissioner does not offer in-person training, either:

(1) in conjunction with the Association of Minnesota Townships, reaching at least as many local board members for which training was offered in 2014; or

(2) with at least as many registration openings for local board members for which training was offered in 2014.

(c) The requirement for in-person training under paragraph (b) may be suspended when the Office of Broadband Development certifies to the commissioner that broadband service as defined in section 116J.39 exists in every jurisdiction subject to compliance with this section.

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

Sec. 8. **[274.132] PROPERTY OVERVALUED.**

Subdivision 1. **Tax credit.** Notwithstanding any other provision to the contrary, when the value of a property is reduced by a local, special, or county board of appeal and equalization, or an abatement to correct an error in valuation, a taxpayer shall receive a tax credit in the manner prescribed under subdivision 2.

Subd. 2. **Reduced value tax balance.** (a) When the value of a property is reduced as referenced under subdivision 1, the auditor shall determine the amount of taxes payable for the current year on that property and subtract from that amount the amount of taxes payable for the current year under the property's reduced value to obtain the property's reduced value tax balance, if any. The auditor shall credit the reduced value tax balance against a taxpayer's succeeding year's property taxes due according to the following schedule:

(1) if the reduced value tax balance is less than 25 percent of the succeeding year's total property taxes due, it shall be credited to the taxpayer in the succeeding year; or

(2) if the reduced value tax balance is 25 percent or more of the succeeding year's total property taxes due, it shall be credited to the taxpayer at a rate of 25 percent of the property taxes due per year until paid in full.

Subd. 3. **Settlement.** The reduced value tax balance credit calculated under subdivision 2 shall reduce the tax payable to each jurisdiction in proportion to the total taxes payable on the parcel.

Subd. 4. **Property tax credit runs with the land.** The reduced value tax balance credit determined under subdivision 2 must be applied against taxes due on the property without regard to a change in ownership of the property or a change in the person liable for paying taxes on the property.

EFFECTIVE DATE. This section is effective for appeals, orders, and abatements in 2016 and thereafter.

Sec. 9. Minnesota Statutes 2014, section 275.025, is amended to read:

275.025 STATE GENERAL TAX.

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy ~~base amount for commercial-industrial property is \$592,000,000~~ \$599,043,000 for taxes payable in ~~2002~~ 2016. The state general levy for seasonal recreational property is \$12,018,000 for taxes payable in 2016. For taxes payable in subsequent years, the levy ~~base amount is increased~~ amounts are reduced each year by ~~multiplying the levy base amount for the prior year by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the taxes are payable~~ 16.7 percent of the payable 2016 amounts. The levy amounts are \$0 for taxes payable in 2022 and thereafter. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

The commissioner shall increase or decrease the preliminary or final rate rates for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

(1) an erroneous report of taxable value by a local official;

(2) an erroneous calculation by the commissioner; and

(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89 for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than \$100,000.

Subd. 2. Commercial-industrial tax capacity. For the purposes of this section, "commercial-industrial tax capacity" means the tax capacity of all taxable property classified as class 3 or class 5(1) under section 273.13, ~~except for~~ excluding: (1) the first \$500,000 of market value of each parcel of commercial-industrial net tax capacity as defined under section 273.13, subdivision 24, clauses (1) and (2), (2) electric generation attached machinery under class 3, and (3) property described in section 473.625. County commercial-industrial tax capacity amounts are not adjusted for the captured net tax capacity of a tax increment financing district under section 469.177, subdivision 2, the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425, or fiscal disparities contribution and distribution net tax capacities under chapter 276A or 473F. For purposes of this subdivision, the procedures for determining eligibility for tier 1 under section 273.13, subdivision 24, clause (1), shall apply in determining the portion of a property eligible to be considered within the first \$500,000 of market value.

Subd. 3. Seasonal residential recreational tax capacity. For the purposes of this section, "seasonal residential recreational tax capacity" means the tax capacity of tier III of class 1c under section 273.13, subdivision 22, and all class 4c(1), 4c(3)(ii), and 4c(12) property under section 273.13, subdivision 25, ~~except that~~ excluding the first \$76,000 \$250,000 of market value of each noncommercial class 4c(12) property has a tax capacity for this purpose equal to 40 percent of its tax capacity under section 273.13.

Subd. 4. Apportionment and levy of state general tax. ~~Ninety-five percent of~~ The state general tax must be levied by applying a uniform rate to all commercial-industrial tax capacity and ~~five percent of the state general tax must be levied by applying~~ a uniform rate to all seasonal residential recreational tax capacity. On or before October 1 each year, the commissioner of revenue shall certify the preliminary state general levy rates to each county auditor that must be used to prepare the notices of proposed property taxes for taxes payable in the following year. By January 1 of each year, the commissioner shall certify the final state general levy ~~rate~~ rates to each county auditor that shall be used in spreading taxes.

Subd. 5. Underserved municipalities distribution. (a) Any municipality that:

(1) lies wholly or partially within the metropolitan area as defined under section 473.121, subdivision 2, but outside the transit taxing district as defined under section 473.446, subdivision 2; and

(2) has a net fiscal disparities contribution equal to or greater than eight percent of its total taxable net tax capacity.

is eligible for a distribution from the proceeds of the state general levy imposed on taxpayers within the municipality.

(b) The distribution is equal to (1) the municipality's net tax capacity tax rate, times (2) the municipality's net fiscal disparities contribution in excess of eight percent of its total taxable net tax capacity; provided, however, that the distribution may not exceed the tax under this section imposed on taxpayers within the municipality.

(c) The distribution under this subdivision must be paid to the qualifying municipality at the same time taxes are settled under sections 276.09 to 276.111.

(d) For purposes of this subdivision, the following terms have the meanings given.

(1) "Municipality" means a home rule or statutory city, or a town, except that in the case of a city that lies only partially within the metropolitan area, municipality means the portion of the city lying within the metropolitan area.

(2) "Net fiscal disparities contribution" means a municipality's fiscal disparities contribution tax capacity minus its distribution net tax capacity.

(3) "Total taxable net tax capacity" means the total net tax capacity of all properties in the municipality under section 273.13 minus (i) the net fiscal disparities contribution, and (ii) the municipality's tax increment captured net tax capacity.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 10. Minnesota Statutes 2014, section 275.065, subdivision 1, is amended to read:

Subdivision 1. **Proposed levy.** (a) Notwithstanding any law or charter to the contrary, on or before September 30, each county ~~and each~~ home rule charter or statutory city, and special taxing district, excluding the Metropolitan Council and the Metropolitan Mosquito Control District, shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. The proposed levy certification date for the Metropolitan Council shall be as prescribed in sections 473.249 and 473.446. The proposed levy certification date for the Metropolitan Mosquito Control District shall be as prescribed in section 473.711.

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective beginning with proposed levy certifications for taxes payable in 2016.

Sec. 11. Minnesota Statutes 2014, section 278.12, is amended to read:

278.12 REFUNDS OF OVERPAYMENT.

(a) If upon final determination the petitioner has paid more than the amount so determined to be due, judgment shall be entered in favor of the petitioner for such excess, and upon filing a copy thereof with the county auditor the auditor shall forthwith draw a warrant upon the county treasurer for the payment thereof; provided that, with the consent of the petitioner, the county auditor may, in lieu of drawing such warrant, issue to the petitioner a certificate stating the amount of such judgment, which amount may be used to apply upon any taxes due or to become due for the taxing district or districts whose taxes or assessments are reduced, or their successors in the event of a reorganization or reincorporation of any such taxing district. In the event the auditor shall issue a warrant for refund or certificates, the amount thereof shall be charged to the state and other taxing districts in proportion to the amount of their respective taxes included in the levy and deduct the same in the subsequent distribution of any tax proceeds to the state or such taxing districts, and upon receiving any such certificate in payment of other taxes, the amount thereof shall be distributed to the state and other taxing districts in proportion to the amount of their respective taxes included in the levy; provided that if in the judgment the levy of one or more of the districts be found to be illegal, to the extent that the tax so levied is reduced on account of the illegal levies, the amount to be charged back shall be charged to the districts and the amount thereof deducted from any distributions thereafter made to them.

(b) With the consent of the petitioner, the county auditor may issue a certificate under paragraph (a) that applies to any taxes due or to become due over a determined period of years.

EFFECTIVE DATE. This section is effective for refunds for overpayment of taxes payable in 2015 and thereafter.

Sec. 12. Minnesota Statutes 2014, section 279.01, subdivision 1, is amended to read:

Subdivision 1. **Due dates; penalties.** ~~Except as provided in subdivisions 3 to 5, 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 (a) When the taxes against any tract or lot exceed \$100, one-half of the amount of tax due must be paid prior to May 16, and the remaining one-half must be paid prior to the following October 16. If either tax amount is unpaid as of its due date, a penalty is imposed at a rate of two percent on homestead property until May 31 and four percent on nonhomestead property. If complete payment has not been made by the first day of the month following either due date, an additional penalty of two percent on June 1. The penalty on nonhomestead property is at a rate of four percent until May 31 homestead property and eight four 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 1e 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 nonhomestead property is imposed. Thereafter, for both homestead and nonhomestead property, on the first day of each subsequent month beginning July 1, up to and including October 1 following through December, 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 \$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 the penalty must not exceed eight percent in the case of homestead property, or 12 percent in the case of nonhomestead property.~~

(b) If the property tax statement was not postmarked prior to April 25, the first half payment due date in paragraph (a) shall be 21 days from the postmark date of the property tax statement, and all penalties referenced in paragraph (a) shall be determined with regard to the later due date.

(c) In the case of a tract or lot with taxes of \$100 or less, the due date and penalties as specified in paragraph (a) or (b) for the first half payment shall apply to the entire amount of the tax due.

(d) For 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, the first half payment is due prior to June 1. For a class 3a property to qualify for the later due date, the owner of the property must attach an affidavit to the payment attesting to compliance with the income requirements of this paragraph.

(e) This section applies to payment of personal property taxes assessed against improvements to leased property, except as provided by section 277.01, subdivision 3.

(f) A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding \$100, payments may be made in installments as provided in this subdivision.

(g) 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 beginning with taxes payable in 2016.

Sec. 13. Minnesota Statutes 2014, section 279.01, subdivision 3, is amended to read:

Subd. 3. **Agricultural property.** ~~(a) In the case of class 1b agricultural homestead, class 2a agricultural homestead property, and class 2a agricultural nonhomestead property, no penalties shall attach to the second one-half property tax payment as provided in this section if paid by November 15. Thereafter for class 1b agricultural homestead and class 2a homestead property, on November 16 following, a penalty of six percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional two percent shall be charged on all such unpaid taxes. Thereafter for class 2a agricultural nonhomestead property, on November 16 following, a penalty of eight percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional four percent shall be charged on all such unpaid taxes, penalties shall attach as provided in subdivision 1.~~

If the owner of class 1b agricultural homestead or class 2a agricultural property receives a consolidated property tax statement that shows only an aggregate of the taxes and special assessments due on that property and on other property not classified as class 1b agricultural homestead or class 2a agricultural property, the aggregate tax and special assessments shown due on the property by the consolidated statement will be due on November 15.

~~(b) Notwithstanding paragraph (a), for taxes payable in 2010 and 2011, for any class 2b property that was subject to a second half due date of November 15 for taxes payable in 2009, the county shall not impose, or if imposed, shall abate penalty amounts in excess of those that would apply as if the second half due date were November 15.~~

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 14. Minnesota Statutes 2014, section 279.37, subdivision 2, is amended to read:

Subd. 2. **Installment payments.** (a) The owner of any such parcel, or any person to whom the right to pay taxes has been given by statute, mortgage, or other agreement, may make and file with the county auditor of the county in which the parcel is located a written offer to pay the current taxes each year before they become delinquent, or to contest the taxes under chapter 278 and agree to confess judgment for the amount provided, as determined by the county auditor. By filing the offer, the owner waives all irregularities in connection with the tax proceedings affecting the parcel and any defense or objection which the owner may have to the proceedings, and also waives the requirements of any notice of default in the payment of any installment or interest to become due pursuant to the composite judgment to be so entered. Unless the property is subject to subdivision 1a, with the offer, the owner shall (i) tender one-tenth of the amount of the delinquent taxes, costs, penalty, and interest, and (ii) tender all current year taxes and penalty due at the time the confession of judgment is entered. In the offer, the owner shall agree to pay the balance in nine equal installments, with interest as provided in section 279.03, payable annually on installments remaining unpaid from time to time, on or before December 31 of each year following the year in which judgment was confessed.

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

For the purposes of this subdivision:

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

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

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

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

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

~~(e)~~ (e) The offer must be substantially as follows:

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

..... Upon that real estate there are delinquent taxes for the year, and prior years, as follows: (here insert year of delinquency and the total amount of delinquent taxes, costs, interest, and penalty). By signing this document I offer to confess judgment in the sum of \$..... and waive all irregularities in the tax proceedings affecting these taxes and any defense or objection which I may have to them, and direct judgment to be entered for the amount stated above, minus the sum of \$....., to be paid with this document, which is one-tenth or one-fifth of the amount of the taxes, costs, penalty, and interest stated above. I agree to pay the balance of the judgment in nine or four equal, annual installments, with interest as provided in section 279.03, payable annually, on the installments remaining unpaid. I agree to pay the installments and interest on or before December 31 of each year following the year in which this judgment is confessed and current taxes each year before they become delinquent, or within 30 days after the entry of final judgment in proceedings to contest the taxes under chapter 278.

Dated,"

EFFECTIVE DATE. This section is effective for sales and repurchases occurring after June 30, 2015.

Sec. 15. Minnesota Statutes 2014, 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, 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 same rate as installment payments on confession of judgment for delinquent taxes determined in section 279.03, subdivision 1a 279.37, subdivision 2, paragraph (b). 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 for sales occurring after June 30, 2015.

Sec. 16. Minnesota Statutes 2014, section 282.261, subdivision 2, is amended to read:

Subd. 2. **Interest rate.** The unpaid balance on any repurchase contract approved by the county board is subject to interest at the same rate as installment payments on confession of judgment for delinquent taxes determined in section 279.03, subdivision 1a 279.37, subdivision 2, paragraph (b). ~~The interest rate is subject to change each year on the unpaid balance in the manner provided for rate changes in section 279.03, subdivision 1a.~~

EFFECTIVE DATE. This section is effective for repurchases occurring after June 30, 2015.

Sec. 17. Minnesota Statutes 2014, section 290C.10, is amended to read:

290C.10 WITHDRAWAL PROCEDURES.

(a) An approved claimant under the sustainable forest incentive program for a minimum of four years may notify the commissioner of the intent to terminate enrollment. Within 90 days of receipt of notice to terminate enrollment, the commissioner shall inform the claimant in writing, acknowledging receipt of this notice and indicating the effective date of termination from the sustainable forest incentive program. Termination of enrollment in the sustainable forest incentive program occurs on January 1 of the fifth calendar year that begins after receipt by the commissioner of the termination notice. After the commissioner issues an effective date of termination, a claimant wishing to continue the land's enrollment in the sustainable forest incentive program beyond the termination date must apply for enrollment as prescribed in section 290C.04. A claimant who withdraws a parcel of land from this program may not reenroll the parcel for a period of three years. Within 90 days after the termination date, the commissioner shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded. The commissioner may allow early withdrawal from the Sustainable Forest Incentive Act without penalty when the state of Minnesota, any local government unit, or any other entity which has the power of eminent domain acquires title or possession to the land for a public purpose notwithstanding the provisions of this section. In the case of ~~such an~~ eligible acquisition, the commissioner shall execute and acknowledge a document releasing the land acquired by the state, local government unit, or other entity from the covenant.

(b) Notwithstanding paragraph (a), the commissioner shall allow early withdrawal from the Sustainable Forest Incentive Act without penalty when the state acquires a permanent conservation easement on the enrolled property and the conservation easement is at least as restrictive as the covenant required under section 290C.04. In the case of an eligible easement acquisition, the commissioner shall execute and acknowledge a document releasing the land subject to the easement from the covenant. All other enrolled land must remain in the program.

(c) Notwithstanding paragraph (a), the commissioner shall allow early withdrawal from the Sustainable Forest Incentive Act without penalty for land that is subject to fee or easement acquisition or lease to the state of Minnesota or a political subdivision of the state for the public purpose of a paved trail. In the case of an eligible fee or easement acquisition or lease under this paragraph, the commissioner shall execute and acknowledge a document releasing the land subject to fee or easement acquisition or lease by the state or political subdivision of the state.

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

Sec. 18. Minnesota Statutes 2014, section 473.446, subdivision 1, is amended to read:

Subdivision 1. **Metropolitan area transit tax.** (a) For the purposes of sections 473.405 to 473.449 and the metropolitan transit system, except as otherwise provided in this subdivision, the council shall levy each year upon all taxable property within the metropolitan area, defined in section 473.121, subdivision 2, a transit tax consisting of:

(1) an amount necessary to provide full and timely payment of certificates of indebtedness, bonds, including refunding bonds or other obligations issued or to be issued under section 473.39 by the council for purposes of acquisition and betterment of property and other improvements of a capital nature and to which the council has specifically pledged tax levies under this clause; and

(2) an additional amount necessary to provide full and timely payment of certificates of indebtedness issued by the council, after consultation with the commissioner of management and budget, if revenues to the metropolitan area transit fund in the fiscal year in which the indebtedness is issued increase over those revenues in the previous fiscal year by a percentage less than the percentage increase for the same period in the revised Consumer Price Index for all urban consumers for the St. Paul-Minneapolis metropolitan area prepared by the United States Department of Labor.

(b) Indebtedness to which property taxes have been pledged under paragraph (a), clause (2), that is incurred in any fiscal year may not exceed the amount necessary to make up the difference between (1) the amount that the council received or expects to receive in that fiscal year from the metropolitan area transit fund and (2) the amount the council received from that fund in the previous fiscal year multiplied by the percentage increase for the same period in the revised Consumer Price Index for all urban consumers for the St. Paul-Minneapolis metropolitan area prepared by the United States Department of Labor.

(c) No levy is allowed for expenses related to the operation of transit or paratransit services. This paragraph must not be construed as limiting the council's ability to levy for debt obligations under paragraph (a).

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 19. Minnesota Statutes 2014, section 473H.09, is amended to read:

473H.09 EARLY TERMINATION.

Subdivision 1. **Public emergency.** Termination of an agricultural preserve earlier than a date derived through application of section 473H.08 may be permitted ~~only~~ in the event of a public emergency upon petition from the owner or authority to the governor. The determination of a public emergency shall be by the governor through executive order pursuant to sections 4.035 and 12.01 to 12.46. The executive order shall identify the preserve, the reasons requiring the action and the date of termination.

Subd. 2. **Death of owner.** (a) Within 180 days of the death of an owner, an owner's spouse, or other qualifying person, the surviving owner may elect to terminate the agricultural preserve and the covenant allowing the land to be enrolled as an agricultural preserve by notifying the authority on a form provided by the commissioner of agriculture. Termination of a covenant under this subdivision must be executed and acknowledged in the manner required by law to execute and acknowledge a deed.

(b) For purposes of this subdivision, the following definitions apply:

(1) "qualifying person" includes a partner, shareholder, trustee for a trust that the decedent was the settlor or a beneficiary of, or member of an entity permitted to own agricultural land and engage in farming under section 500.24 that owned the agricultural preserve; and

(2) "surviving owner" includes the executor of the estate of the decedent, the trustee for a trust that the decedent was the settlor or a beneficiary of, or an entity permitted to own farm land under section 500.24 of which the decedent was a partner, shareholder, or member.

(c) When an agricultural preserve is terminated under this subdivision, the property is subject to additional taxes in an amount equal to 50 percent of the taxes actually levied against the property for the current taxes payable year. The additional taxes are extended against the property on the tax list for taxes payable in the current year. The additional taxes must be distributed among the jurisdictions levying taxes on the property in proportion to the current year's taxes.

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

Sec. 20. Minnesota Statutes 2014, section 473H.17, subdivision 1a, is amended to read:

Subd. 1a. **Allowed commercial and industrial operations.** (a) Commercial and industrial operations are not allowed on land within an agricultural preserve except:

(1) small on-farm commercial or industrial operations normally associated with and important to farming in the agricultural preserve area;

(2) storage use of existing farm buildings that does not disrupt the integrity of the agricultural preserve; ~~and~~

(3) small commercial use of existing farm buildings for trades not disruptive to the integrity of the agricultural preserve such as a carpentry shop, small scale mechanics shop, and similar activities that a farm operator might conduct; and

(4) wireless communication installments and related equipment and structure capable of providing technology potentially beneficial to farming activities.

(b) "Existing" in paragraph (a), clauses (2) and (3), means existing on August 1, 1987.

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

Sec. 21. Laws 1996, chapter 471, article 3, section 51, is amended to read:

Sec. 51. **RECREATION LEVY FOR SAWYER BY CARLTON COUNTY.**

~~Subdivision 1. Levy authorized.~~ Notwithstanding other law to the contrary, the Carlton county board of commissioners may levy in and for the unorganized township of Sawyer an amount up to ~~\$1,500~~ \$2,000 annually for recreational purposes, ~~beginning with taxes payable in 1997 and ending with taxes payable in 2006.~~

~~Subd. 2. Effective date.~~ ~~This section is effective June 1, 1996, without local approval.~~

EFFECTIVE DATE. This section is effective the day after the Carlton County Board of Commissioners and its chief clerical officer comply with section 645.021, subdivisions 2 and 3, and applies to taxes payable in 2015.

ARTICLE 4
ESTATE TAXES

Section 1. Minnesota Statutes 2014, 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 sum of the federal gross estate and federal adjusted taxable gifts, as defined in section 2001(b) of the Internal Revenue Code, made within three years of the date of the decedent's death exceeds \$1,200,000 for estates of decedents dying in 2014; ~~\$1,400,000~~ \$2,000,000 for estates of decedents dying in 2015; ~~\$1,600,000~~ \$3,000,000 for estates of decedents dying in 2016; ~~\$1,800,000~~ \$4,000,000 for estates of decedents dying in 2017; ~~and \$2,000,000~~ \$5,000,000 for estates of decedents dying in 2018 ~~and; and only if a federal estate tax return is required to be filed~~ thereafter.

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 retroactively for estates of decedents dying after December 31, 2014.

Sec. 2. Minnesota Statutes 2014, section 291.005, subdivision 1, as amended by Laws 2015, chapter 1, section 5, is amended to read:

Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes under the Internal Revenue Code, increased by the value of any property in which the decedent had a qualifying income interest for life and for which an election was made under section 291.03, subdivision 1d, for Minnesota estate tax purposes, but was not made for federal estate tax purposes.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through December 31, 2014.

(4) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included in the estate which has its situs outside Minnesota, and (b) including any property omitted from the federal gross estate which is includable in the estate, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(7) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota. The provisions of section 290.01, subdivision 7, paragraphs (c) and (d), apply to determinations of domicile under this chapter.

(8) "Situs of property" means, with respect to:

(i) real property, the state or country in which it is located;

(ii) tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death or for a gift of tangible personal property within three years of death, the state or country in which it was normally kept or located when the gift was executed;

(iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue Code, owned by a nonresident decedent and that is normally kept or located in this state because it is on loan to an organization, qualifying as exempt from taxation under section 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

(iv) intangible personal property, the state or country in which the decedent was domiciled at death or for a gift of intangible personal property within three years of death, the state or country in which the decedent was domiciled when the gift was executed.

For a nonresident decedent with an ownership interest in a pass-through entity with assets that include real or tangible personal property, situs of the real or tangible personal property, including qualified works of art, is determined as if the pass-through entity does not exist and the real or tangible personal property is personally owned by the decedent. If the pass-through entity is owned by a person or persons in addition to the decedent, ownership of the property is attributed to the decedent in proportion to the decedent's capital ownership share of the pass-through entity.

(9) "Pass-through entity" includes the following:

(i) an entity electing S corporation status under section 1362 of the Internal Revenue Code;

(ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

(iii) a single-member limited liability company or similar entity, regardless of whether it is taxed as an association or is disregarded for federal income tax purposes under Code of Federal Regulations, title 26, section 301.7701-3; or

(iv) a trust to the extent the property is includible in the decedent's federal gross estate; but excludes

(v) an entity whose ownership interest securities are traded on an exchange regulated by the Securities and Exchange Commission as a national securities exchange under section 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2014.

Sec. 3. Minnesota Statutes 2014, section 291.016, subdivision 3, is amended to read:

Subd. 3. **Subtraction.** (a) The value of qualified small business property under section 291.03, subdivision 9, and the value of qualified farm property under section 291.03, subdivision 10, or the result of \$5,000,000 minus the amount for the year of death listed in clauses (1) to ~~(5)~~ (4), whichever is less, may be subtracted in computing the Minnesota taxable estate but must not reduce the Minnesota taxable estate to less than zero:

- (1) \$1,200,000 for estates of decedents dying in 2014;
- (2) ~~\$1,400,000~~ \$2,000,000 for estates of decedents dying in 2015;
- (3) ~~\$1,600,000~~ \$3,000,000 for estates of decedents dying in 2016; and
- (4) ~~\$1,800,000~~ \$4,000,000 for estates of decedents dying in 2017; ~~and.~~

~~(5) \$2,000,000~~ (b) The subtraction under paragraph (a) does not apply for estates of decedents dying in 2018 and thereafter.

(c) For estates of decedents dying after December 31, 2018, the value of the federal exclusion amount under section 2010 of the Internal Revenue Code may be subtracted in computing the Minnesota taxable estate, but must not reduce the Minnesota taxable estate to less than zero. For purposes of this subdivision, the federal exclusion amount equals the sum of:

- (1) the basic exclusion amount under section 2010(c)(3) for the year in which the decedent died; and
- (2) any deceased spouse unused exclusion amount that is allowed in computing the federal estate tax of the estate.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2014.

Sec. 4. Minnesota Statutes 2014, section 291.03, subdivision 1, is amended to read:

Subdivision 1. **Tax amount.** The tax imposed must be computed by applying to the Minnesota taxable estate the following schedule of rates and then the resulting amount multiplied by a fraction, not greater than one, the numerator of which is the value of the Minnesota gross estate plus the value of gifts under section 291.016, subdivision 2, clause (3), with a Minnesota situs, and the denominator of which is the federal gross estate plus the value of gifts under section 291.016, subdivision 2, clause (3):

- (a) For estates of decedents dying in 2014:

Amount of Minnesota Taxable Estate	Rate of Tax
Not over \$1,200,000	None
Over \$1,200,000 but not over \$1,400,000	nine percent of the excess over \$1,200,000
Over \$1,400,000 but not over \$3,600,000	\$18,000 plus ten percent of the excess over \$1,400,000
Over \$3,600,000 but not over \$4,100,000	\$238,000 plus 10.4 percent of the excess over \$3,600,000
Over \$4,100,000 but not over \$5,100,000	\$290,000 plus 11.2 percent of the excess over \$4,100,000
Over \$5,100,000 but not over \$6,100,000	\$402,000 plus 12 percent of the excess over \$5,100,000
Over \$6,100,000 but not over \$7,100,000	\$522,000 plus 12.8 percent of the excess over \$6,100,000
Over \$7,100,000 but not over \$8,100,000	\$650,000 plus 13.6 percent of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$786,000 plus 14.4 percent of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$930,000 plus 15.2 percent of the excess over \$9,100,000
Over \$10,100,000	\$1,082,000 plus 16 percent of the excess over \$10,100,000

(b) For estates of decedents dying in 2015:

Amount of Minnesota Taxable Estate	Rate of Tax
Not over \$1,400,000	None
Over \$1,400,000 but not over \$3,600,000	ten percent of the excess over \$1,400,000
Over \$3,600,000 but not over \$6,100,000	\$220,000 plus 12 percent of the excess over \$3,600,000
Over \$6,100,000 but not over \$7,100,000	\$520,000 plus 12.8 percent of the excess over \$6,100,000
Over \$7,100,000 but not over \$8,100,000	\$648,000 plus 13.6 percent of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$784,000 plus 14.4 percent of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$928,000 plus 15.2 percent of the excess over \$9,100,000
Over \$10,100,000	\$1,080,000 plus 16 percent of the excess over \$10,100,000

(c) For estates of decedents dying in 2016:

Amount of Minnesota Taxable Estate	Rate of Tax
Not over \$1,600,000	None
Over \$1,600,000 but not over \$2,600,000	ten percent of the excess over \$1,600,000
Over \$2,600,000 but not over \$6,100,000	\$100,000 plus 12 percent of the excess over \$2,600,000
Over \$6,100,000 but not over \$7,100,000	\$520,000 plus 12.8 percent of the excess over \$6,100,000
Over \$7,100,000 but not over \$8,100,000	\$648,000 plus 13.6 percent of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$784,000 plus 14.4 percent of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$928,000 plus 15.2 percent of the excess over \$9,100,000
Over \$10,100,000	\$1,080,000 plus 16 percent of the excess over \$10,100,000

(d) For estates of decedents dying in 2017:

Amount of Minnesota Taxable Estate	Rate of Tax
Not over \$1,800,000	None
Over \$1,800,000 but not over \$2,100,000	ten percent of the excess over \$1,800,000
Over \$2,100,000 but not over \$5,100,000	\$30,000 plus 12 percent of the excess over \$2,100,000
Over \$5,100,000 but not over \$7,100,000	\$390,000 plus 12.8 percent of the excess over \$5,100,000
Over \$7,100,000 but not over \$8,100,000	\$646,000 plus 13.6 percent of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$782,000 plus 14.4 percent of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$926,000 plus 15.2 percent of the excess over \$9,100,000
Over \$10,100,000	\$1,078,000 plus 16 percent of the excess over \$10,100,000

(e) (b) For estates of decedents dying in 2018 and thereafter 2015:

Amount of Minnesota Taxable Estate	Rate of Tax
Not over \$2,000,000	None
Over \$2,000,000 but not over \$2,600,000	ten percent of the excess over \$2,000,000
Over \$2,600,000 but not over \$7,100,000	\$60,000 plus 13 percent of the excess over \$2,600,000
Over \$7,100,000 but not over \$8,100,000	\$645,000 plus 13.6 percent of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$781,000 plus 14.4 percent of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$925,000 plus 15.2 percent of the excess over \$9,100,000
Over \$10,100,000	\$1,077,000 plus 16 percent of the excess over \$10,100,000

(c) For estates of decedents dying in 2016:

<u>Amount of Minnesota Taxable Estate</u>	<u>Rate of Tax</u>
<u>Not over \$3,000,000</u>	<u>None</u>
<u>Over \$3,000,000 but not over \$8,100,000</u>	<u>14 percent of the excess over \$3,000,000</u>
<u>Over \$8,100,000 but not over \$9,100,000</u>	<u>\$714,000 plus 14.4 percent of the excess over \$8,100,000</u>
<u>Over \$9,100,000 but not over \$10,100,000</u>	<u>\$858,000 plus 15.2 percent of the excess over \$9,100,000</u>
<u>Over \$10,100,000</u>	<u>\$1,010,000 plus 16 percent of the excess over \$10,100,000</u>

(d) For estates of decedents dying in 2017:

<u>Amount of Minnesota Taxable Estate</u>	<u>Rate of tax</u>
<u>Not over \$4,000,000</u>	<u>None</u>
<u>Over \$4,000,000 but not over \$9,100,000</u>	<u>15 percent of the excess over \$4,000,000</u>
<u>Over \$9,100,000 but not over \$10,100,000</u>	<u>\$765,000 plus 15.2 percent of the excess over \$9,100,000</u>
<u>Over \$10,100,000</u>	<u>\$917,000 plus 16 percent of the excess over \$10,100,000</u>

(e) For estates of decedents dying in 2018:

<u>Amount of Minnesota Taxable Estate</u>	<u>Rate of Tax</u>
<u>Not over \$5,000,000</u>	<u>None</u>
<u>Over \$5,000,000</u>	<u>16 percent of the excess over \$5,000,000</u>

(f) For estates of decedents dying in 2019 and thereafter, 16 percent of the amount of the Minnesota taxable estate.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2014.

Sec. 5. Minnesota Statutes 2014, section 291.03, subdivision 1d, is amended to read:

Subd. 1d. **Elections.** (a) For the purposes of this section, the value of the Minnesota taxable estate is determined by taking into account the deduction available under section 2056(b) of the Internal Revenue Code. An election under section 2056(b) of the Internal Revenue Code may be made for Minnesota estate tax purposes regardless of whether the election is made for federal estate tax purposes. The value of the gross estate includes the value of any property in which the decedent had a qualifying income interest for life for which an election was made under this subdivision. The authority to make an election under this paragraph is limited to estates of decedents dying before January 1, 2018.

(b) Except for an election made under section 2056(b) of the Internal Revenue Code, no federal election is allowable in computing the tax under this chapter unless the estate is required to file a federal estate tax return, the election is made on the federal estate tax return, and the election is allowed under federal law.

EFFECTIVE DATE. This section is effective for estates of decedents dying after December 31, 2015.

ARTICLE 5
ECONOMIC DEVELOPMENT

Section 1. **[16A.1246] NO SPENDING FOR CERTAIN RAIL PROJECTS.**

(a) Except as provided in paragraph (b), no appropriation or other state money, whether in the general or another fund, must be expended or used for any costs related to studying the feasibility of, planning for, designing, engineering, acquiring property or constructing facilities for or related to, or development or operation of intercity or interregional passenger rail facilities or operations between the city of Rochester, or locations in its metropolitan area, and any location in the metropolitan area, as defined in section 473.121, subdivision 2.

(b) The restrictions under this section do not apply to funds obtained from contributions, grants, or other voluntary payments made by nongovernmental entities from private sources.

EFFECTIVE DATE. This section is effective the day following final enactment, except it does not apply to funds appropriated under Laws 2009, chapter 93, article 1, section 11, subdivision 5.

Sec. 2. **[16B.2965] PROPERTY LEASED FOR RAIL PROJECTS.**

If a state official leases, loans, or otherwise makes available state lands, air rights, or any other state property for use in connection with passenger rail facilities, as described in section 16A.1246, the lease or other agreement must include or be secured by a security bond or equivalent guarantee that allows the state to recover any costs it incurs in connection with the rail project from a responsible third party, or secure source of capital, if the passenger rail facilities are not constructed, are abandoned, or do not go into operation. These costs include restoring state property to its original condition.

(b) For purposes of this section, "state official" includes the commissioner, the commissioner of transportation, or any other state official with authority to enter into a lease or other agreement providing for use by a nonstate entity of state property.

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

Sec. 3. **[116X.01] TITLE.**

This chapter is titled and may be cited as the "Minnesota New Markets Jobs Act."

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 4. **[116X.02] DEFINITIONS.**

Subdivision 1. **Scope.** For the purposes of this chapter, the terms defined in this section have the meanings given.

Subd. 2. **Affiliate.** (a) For the purposes of subdivision 10, "affiliate" includes:

(1) any entity, without regard to whether the entity is a qualified community development entity under subdivision 10, that is the initial holder, either directly or through one or more special purpose entities, of a qualified equity investment in the qualified community development entity; and

(2) any entity, without regard to whether the entity is a qualified community development entity under subdivision 10, that provides insurance or any other form of guaranty to the ultimate recipient of tax credits under section 116X.03 with respect to a recapture or forfeiture of tax credits under section 116X.06, either directly or through the guaranty of any other economic benefit that is paid in lieu of the tax credits allowable under section 116X.03.

(b) The determination of whether an entity is an affiliate must be made by taking into account all relevant facts and circumstances, including the description of the proposed amount, structure, and initial purchaser of the qualified equity investment required by section 116X.05, subdivision 1, clause (4), and the determination assumes that the information provided under section 116X.05, subdivision 1, clause (4), is true and complete as of the date an application is submitted under section 116X.05.

Subd. 3. **Applicable percentage.** "Applicable percentage" means zero percent for the first two credit allowance dates, eight percent for the third through sixth credit allowance dates, and seven percent for the seventh credit allowance date.

Subd. 4. **Code.** "Code" or "the code" means the Internal Revenue Code of 1986 as amended through the date in section 290.01, subdivision 19.

Subd. 5. **Commissioner.** "Commissioner" means the commissioner of employment and economic development.

Subd. 6. **Credit allowance date.** "Credit allowance date" means for a qualified equity investment:

(1) the date on which the investment is initially made; and

(2) each of the six anniversary dates of that date thereafter.

Subd. 7. **Long-term debt security.** "Long-term debt security" means any debt instrument issued by a qualified community development entity at par value with an original maturity date of at least seven years from the date of its issuance, with no acceleration of repayment, amortization, or prepayment features prior to its original maturity date. The qualified community development entity that issues the debt instrument must not make cash interest payments on the debt instrument during the period from the date of issuance to the final credit allowance date in an amount that exceeds the cumulative operating income, as defined by regulations adopted under section 45D of the code of the qualified community development entity for that period prior to giving effect to the expense of the cash interest payments. This subdivision does not limit the holder's ability to accelerate payments on the debt instrument if the issuer has defaulted on covenants designed to ensure compliance with this section or section 45D of the code.

Subd. 8. **Purchase price.** "Purchase price" means the amount paid to the issuer of a qualified equity investment for the qualified equity investment.

Subd. 9. **Qualified active low-income community business.** (a) "Qualified active low-income community business" means a business as defined in section 45D of the code and Code of Federal Regulations, title 26, section 1.45D-1, and that is engaged primarily in a qualified high-technology field, as defined in section 116J.8737, subdivision 2, paragraph (g), clause (1), manufacturing, mining, or forestry. A business is considered a qualified active low-income community business for the duration of the qualified community development entity's investment in, or loan to, the business if the entity reasonably expects, when it makes the investment or loan, that the business will continue to satisfy the requirements for being a qualified active low-income community business, throughout the entire period of the investment or loan.

(b) Qualified active low-income community business excludes any business that derives or projects to derive 15 percent or more of its annual revenue from activities described in section 116J.8737, subdivision 2, paragraph (c), clause (4).

Subd. 10. **Qualified community development entity.** (a) "Qualified community development entity" has the meaning given in section 45D of the code, if the entity has entered into, for the current year or a prior year, an allocation agreement with the Community Development Financial Institutions Fund of the United States Department

of the Treasury for credits authorized by section 45D of the code that includes Minnesota within the service area in the allocation agreement. The term includes subsidiary community development entities or affiliates of any qualified community development entity, all of which are a single applicant for purposes of section 116X.05.

(b) Qualified community development entity excludes any regulated financial institution that is subject to the Community Reinvestment Act of 1977, United States Code, title 12, chapter 30, or any subsidiary or affiliate of a regulated financial institution.

(c) Paragraph (b) does not apply to a regulated financial institution, or its subsidiary or affiliate, if the regulated financial institution is chartered by, or has an office located in, Minnesota and the regulated financial institution otherwise meets the requirements of paragraph (a).

Subd. 11. Qualified equity investment. (a) "Qualified equity investment" means any equity investment in, or long-term debt security issued by, a qualified community development entity that:

(1) is acquired after October 1, 2015, at its original issuance solely in exchange for cash;

(2) has at least 100 percent of its cash purchase price used by the issuer to make qualified low-income community investments in qualified active low-income community businesses located in this state by the first anniversary of the initial credit allowance date; and

(3) is designated by the issuer as a qualified equity investment under this subdivision and is certified by the department as not exceeding the limitation in section 116X.05, subdivision 4.

(b) Notwithstanding the restrictions on transferability contained in section 116X.04, this term includes any qualified equity investment that does not meet the provisions of paragraph (a) if the investment:

(1) is transferred to a subsequent holder; and

(2) was a qualified equity investment in the hands of any prior holder.

(c) Qualified equity investment does not include:

(1) any investment that entitles the holder to claim tax credits under section 45D of the code; or

(2) any investment, the proceeds of which are used to make debt or equity investments in, directly or indirectly, any other qualified community development entity.

Subd. 12. Qualified low-income community investment. "Qualified low-income community investment" means any capital or equity investment in, or loan to, any qualified active low-income community business. For any one qualified active low-income community business, the maximum amount of qualified low-income community investments that may be made in the business, on a collective basis with all of its affiliates, with the proceeds of qualified equity investments that have been certified under section 116X.05, is \$10,000,000 whether made by one or several qualified community development entities.

Subd. 13. Refundable performance fee. "Refundable performance fee" means a fee that a qualified community development entity seeking to have an equity investment or long-term debt security designated as a qualified equity investment and eligible for tax credits under section 116X.05 must pay to the commissioner as assurance of compliance with certain requirements of this chapter. The amount of the fee equals one-half of one percent of the amount of the equity investment or long-term debt security requested to be designated as a qualified equity investment.

Subd. 14. **State premium tax liability.** "State premium tax liability" means any liability incurred by any entity under chapter 297I.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 5. **[116X.03] CREDIT ESTABLISHED.**

(a) Any entity that makes a qualified equity investment earns a vested right to credit against the entity's state premium tax liability on a premium tax report filed under this section that may be utilized as described in paragraphs (b) to (e).

(b) On each credit allowance date of the qualified equity investment, the entity, or a subsequent holder of the qualified equity investment, may use a portion of the credit during the taxable year, including the credit allowance date.

(c) The credit amount equals the applicable percentage for the credit allowance date multiplied by the purchase price paid to the issuer of the qualified equity investment.

(d) The amount of the credit claimed by an entity must not exceed the amount of the entity's state premium tax liability for the tax year for which the credit is claimed. Any amount of tax credit that the entity is prohibited from claiming in a taxable year as a result of this chapter may be carried forward for use in any subsequent taxable year.

(e) An entity claiming a credit under this chapter is not required to pay any additional retaliatory tax levied under section 297I.05 as a result of claiming that credit. In addition, it is the intent of this section that an entity claiming a credit under this chapter is not required to pay any additional tax as a result of claiming that credit.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 6. **[116X.04] TRANSFERABILITY.**

No tax credit claimed under this chapter is refundable or saleable on the open market. However, a participating investor may transfer credits to an affiliated insurance company, if it notifies the commissioner in writing. Tax credits earned by a partnership, limited liability company, S corporation, or other "pass-through" entity may be allocated to the partners, members, or shareholders of the entity for their direct use under the provisions of any agreement among those partners, members, or shareholders. Any allocation of tax credits made to a partner, member, or shareholder under this section is not a sale of the tax credits for purposes of this chapter.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 7. **[116X.05] CERTIFICATION OF QUALIFIED EQUITY INVESTMENTS.**

Subdivision 1. **Application.** A qualified community development entity that seeks to have an equity investment or long-term debt security designated as a qualified equity investment and eligible for tax credits under this chapter may apply to the commissioner on or after October 1, 2015. The application must include the following:

(1) evidence of the applicant's certification as a qualified community development entity, including evidence of the service area of the entity that includes Minnesota;

(2) a copy of the allocation agreement executed by the applicant, or its controlling entity, and the Community Development Financial Institutions Fund under section 116X.02, subdivision 10;

(3) a certificate executed by an executive officer of the applicant attesting that the allocation agreement remains in effect and has not been revoked or canceled by the Community Development Financial Institutions Fund;

(4) evidence that the applicant or its controlling entity has received more than one allocation of qualified equity investment authority from the Community Development Financial Institutions Fund, at least one of which must have been received on or after January 1, 2013;

(5) evidence that the applicant, its controlling entity, and subsidiary qualified community development entities of the controlling entity have collectively made at least \$25,000,000 in qualified low-income community investments under the federal new markets tax credit program or under new markets tax credit programs in other states with a maximum qualifying low-income community investment size of \$5,000,000 per business;

(6) a description of the proposed amount, structure, and initial purchaser of the qualified equity investment;

(7) the minimum amount of the qualified equity investment that the qualified community development entity is willing to accept if the amount proposed to be certified under clause (4) is less than the applicant's proposed amount of qualified equity investment;

(8) a plan describing the proposed investment of the proceeds of the qualified equity investment, including the types of qualified active low-income community businesses in which the applicant expects to invest. Applicants are not required to identify qualified active low-income community businesses in which they will invest when submitting an application;

(9) a nonrefundable application fee of \$5,000. This fee must be paid to the commissioner and is required for each application submitted; and

(10) the refundable performance fee required by section 116X.08.

The requirements of clauses (4) and (5) do not apply to a qualified community development entity incorporated or headquartered in Minnesota.

Subd. 2. **Consideration of application.** Within 30 days after receipt of a completed application containing the information in subdivision 1, including the payment of the application fee and the refundable performance fee, the commissioner shall grant or deny the application in full or in part. If the commissioner denies any part of the application, the commissioner shall inform the qualified community development entity of the grounds for the denial. If the qualified community development entity provides any additional information required by the commissioner or otherwise completes its application within 15 days of the notice of denial, the application is considered completed as of the original date of submission. If the qualified community development entity fails to provide the information or complete its application within the 15-day period, the application remains denied and must be resubmitted in full with a new submission date.

Subd. 3. **Certification.** If the application required under this section is complete, the commissioner shall certify the proposed equity investment or long-term debt security as a qualified equity investment that is eligible for tax credits under this chapter, subject to the limitations in subdivision 4. The commissioner shall provide written notice of the certification to the qualified community development entity. The notice must include the name of the initial purchaser of the qualified equity investment and the credit amount. Before any tax credits are claimed under this chapter, the qualified community development entity shall provide written notice to the commissioner of the names of the entities eligible to claim the credits as a result of holding a qualified equity investment. If the names of the

entities that are eligible to utilize the credits change due to a transfer of a qualified equity investment or an allocation or affiliate transfer under section 116X.04, the qualified community development entity shall notify the commissioner of the change.

Subd. 4. **Amount certified.** The commissioner shall certify \$250,000,000 in qualified equity investments. The commissioner shall certify qualified equity investments in the order applications are received by the commissioner. Applications received on the same day are deemed to have been received simultaneously. For applications that are complete and received on the same day, the commissioner shall certify, consistent with remaining qualified equity investment capacity, the qualified equity investments in proportionate percentages based upon the ratio of the amount of qualified equity investment requested in an application to the total amount of qualified equity investments requested in all applications received on the same day. If any amount of qualified equity investment that would be certified under this section is less than the acceptable minimum amount specified in the application as required by subdivision 1, clause (5), the application is deemed withdrawn and the amount of qualified equity investment is proportionately allocated among the other applicants under this subdivision.

Subd. 5. **Transfer of authority.** An approved applicant may transfer all or a portion of its certified qualified equity investment authority to its controlling entity or any subsidiary qualified community development entity of the controlling entity, if the applicant provides the information required in the application with respect to the transferee, and the applicant notifies the commissioner of the transfer within 30 days of the transfer.

Subd. 6. **Cash investment.** Within 60 days of the applicant receiving notice of certification, the qualified community development entity, or any transferee under subdivision 5, shall issue the qualified equity investment and receive cash in the amount of the certified amount. The qualified community development entity or transferee under subdivision 5 must provide the commissioner with evidence of the receipt of the cash investment within ten business days after receipt. If the qualified community development entity or any transferee under subdivision 5 does not receive the cash investment and issue the qualified equity investment within 60 days following receipt of the certification notice, the certification lapses and the entity may not issue the qualified equity investment without reapplying to the commissioner for certification. Lapsed certifications revert back to the commissioner and must be reissued, first, pro rata to other applicants whose qualified equity investment allocations were reduced under subdivision 4 and, thereafter, in accordance with the application process.

Subd. 7. **New markets tax credit account.** The new markets tax credit account is established in the special revenue fund. The commissioner shall deposit the nonrefundable application fee in the account and amounts in the account are appropriated to the commissioner for the cost of administering this chapter.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 8. **[116X.06] DISALLOWANCE OF TAX CREDITS AND PENALTIES.**

(a) The commissioner shall disallow any tax credits earned as a result of holding a qualified equity investment, but not yet claimed, if:

(1) the issuer redeems or makes principal repayment with respect to a qualified equity investment prior to the seventh anniversary of the issuance of the qualified equity investment. In this case, the commissioner's disallowance of unclaimed tax credits are proportionate to the amount of the redemption or repayment of the qualified equity investment; or

(2) the issuer fails to invest an amount equal to 100 percent of the purchase price of the qualified equity investment in qualified low-income community investments in Minnesota within 12 months of the issuance of the qualified equity investment and maintain at least 100 percent of the level of investment in qualified low-income

community investments in Minnesota until the last credit allowance date for the qualified equity investment. For purposes of this section, an investment is considered held by an issuer even if the investment has been sold or repaid if the issuer reinvests an amount equal to the capital returned to or recovered by the issuer from the original investment, exclusive of any profits realized, in another qualified low-income community investment within 12 months of the receipt of the capital. An issuer is not required to reinvest capital returned from qualified low-income community investments after the sixth anniversary of the issuance of the qualified equity investment, if proceeds were used to make the qualified low-income community investment, and the qualified low-income community investment is considered to be held by the issuer through the seventh anniversary of the qualified equity investment's issuance.

(b) Notwithstanding any contrary provision, any tax credit already claimed under this chapter is not subject to recapture under paragraph (a), clause (1) or (2).

(c) If the commissioner disallows tax credits under this section, the commissioner may also impose penalties on the qualified community development entity that issued the qualified equity investment for which tax credits are disallowed, not to exceed the amount of the refundable performance fee required under section 116X.08 and without regard to whether the fee has been refunded to the qualified community development entity.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 9. **[116X.07] NOTICE OF NONCOMPLIANCE.**

Enforcement of each of the disallowance and penalty provisions is subject to a six-month cure period. No disallowance or penalty may be imposed until six months after the qualified community development entity has received notice of the noncompliance.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 10. **[116X.08] REFUNDABLE PERFORMANCE FEE.**

Subdivision 1. **Performance guarantee amount.** A qualified community development entity that seeks to have an equity investment or long-term debt security designated as a qualified equity investment and eligible for tax credits under this section shall pay a refundable performance fee to the commissioner for deposit in the new markets performance guarantee account, which is established in the special revenue fund. The following amounts are forfeited to the commissioner:

(1) the entire performance fee, if the qualified community development entity and its subsidiary qualified community development entities fail to issue the total amount of qualified equity investments certified by the department and receive cash in the total amount certified under section 116X.05, subdivision 3; or

(2) the amount of the performance fee equal to the product of the original amount of the refundable performance fee multiplied by the percentage of the remaining amount of the proceeds of the qualified equity investment not used to make qualified low-income equity investments if the qualified community development entity or any subsidiary qualified community development entity that issues a qualified equity investment certified under this section fails to meet the investment requirement under section 116X.06 by the second credit allowance date of the qualified equity investment. Forfeiture of the fee or any portion thereof under this paragraph is subject to the six-month cure period established under section 116X.07.

Subd. 2. **Request for refund.** The fee required under subdivision 1 must be paid to the commissioner and held in the new markets performance guarantee account until compliance with subdivision 1 is established. The qualified community development entity may request a refund of the fee from the commissioner no sooner than 30 days after it meets all the requirements of subdivision 1. The commissioner has 30 days to comply with the request or give notice of noncompliance.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 11. **[116X.09] PREAPPROVAL OF INVESTMENTS.**

Before making a proposed qualified low-income community investment, a qualified community development entity may request from the commissioner a written determination as to whether the proposed qualified low-income community investment satisfies all applicable provisions of this chapter. The commissioner must provide a determination and an explanation for it to a qualified community development entity within ten business days after receiving the request. Any determination made by the commissioner under this section is binding.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 12. **[116X.10] MANAGEMENT OF QUALIFIED EQUITY INVESTMENT BY ANOTHER CERTIFIED DEVELOPMENT ENTITY PROHIBITED.**

A qualified community development entity, its controlling entity, and its affiliates must not contract with or otherwise use any third party or its affiliates to manage, control the direction of, or source qualified low-income community investments into qualified low-income community businesses that are approved for qualified investment under this chapter, if the third party is another qualified community development entity or otherwise is performing those functions for another community development entity.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 13. **[117.028] CONDEMNATION FOR CERTAIN RAIL FACILITIES PROHIBITED.**

Notwithstanding section 222.27, or any other law to the contrary, no condemning authority may take property for the development or construction of or for facilities related to intercity or interregional passenger rail facilities or operations between the city of Rochester, or locations in its metropolitan area, and any location in the metropolitan area, as defined in section 473.121, subdivision 2.

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

Sec. 14. Minnesota Statutes 2014, section 2971.20, is amended by adding a subdivision to read:

Subd. 4. **New markets tax credit.** (a) A credit is allowed against the tax imposed under this chapter, including the retaliatory tax under section 2971.05, subdivision 11, equal to the amount of the credit allowed under section 116X.03 for the taxable year.

(b) Notwithstanding any certification by the commissioner of employment and economic development under section 116X.05 of a qualified equity investment, the commissioner retains and may use any audit and examination powers to the extent necessary to verify that the taxpayer is eligible for the credit and to assess for the amount of any improperly claimed credit.

(c) The credit does not affect the calculation of police and fire aid under section 69.021.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 15. **[459.36] NO SPENDING OF PUBLIC MONEY FOR CERTAIN RAIL PROJECTS.**

(a) Except as provided in paragraph (b), no city, county, or destination medical center entity may spend or use any money, for any costs related to studying the feasibility of, planning for, designing, engineering, acquiring property or constructing facilities for or related to, or development or operation of intercity or interregional passenger rail facilities or operations between the city of Rochester, or locations in its metropolitan area, and any location in the metropolitan area, as defined in section 473.121, subdivision 2. The provisions of this section apply to the statutory and home rule charter cities and counties located in development regions 10 and 11, as designated under section 462.385, subdivision 1. Destination medical center entity includes the Destination Medical Center Corporation and agency as those terms are defined in section 469.40, and any successor or related entity.

(b) The restrictions under this section do not apply to:

(1) funds the city or county obtains from contributions, grants, or other voluntary payments made by nongovernmental entities from private sources; and

(2) expenditures for costs of public infrastructure, including public utilities, parking facilities, a multi-mode transit hub, or similar projects located within the area of the development district, as defined under section 469.40, and reflected in the development plan adopted before the enactment of this section, that are intended to serve, and that are made following the completed construction and commencement of operation of, privately financed and operated intercity or interregional passenger rail facilities.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval under Minnesota Statutes, section 645.023, subdivision 1, clause (c).

Sec. 16. Minnesota Statutes 2014, section 469.169, is amended by adding a subdivision to read:

Subd. 20. Additional border city allocations. (a) In addition to the tax reductions authorized in subdivisions 12 to 19, the commissioner shall annually allocate \$1,000,000 thereafter for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall allocate these amounts among cities on a per capita basis. Allocations made under this subdivision may be used for tax reductions under sections 469.171, 469.1732, and 469.1734, or for other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary to retain a business within or attract a business to the zone.

(b) The allocations under this subdivision do not cancel or expire, but remain available until used by the city.

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

Sec. 17. Minnesota Statutes 2014, section 469.174, subdivision 12, is amended to read:

Subd. 12. **Economic development district.** "Economic development district" means a type of tax increment financing district which consists of any project, or portions of a project, which the authority finds to be in the public interest because:

(1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; or

(2) it will result in increased employment in the state; ~~or~~

(3) it will result in preservation and enhancement of the tax base of the state; or

(4) it satisfies the requirements of a workforce housing project under section 469.176, subdivision 4c, paragraph (d).

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after June 30, 2015.

Sec. 18. Minnesota Statutes 2014, section 469.174, subdivision 14, is amended to read:

Subd. 14. **Administrative expenses.** "Administrative expenses" means all expenditures of an authority other than:

(1) amounts paid for the purchase of land;

(2) amounts paid to contractors or others providing materials and services, including architectural and engineering services, directly connected with the physical development of the real property in the project;

(3) relocation benefits paid to or services provided for persons residing or businesses located in the project;

(4) amounts used to pay principal or interest on, fund a reserve for, or sell at a discount bonds issued pursuant to section 469.178; ~~or~~

(5) amounts used to pay other financial obligations to the extent those obligations were used to finance costs described in clauses (1) to (3); or

(6) usual and customary maintenance costs necessary for the preservation of property acquired or constructed with tax increments and owned by the authority or the municipality, including, without limitation, amounts needed for ordinary and extraordinary repairs and maintenance, and capital reserves in an amount not greater than ten percent of the market value of the property.

For districts for which the requests for certifications were made before August 1, 1979, or after June 30, 1982, "administrative expenses" includes amounts paid for services provided by bond counsel, fiscal consultants, and planning or economic development consultants.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

Sec. 19. Minnesota Statutes 2014, section 469.175, subdivision 3, is amended to read:

Subd. 3. **Municipality approval.** (a) A county auditor shall not certify the original net tax capacity of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. The published notice must include a map of the area of the district from which increments may be collected and, if the project area includes additional area, a map of the project area in which the increments may be expended. The hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project.

(b) Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a renewal or renovation district, a housing district, a soils condition district, or an economic development district; if the proposed district is a redevelopment district or a renewal or renovation district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or subdivision 10a, must be documented in writing and retained and made available to the public by the authority until the district has been terminated;

(2) that, in the opinion of the municipality:

(i) the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future; and

(ii) the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this item do not apply if the district is a housing district;

(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole;

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise;

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, paragraph (b), if applicable.

(c) When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for the financing.

(d) For a district that is subject to the requirements of paragraph (b), clause (2), item (ii), the municipality's statement of reasons and supporting facts must include all of the following:

(1) an estimate of the amount by which the market value of the site will increase without the use of tax increment financing;

(2) an estimate of the increase in the market value that will result from the development or redevelopment to be assisted with tax increment financing; and

(3) the present value of the projected tax increments for the maximum duration of the district permitted by the tax increment financing plan.

(e) For purposes of this subdivision, "site" means the parcels on which the development or redevelopment to be assisted with tax increment financing will be located.

(f) Before or at the time of approval of the tax increment financing plan for a district to be used to fund a workforce housing project under section 469.176, subdivision 4c, paragraph (d), the municipality shall make the following findings and shall set forth in writing the reasons and supporting facts for each determination:

(1) the city is located outside of the metropolitan area, as defined in section 473.121, subdivision 2;

(2) the average vacancy rate for rental housing located in the municipality and in any statutory or home rule charter city located within 15 miles or less of the boundaries of the municipality has been three percent or less for at least the immediately preceding two-year period;

(3) at least one business located in the municipality or within 15 miles of the municipality that employ a minimum of 20 full-time equivalent employees in aggregate has provided a written statement to the municipality indicating that the lack of available rental housing has impeded their ability to recruit and hire employees; and

(4) the municipality and the development authority intend to use increments from the district for the development of rental housing, new modular homes, new manufactured homes, or new manufactured homes on leased land or in a manufactured home park to serve employees of businesses located in the municipality or surrounding area.

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after June 30, 2015.

Sec. 20. Minnesota Statutes 2014, section 469.176, subdivision 4, is amended to read:

Subd. 4. **Limitation on use of tax increment; general rule.** All revenues derived from tax increment shall be used in accordance with the tax increment financing plan. The revenues shall be used solely for the following purposes: (1) to pay the principal of and interest on bonds issued to finance a project; (2) by a rural development financing authority for the purposes stated in section 469.142, by a port authority or municipality exercising the powers of a port authority to finance or otherwise pay the cost of redevelopment pursuant to sections 469.048 to 469.068, by an economic development authority to finance or otherwise pay the cost of redevelopment pursuant to sections 469.090 to 469.108, by a housing and redevelopment authority or economic development authority to finance or otherwise pay public redevelopment costs pursuant to sections 469.001 to 469.047, by a municipality or economic development authority to finance or otherwise pay the capital and administration costs of a development district pursuant to sections 469.124 to 469.133, by a municipality or authority to finance or otherwise pay the costs of developing and implementing a development action response plan, by a municipality or redevelopment agency to finance or otherwise pay premiums for insurance or other security guaranteeing the payment when due of principal of and interest on the bonds pursuant to chapter 462C, sections 469.152 to 469.165, or both, or to accumulate and maintain a reserve securing the payment when due of the principal of and interest on the bonds pursuant to chapter 462C, sections 469.152 to 469.165, or both, which revenues in the reserve shall not exceed, subsequent to the fifth anniversary of the date of issue of the first bond issue secured by the reserve, an amount equal to 20 percent of the aggregate principal amount of the outstanding and nondefeased bonds secured by the reserve-; and (3) to pay the costs listed in section 469.174, subdivision 14, but not in excess of the limitation on administrative expenses under subdivision 3. Tax increment as defined in section 469.174, subdivision 25, clause (2), may be used to pay usual and customary operation and maintenance costs, including, but not limited to, amounts needed for capital reserves in an amount not greater than ten percent of the market value of the property, and ordinary and extraordinary repairs and maintenance of the property purchased by the authority or the municipality with tax increments.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

Sec. 21. Minnesota Statutes 2014, section 469.176, subdivision 4c, is amended to read:

Subd. 4c. **Economic development districts.** (a) Revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if more than 15 percent of the buildings and facilities (determined on the basis of square footage) are used for a purpose other than:

(1) the manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;

(2) warehousing, storage, and distribution of tangible personal property, excluding retail sales;

(3) research and development related to the activities listed in clause (1) or (2);

(4) telemarketing if that activity is the exclusive use of the property;

(5) tourism facilities; ~~or~~

(6) space necessary for and related to the activities listed in clauses (1) to (5); or

(7) a workforce housing project that satisfies the requirements of paragraph (d).

(b) Notwithstanding the provisions of this subdivision, revenues derived from tax increment from an economic development district may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000 square feet of any separately owned commercial facility located within the municipal jurisdiction of a small city, if the revenues derived from increments are spent only to assist the facility directly or for administrative expenses, the assistance is necessary to develop the facility, and all of the increments, except those for administrative expenses, are spent only for activities within the district.

(c) A city is a small city for purposes of this subdivision if the city was a small city in the year in which the request for certification was made and applies for the rest of the duration of the district, regardless of whether the city qualifies or ceases to qualify as a small city.

(d) A project qualifies as a workforce housing project under this subdivision if increments from the district are used exclusively to assist in the acquisition of property; construction of improvements; and provision of loans or subsidies, grants, interest rate subsidies, public infrastructure, and related financing costs for rental housing developments in the municipality, and if the governing body of the municipality made the findings for the project required by section 469.175, subdivision 3, paragraph (f).

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after June 30, 2015.

Sec. 22. Minnesota Statutes 2014, section 469.1761, is amended by adding a subdivision to read:

Subd. 5. **Income limits; state grant and loan program projects.** For a project receiving a loan or grant from the Housing Finance Agency challenge program under section 462A.33 or a grant from the Department of Employment and Economic Development for workforce housing, the income limits under this section do not apply and the project is deemed to be a housing project within the meaning of section 469.174, subdivision 11.

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after June 30, 2015.

Sec. 23. Minnesota Statutes 2014, section 469.1763, subdivision 1, is amended to read:

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

(b) "Activities" means acquisition of property, clearing of land, site preparation, soils correction, removal of hazardous waste or pollution, installation of utilities, construction of public or private improvements, and other similar activities, but only to the extent that tax increment revenues may be spent for such purposes under other law.

(c) "Third party" means an entity other than (1) the person receiving the benefit of assistance financed with tax increments, or (2) the municipality or the development authority or other person substantially under the control of the municipality.

(d) "Revenues derived from tax increments paid by properties in the district" means only tax increment as defined in section 469.174, subdivision 25, clause (1), and does not include tax increment as defined in section 469.174, subdivision 25, clauses (2), ~~(3), and (4)~~ to (5).

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

Sec. 24. Minnesota Statutes 2014, section 469.1763, subdivision 2, is amended to read:

Subd. 2. **Expenditures outside district.** (a) For each tax increment financing district, an amount equal to at least 75 percent of the total revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is 20 percent. The revenue revenues derived from tax increments ~~for~~ paid by properties in the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

(b) In the case of a housing district, a housing project, as defined in section 469.174, subdivision 11, is an activity in the district.

(c) All administrative expenses are for activities outside of the district, except that if the only expenses for activities outside of the district under this subdivision are for the purposes described in paragraph (d), administrative expenses will be considered as expenditures for activities in the district.

(d) The authority may elect, in the tax increment financing plan for the district, to increase by up to ten percentage points the permitted amount of expenditures for activities located outside the geographic area of the district under paragraph (a). As permitted by section 469.176, subdivision 4k, the expenditures, including the permitted expenditures under paragraph (a), need not be made within the geographic area of the project. Expenditures that meet the requirements of this paragraph are legally permitted expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j. To qualify for the increase under this paragraph, the expenditures must:

(1) be used exclusively to assist housing that meets the requirement for a qualified low-income building, as that term is used in section 42 of the Internal Revenue Code; and

(2) not exceed the qualified basis of the housing, as defined under section 42(c) of the Internal Revenue Code, less the amount of any credit allowed under section 42 of the Internal Revenue Code; and

(3) be used to:

(i) acquire and prepare the site of the housing;

(ii) acquire, construct, or rehabilitate the housing; or

(iii) make public improvements directly related to the housing; or

(4) be used to develop housing:

(i) if the market value of the housing does not exceed the lesser of:

(A) 150 percent of the average market value of single-family homes in that municipality; or

(B) \$200,000 for municipalities located in the metropolitan area, as defined in section 473.121, or \$125,000 for all other municipalities; and

(ii) if the expenditures are used to pay the cost of site acquisition, relocation, demolition of existing structures, site preparation, and pollution abatement on one or more parcels, if the parcel contains a residence containing one to four family dwelling units that has been vacant for six or more months and is in foreclosure as defined in section 325N.10, subdivision 7, but without regard to whether the residence is the owner's principal residence, and only after the redemption period has expired.

(e) For a district created within a biotechnology and health sciences industry zone as defined in Minnesota Statutes 2012, section 469.330, subdivision 6, or for an existing district located within such a zone, tax increment derived from such a district may be expended outside of the district but within the zone only for expenditures required for the construction of public infrastructure necessary to support the activities of the zone, land acquisition, and other redevelopment costs as defined in section 469.176, subdivision 4j. These expenditures are considered as expenditures for activities within the district. The authority provided by this paragraph expires for expenditures made after the later of (1) December 31, 2015, or (2) the end of the five-year period beginning on the date the district was certified, provided that date was before January 1, 2016.

(f) The authority under paragraph (d), clause (4), expires on December 31, 2016. Increments may continue to be expended under this authority after that date, if they are used to pay bonds or binding contracts that would qualify under subdivision 3, paragraph (a), if December 31, 2016, is considered to be the last date of the five-year period after certification under that provision.

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

Sec. 25. Minnesota Statutes 2014, section 469.1763, subdivision 3, is amended to read:

Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments paid by properties in the district are considered to have been expended on an activity within the district under subdivision 2 only if one of the following occurs:

(1) before or within five years after certification of the district, the revenues are actually paid to a third party with respect to the activity;

(2) bonds, the proceeds of which must be used to finance the activity, are issued and sold to a third party before or within five years after certification, the revenues are spent to repay the bonds, and the proceeds of the bonds either are, on the date of issuance, reasonably expected to be spent before the end of the later of (i) the five-year period, or (ii) a reasonable temporary period within the meaning of the use of that term under section 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve or replacement fund;

(3) binding contracts with a third party are entered into for performance of the activity before or within five years after certification of the district and the revenues are spent under the contractual obligation;

(4) costs with respect to the activity are paid before or within five years after certification of the district and the revenues are spent to reimburse a party for payment of the costs, including interest on unreimbursed costs; or

(5) expenditures are made for housing purposes as permitted by subdivision 2, paragraphs (b) and (d), or for public infrastructure purposes within a zone as permitted by subdivision 2, paragraph (e).

(b) For purposes of this subdivision, bonds include subsequent refunding bonds if the original refunded bonds meet the requirements of paragraph (a), clause (2).

(c) For a redevelopment district or a renewal and renovation district certified after June 30, 2003, and before April 20, 2009, the five-year periods described in paragraph (a) are extended to ten years after certification of the district. For a redevelopment district certified after April 20, 2009, and before June 30, 2012, the five-year periods described in paragraph (a) are extended to eight years after certification of the district. This extension is provided primarily to accommodate delays in development activities due to unanticipated economic circumstances.

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

Sec. 26. Minnesota Statutes 2014, section 469.178, subdivision 7, is amended to read:

Subd. 7. **Interfund loans.** (a) The authority or municipality may advance or loan money to finance expenditures under section 469.176, subdivision 4, from its general fund or any other fund under which it has legal authority to do so.

(b) ~~Not later than 60 days after money is transferred, advanced, or spent, whichever is earliest, the loan or advance must be authorized; (1) by resolution of the governing body or of the authority, whichever has jurisdiction over the fund from which the advance or loan is authorized, before money is transferred, advanced, or spent, whichever is earliest; or (2) in writing by an appropriate officer of the municipality or the authority to whom the municipality or authority has delegated by resolution power to administer and set the terms and conditions of the interfund loan.~~

(c) The resolution may generally grant to the municipality or the authority or an appropriate officer thereof the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The resolution may be adopted or the interfund loan may be otherwise documented before or after the adoption of the tax increment financing plan or the creation of the tax increment financing district from which the advance or loan is to be repaid.

(d) ~~The terms and conditions for repayment of the loan must be provided in writing and. The written terms and conditions may be in any form, but must include, at a minimum, the principal amount, the interest rate, and maximum term. Written terms may be modified or amended in writing by the municipality or the authority, or an appropriate officer thereof, before decertification of the tax increment financing district from which the interfund loan will be paid.~~ The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under section 270C.40 or 549.09 as of the date the loan or advance is authorized, unless the written

agreement states that the maximum interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09 are from time to time adjusted. Loans or advances may be structured as draw-down or line-of-credit obligations of the lending fund.

(e) The authority shall report in the annual report submitted pursuant to section 469.175, subdivision 6:

(1) the amount of any interfund loan or advance made in a calendar year; and

(2) any amendment of an interfund loan or advance made in a calendar year.

(f) An interfund loan or advance made by a municipality or an authority for any (1) administrative expenses, (2) planning, inspection, architectural, engineering, surveying, soil testing, and similar costs that are incurred before establishing a tax increment financing district, or (3) transfers made in anticipation of a negative cash balance in a fund for a temporary period not exceeding 12 months, is authorized under paragraph (a) and is not subject to any additional requirements under paragraphs (b) to (d). The authority shall report any interfund loan or advance made under this paragraph in the annual report submitted under section 469.175, subdivision 6.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

Sec. 27. Minnesota Statutes 2014, section 469.40, subdivision 11, as amended by Laws 2015, chapter 1, section 6, is amended to read:

Subd. 11. **Public infrastructure project.** (a) "Public infrastructure project" means a project financed in part or in whole with public money in order to support the medical business entity's development plans, as identified in the DMCC development plan. A public infrastructure project may:

(1) acquire real property and other assets associated with the real property;

(2) demolish, repair, or rehabilitate buildings;

(3) remediate land and buildings as required to prepare the property for acquisition or development;

(4) install, construct, or reconstruct elements of public infrastructure required to support the overall development of the destination medical center development district including, but not limited to, streets, roadways, utilities systems and related facilities, utility relocations and replacements, network and communication systems, streetscape improvements, drainage systems, sewer and water systems, subgrade structures and associated improvements, landscaping, façade construction and restoration, wayfinding and signage, and other components of community infrastructure;

(5) acquire, construct or reconstruct, and equip parking facilities and other facilities to encourage intermodal transportation and public transit;

(6) install, construct or reconstruct, furnish, and equip parks, cultural, and recreational facilities, facilities to promote tourism and hospitality, conferencing and conventions, and broadcast and related multimedia infrastructure;

(7) make related site improvements including, without limitation, excavation, earth retention, soil stabilization and correction, and site improvements to support the destination medical center development district;

(8) prepare land for private development and to sell or lease land;

(9) provide costs of relocation benefits to occupants of acquired properties; and

(10) construct and equip all or a portion of one or more suitable structures on land owned by the city for sale or lease to private development; provided, however, that the portion of any structure directly financed by the city as a public infrastructure project must not be sold or leased to a medical business entity.

(b) A public infrastructure project is not a business subsidy under section 116J.993.

(c) Public infrastructure project includes the planning, preparation, and modification of the development plan under section 469.43, and. The cost of that planning, preparation, and any modification is a capital cost of the public infrastructure project.

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, and applies retroactively to the original effective dates of the laws that are amended.

Sec. 28. Minnesota Statutes 2014, section 469.43, is amended by adding a subdivision to read:

Subd. 6a. Restriction on city funds to support nonprofit economic development agency. The nonprofit economic development agency shall not require the city to pay any amounts to the nonprofit economic development agency that are unrelated to public infrastructure project costs.

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, and applies retroactively from June 22, 2013.

Sec. 29. Minnesota Statutes 2014, section 469.45, subdivision 1, is amended to read:

Subdivision 1. **Rochester, other local taxes authorized.** (a) Notwithstanding section 477A.016 or any other contrary provision of law, ordinance, or city charter, and in addition to any taxes the city may impose on these transactions under another statute or law, the city of Rochester may, by ordinance, impose at a rate or rates, determined by the city, any of the following taxes:

(1) a tax on the gross receipts from the furnishing for consideration of lodging and related services as defined in section 297A.61, subdivision 3, paragraph (g), clause (2); the city may choose to impose a differential tax based on the number of rooms in the facility;

(2) a tax on the 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 Rochester; the city may elect to impose the tax in a defined district of the city; and

(3) a tax on the admission receipts to entertainment and recreational facilities, as defined by ordinance, in the city of Rochester.

(b) The provisions of section 297A.99, subdivisions 4 to 13, govern the administration, collection, and enforcement of any tax imposed by the city under paragraph (a).

(c) The proceeds of any taxes imposed under this subdivision, less refunds and costs of collection, must be used by the city only to meet its share of obligations for public infrastructure projects contained in the development plan and approved by the corporation, including any associated financing costs or to pay any other costs qualifying as a local matching contribution under section 469.47, subdivision 4. Any tax imposed under paragraph (a) expires at

the earlier of December 31, 2049, or when the city council determines that sufficient funds have been raised from the tax plus all other local funding sources authorized in Laws 2013, chapter 143, article 10, to meet the city obligation for financing public infrastructure projects contained in the development plan and approved by the corporation, including any associated financing costs.

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, and applies retroactively to the original effective dates of the laws that are amended.

Sec. 30. Minnesota Statutes 2014, section 469.45, subdivision 2, is amended to read:

Subd. 2. **General sales tax authority.** The city may elect to extend the existing local sales and use tax under Laws 2013, chapter 143, article 10, section 13, or to impose an additional rate of up to one quarter of one percent tax on sales and use under Laws 2013, chapter 143, article 10, section 11. The proceeds of any extended or additional taxes imposed under this subdivision, less refunds and costs of collection, must be used by the city only to meet its share of obligations for public infrastructure projects contained in the development plan and approved by the corporation, including all financing costs. Revenues collected in any year to meet the obligations must be used for payment of obligations or expenses for public infrastructure projects approved by the corporation or of any other costs qualifying as a local matching contribution under section 469.47, subdivision 4.

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, and applies retroactively to the original effective dates of the laws that are amended.

Sec. 31. Minnesota Statutes 2014, section 469.47, subdivision 4, as amended by Laws 2015, chapter 1, section 10, is amended to read:

Subd. 4. **General aid; local matching contribution.** In order to qualify for general state infrastructure aid, the city must enter a written agreement with the commissioner that requires the city to make a qualifying local matching contribution to pay for \$128,000,000 of the cost of public infrastructure projects approved by the corporation, including financing costs, using funds other than state aid received under this section. ~~The \$128,000,000 required local matching contribution is reduced by one half of the any amounts the city pays for operating and administrative costs out of funds other than state aid received under this section for the support, administration, or operations of the corporation and the economic development agency up to a maximum amount agreed to by the board and the city. These amounts include any costs the city incurs in providing services, goods, or other support to the corporation or agency.~~ The agreement must provide for the manner, timing, and amounts of the city contributions, including the city's commitment for each year. Notwithstanding any law to the contrary, the agreement may provide that the city contributions for public infrastructure project principal costs may be made over a 20-year period at a rate not greater than \$1 from the city for each \$2.55 from the state. The local match contribution may be provided by the city from any source identified in section 469.45 and any other local tax proceeds or other funds from the city and may include providing funds to prepare the development plan, to assist developers undertaking projects in accordance with the development plan, or by the city directly undertaking public infrastructure projects in accordance with the development plan, provided the projects have been approved by the corporation. City contributions that are in excess of this ratio carry forward and are credited toward subsequent years. The commissioner and city may agree to amend the agreement at any time in light of new information or other appropriate factors. The city may enter into arrangements with the county to pay for or otherwise meet the local matching contribution requirement. Any public infrastructure project within the area that will be in the destination medical center development district whose implementation is started or funded by the city after June 22, 2013, but before the development plan is adopted, as provided by section 469.43, subdivision 1, will be included for the purposes of determining the amount the city has contributed as required by this section and the agreement with the commissioner, subject to approval by the corporation.

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, and applies retroactively to the original effective dates of the laws that are amended.

Sec. 32. **[473.1467] NO SPENDING FOR CERTAIN RAIL PROJECTS.**

(a) Except as provided in paragraph (b), the council must not spend or use any money for any costs related to studying the feasibility of, planning for, designing, engineering, acquiring property or constructing facilities for or related to, or development or operation of intercity or interregional passenger rail facilities or operations between the city of Rochester, or locations in its metropolitan area, and any location in the metropolitan area.

(b) The restrictions under this section do not apply to funds the council obtains from contributions, grants, or other voluntary payments made by nongovernmental entities from private sources.

EFFECTIVE DATE; APPLICATION. This section is effective the day following final enactment and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, and Washington.

Sec. 33. Laws 2009, chapter 88, article 5, section 17, as amended by Laws 2010, chapter 382, section 84, is amended to read:

Sec. 17. **SEAWAY PORT AUTHORITY OF DULUTH; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

(a) If the Seaway Port Authority of Duluth adopts a tax increment financing plan and the governing body of the city of Duluth approves the plan for the tax increment financing district consisting of one or more parcels identified as: 010-2730-00010; 010-2730-00020; 010-2730-00040; 010-2730-00050; 010-2730-00070; 010-2730-00080; 010-2730-00090; 010-2730-00100; 010-02730-00120; 010-02730-00130; 010-02730-00140; 010-2730-00160; 010-2730-00180; 010-2730-00200; 010-2730-00300; 010-02730-00320; 010-2746-01250; 010-2746-1330; 010-2746-01340; 010-2746-01350; 010-2746-1440; 010-2746-1380; 010-2746-01490; 010-2746-01500; 010-2746-01510; 010-2746-01520; 010-2746-01530; 010-2746-01540; 010-2746-01550; 010-2746-01560; 010-2746-01570; 010-2746-01580; 010-2746-01590; 010-3300-4560; 010-3300-4565; 010-3300-04570; 010-3300-04580; 010-3300-04640; 010-3300-04645; and 010-3300-04650, the five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of the tax increment financing district, must be considered to be met if the activities are undertaken within five years after the date all qualifying parcels are delisted from the Federal Superfund list.

(b) The requirements of Minnesota Statutes, section 469.1763, subdivision 4, beginning in the sixth year following certification of the district requirement, will begin in the sixth year following the date all qualifying parcels are delisted from the Federal Superfund list.

(c) The action required under Minnesota Statutes, section 469.176, subdivision 6, are satisfied if the action is commenced within four years after the date all qualifying parcels are delisted from the Federal Superfund list and evidence of the action required is submitted to the county auditor by February 1 of the fifth year following the year in which all qualifying parcels are delisted from the Federal Superfund list.

(d) For purposes of this section, "qualifying parcels" means United States Steel parcels listed in paragraph (a) and shown by the Minnesota Pollution Control Agency as part of the USS Site (USEPA OU 02) that are included in the tax increment financing district.

(e) In addition to the reporting requirements of Minnesota Statutes, section 469.175, subdivision 5, the Seaway Port Authority of Duluth shall report the status of all parcels listed in paragraph (a) and shown as part of the USS Site (USEPA OU 02). The status report must show the parcel numbers, the listed or delisted status, and if delisted, the delisting date.

(f) Notwithstanding Minnesota Statutes, section 469.178, subdivision 7, or any other law to the contrary, the Seaway Port Authority of Duluth may establish an interfund loan program before approval of the tax increment financing plan for or the establishment of the district authorized by this section. The authority may make loans under this program and the proceeds of the loans may be used for any permitted use of increments under this law or Minnesota Statutes, section 469.176, for the district, and may be repaid with increments from the district established under this section. This subdivision applies to any action authorized by the Seaway Port Authority of Duluth on or after March 25, 2010.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 34. Laws 2014, chapter 308, article 6, section 7, is amended to read:

Sec. 7. CITY OF EAGAN; TAX INCREMENT FINANCING.

(a) Effective for taxes payable in 2015, the city of Eagan may elect to compute tax increment for the Cedar Grove Tax Increment Financing District using the current local tax rate, notwithstanding the provisions of Minnesota Statutes, section 469.177, subdivision 1a.

(b) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is considered to be met for the Cedar Grove Tax Increment Financing District in the city of Eagan if the activities are undertaken within 13 years from the date of certification of the district.

(c) Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the city of Eagan may collect tax increment from the Cedar Grove Tax Increment Financing District through December 31, 2032. Notwithstanding the provisions of Minnesota Statutes, section 469.1782, subdivision 2, any extension under this paragraph takes effect with regard to any affected local government unit, as that term is defined in section 469.1782, subdivision 2, that approved the extension, subject to the provisions of paragraph (d).

(d) For purposes of any extension under paragraph (c), if the governing body of an affected local government unit does not approve the extension, but the extension takes effect because one or more other affected local government units approve, the following rules apply:

(1) tax increments during the period of the extension that are attributable to levies imposed by an affected local government unit that did not approve the extension must be paid by the county to the affected local government unit that did not approve the extension;

(2) for increment paid to the school district during the period of the extension, the school district must report the amounts to the commissioner of education, along with any additional information required by the commissioner and at the times required by the commissioner; and

(3) the commissioner of education shall deduct from state aid payable to the school district the amount of the reported tax increment attributable to state equalized levies.

EFFECTIVE DATE. The amendment to paragraph (c) extending the duration of the district to 2034 is effective after one or more of the governing bodies of the city of Eagan, Dakota County, and Independent School District No. 191 comply with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 35. **CITY OF COON RAPIDS; TAX INCREMENT FINANCING.**

Effective for taxes payable in 2016, the city of Coon Rapids may elect to compute tax increment for District 6-1 Port Riverwalk using the current local tax rate notwithstanding the provisions of Minnesota Statutes, section 469.177, subdivision 1a.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Coon Rapids and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 36. **CITY OF COTTAGE GROVE; TAX INCREMENT FINANCING.**

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, are considered to be met for Tax Increment Financing District No. 1-12 (Gateway North), administered by the Cottage Grove Economic Development Authority, if the activities are undertaken prior to January 1, 2017.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Cottage Grove and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 37. **CITY OF RICHFIELD; EXTENSION OF DISTRICT.**

Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the city of Richfield and the Housing and Redevelopment Authority in and for the city of Richfield may elect to extend the duration limit of the redevelopment tax increment financing district known as the Cedar Avenue Tax Increment Financing District established by Laws 2005, chapter 152, article 2, section 25, by ten years.

EFFECTIVE DATE. This section is effective upon compliance by the city of Richfield, Hennepin County, and Independent School District No. 280 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivisions 2 and 3.

Sec. 38. **CITY OF ST. PAUL; TIF AUTHORITY.**

If the housing and redevelopment authority of the city of St. Paul authorizes the creation of a redevelopment tax increment financing district under Minnesota Statutes, section 469.174, subdivision 10, parcel numbers 17-28-23-31-0001 and 17-28-23-13-0002 are deemed to meet the requirements of Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), notwithstanding any contrary provisions of that paragraph, if the following conditions are met:

(1) buildings located on the parcels were demolished after the housing and redevelopment authority of the city of St. Paul adopted a resolution under Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (3);

(2) the buildings were removed either by the housing and redevelopment authority of the city of St. Paul or by the owner of the property by entering into a development agreement; and

(3) the request for certification of the parcels as part of a district is filed with the county auditor by December 31, 2020.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of St. Paul and compliance with the requirements of Minnesota Statutes, section 645.021.

Sec. 39. **CITY OF TAYLORS FALLS; BORDER CITY DEVELOPMENT ZONE.**

Subdivision 1. **Authorization.** The governing body of the city of Taylors Falls may designate all or any part of the city as a border city development zone.

Subd. 2. **Application of general law.** (a) Minnesota Statutes, sections 469.1731 to 469.1735, apply to the border city development zones designated under this section. The governing body of the city may exercise the powers granted under Minnesota Statutes, sections 469.1731 to 469.1735, including powers that apply outside of the zones.

(b) The allocation under subdivision 3 for purposes of Minnesota Statutes, section 469.1735, subdivision 2, is appropriated to the commissioner of revenue.

Subd. 3. **Allocation of state tax reductions.** (a) The cumulative total amount of the state portion of the tax reductions for all years of the program under Minnesota Statutes, sections 469.1731 to 469.1735, for the city of Taylors Falls, is limited to \$100,000.

(b) This allocation may be used for tax reductions provided in Minnesota Statutes, section 469.1732 or 469.1734, or for reimbursements under Minnesota Statutes, section 469.1735, subdivision 3, but only if the governing body of the city of Taylors Falls determines that the tax reduction or offset is necessary to enable a business to expand within the city or to attract a business to the city.

(c) The commissioner of revenue may waive the limit under this subdivision using the same rules and standards provided in Minnesota Statutes, section 469.169, subdivision 12, paragraph (b).

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of Taylors Falls and upon timely compliance by the city with Minnesota Statutes, section 645.021.

Sec. 40. **CITY OF WAYZATA; TAX INCREMENT FINANCING.**

The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, are considered to be met for Tax Increment Financing District 3 (Widsten) in the city of Wayzata if the revenues derived from tax increments from the district are expended for any project contemplated by the original tax increment financing plan for the district, including, without limitation, a municipal parking ramp within the district.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Wayzata and its chief clerical officer comply with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 6
SALES AND USE TAXES

Section 1. Minnesota Statutes 2014, section 289A.20, subdivision 4, is amended to read:

Subd. 4. Sales and use tax. (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f) or (g), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of \$250,000 or more during a fiscal year ending June 30 must remit the June net liability for the next year in the following manner:

(1) Two business days before June 30 of the year, the vendor must remit 81.4 percent of the estimated June net liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of:

(1) \$10,000 or more, but less than \$250,000 during a fiscal year ending June 30, 2013, and fiscal years thereafter, must remit by electronic means all net liabilities on returns due for periods beginning in all subsequent calendar years on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4; or

(2) \$250,000 or more, during a fiscal year ending June 30, 2013, and fiscal years thereafter, must remit by electronic means all net liabilities in the manner provided in paragraph (a) on returns due for periods beginning in the subsequent calendar year, except for 81.4 percent of the estimated June net 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) For purposes of this subdivision, "net liability" means the liability minus the amount of vendor allowance authorized under section 297A.816.

EFFECTIVE DATE. This section is effective for sales taxes remitted after June 30, 2016.

Sec. 2. Minnesota Statutes 2014, section 296A.16, subdivision 2, is amended to read:

Subd. 2. **Fuel used in other vehicle; claim for refund.** Any person who buys and uses gasoline for a qualifying purpose other than use in motor vehicles, snowmobiles except as provided in clause (2), or motorboats, or special fuel for a qualifying purpose other than use in licensed motor vehicles, and who paid the tax directly or indirectly through the amount of the tax being included in the price of the gasoline or special fuel, or otherwise, shall be reimbursed and repaid the amount of the tax paid upon filing with the commissioner a claim for refund in the form and manner prescribed by the commissioner, and containing the information the commissioner shall require. By signing any such claim which is false or fraudulent, the applicant shall be subject to the penalties provided in this chapter for knowingly making a false claim. The claim shall set forth the total amount of the gasoline so purchased and used by the applicant other than in motor vehicles, or special fuel purchased and used by the applicant other than in licensed motor vehicles, and shall state when and for what purpose it was used. When a claim contains an error in computation or preparation, the commissioner is authorized to adjust the claim in accordance with the evidence shown on the claim or other information available to the commissioner. The commissioner, on being satisfied that the claimant is entitled to the payments, shall approve the claim and transmit it to the commissioner of management and budget. The words "gasoline" or "special fuel" as used in this subdivision do not include aviation gasoline or special fuel for aircraft. Gasoline or special fuel bought and used for a "qualifying purpose" means:

(1) Gasoline or special fuel used in carrying on a trade or business, used on a farm situated in Minnesota, and used for a farming purpose. "Farm" and "farming purpose" have the meanings given them in section 6420(c)(2), (3), and (4) of the Internal Revenue Code as defined in section 289A.02, subdivision 7.

(2) Gasoline or special fuel used for off-highway business use.

(i) "Off-highway business use" means any use off the public highway by a person in that person's trade, business, or activity for the production of income.

(ii) Off-highway business use includes use of a passenger snowmobile off the public highways as part of the operations of a resort as defined in section 157.15, subdivision 11; and use of gasoline or special fuel to operate a power takeoff unit on a vehicle, but not including fuel consumed during idling time.

(iii) Off-highway business use does not include use as a fuel in a motor vehicle which, at the time of use, is registered or is required to be registered for highway use under the laws of any state or foreign country; or use of a licensed motor vehicle fuel tank in lieu of a separate storage tank for storing fuel to be used for a qualifying purpose, as defined in this section. Fuel purchased to be used for a qualifying purpose cannot be placed in the fuel tank of a licensed motor vehicle and must be stored in a separate supply tank.

(3) Gasoline or special fuel placed in the fuel tanks of new motor vehicles, manufactured in Minnesota, and shipped by interstate carrier to destinations in other states or foreign countries.

(4) Special fuel used in one of the following:

(i) to power a refrigeration unit mounted on a licensed motor vehicle, provided that the unit has an engine separate from the one used to propel the vehicle and the fuel is used exclusively for the unit;

(ii) to power an unlicensed motor vehicle that is used solely or primarily to move semitrailers within a cargo yard, warehouse facility, or intermodal facility; or

(iii) to operate a power take-off unit or auxiliary engine in or on a licensed motor vehicle, whether or not the unit or engine is fueled from the same or a different fuel tank as that from which the motor vehicle is fueled.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 3. Minnesota Statutes 2014, section 297A.61, subdivision 3, is amended to read:

Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited to, each of the transactions listed in this subdivision. In applying the provisions of this chapter, the terms "tangible personal property" and "retail sale" include the taxable services listed in paragraph (g), clause (6), items (i) to (vi) and (viii), and the provision of these taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of the preceding sentence, "affiliated group of corporations" means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, disregarding the exclusions in section 1504(b).

(b) Sale and purchase include:

(1) any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, for a consideration in money or by exchange or barter; and

(2) the leasing of or the granting of a license to use or consume, for a consideration in money or by exchange or barter, tangible personal property, other than a manufactured home used for residential purposes for a continuous period of 30 days or more.

(c) Sale and purchase include the production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing.

(d) Sale and purchase include the preparing for a consideration of food. Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

- (1) prepared food sold by the retailer;
- (2) soft drinks;
- (3) candy;
- (4) dietary supplements; and
- (5) all food sold through vending machines.

(e) A sale and a purchase includes the furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state.

(f) A sale and a purchase includes the transfer for a consideration of prewritten computer software whether delivered electronically, by load and leave, or otherwise.

(g) A sale and a purchase includes the furnishing for a consideration of the following services:

(1) the privilege of admission to places of amusement, recreational areas, or athletic events, and the making available of amusement devices, tanning facilities, reducing salons, steam baths, health clubs, and spas or athletic facilities;

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp, including furnishing the guest of the facility with access to telecommunication services, and the granting of any similar license to use real property in a specific facility, other than the renting or leasing of it for a continuous period of 30 days or more under an enforceable written agreement that may not be terminated without prior notice and including accommodations intermediary services provided in connection with other services provided under this clause;

(3) nonresidential parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(4) the granting of membership in a club, association, or other organization if:

(i) the club, association, or other organization makes available for the use of its members sports and athletic facilities, without regard to whether a separate charge is assessed for use of the facilities; and

(ii) use of the sports and athletic facility is not made available to the general public on the same basis as it is made available to members.

Granting of membership means both onetime initiation fees and periodic membership dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming pools; and other similar athletic or sports facilities;

(5) delivery of aggregate materials by a third party, excluding delivery of aggregate material used in road construction; and delivery of concrete block by a third party if the delivery would be subject to the sales tax if provided by the seller of the concrete block. For purposes of this clause, "road construction" means construction of:

(i) public roads;

(ii) cartways; and

(iii) private roads in townships located outside of the seven-county metropolitan area up to the point of the emergency response location sign; and

(6) services as provided in this clause:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting services and pest control and exterminating services;

(iv) detective, security, burglar, fire alarm, and armored car services; but not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit organization or any organization at the direction of a county for monitoring and electronic surveillance of persons placed on in-home detention pursuant to court order or under the direction of the Minnesota Department of Corrections;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal, except when performed as part of a land clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(viii) the furnishing of lodging, board, and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

(h) A sale and a purchase includes the furnishing for a consideration of tangible personal property or taxable services by the United States or any of its agencies or instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, ancillary services associated with telecommunication services, and pay television services. Telecommunication services include, but are not limited to, the following services, as defined in section 297A.669: air-to-ground radiotelephone service, mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid wireless calling service, and private communication services. The services in this paragraph are taxed to the extent allowed under federal law.

(j) A sale and a purchase includes the furnishing for a consideration of installation if the installation charges would be subject to the sales tax if the installation were provided by the seller of the item being installed.

(k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section 59B.02, subdivision 11.

~~(l) A sale and a purchase includes furnishing for a consideration of specified digital products or other digital products or granting the right for a consideration to use specified digital products or other digital products on a temporary or permanent basis and regardless of whether the purchaser is required to make continued payments for such right. Wherever the term "tangible personal property" is used in this chapter, other than in subdivisions 10 and 38, the provisions also apply to specified digital products, or other digital products, unless specifically provided otherwise or the context indicates otherwise.~~

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 4. Minnesota Statutes 2014, section 297A.61, subdivision 4, is amended to read:

Subd. 4. **Retail sale.** (a) A "retail sale" means:

(1) any sale, lease, or rental of tangible personal property for any purpose, other than resale, sublease, or subrent of items by the purchaser in the normal course of business as defined in subdivision 21; and

(2) any sale of a service enumerated in subdivision 3, for any purpose other than resale by the purchaser in the normal course of business as defined in subdivision 21.

(b) A sale of property used by the owner only by leasing it to others or by holding it in an effort to lease it, and put to no use by the owner other than resale after the lease or effort to lease, is a sale of property for resale.

(c) A sale of master computer software that is purchased and used to make copies for sale or lease is a sale of property for resale.

(d) A sale of building materials, supplies, and equipment to owners, contractors, subcontractors, or builders for the erection of buildings or the alteration, repair, or improvement of real property is a retail sale in whatever quantity sold, whether the sale is for purposes of resale in the form of real property or otherwise.

(e) A sale of carpeting, linoleum, or similar floor covering to a person who provides for installation of the floor covering is a retail sale and not a sale for resale since a sale of floor covering which includes installation is a contract for the improvement of real property.

(f) A sale of shrubbery, plants, sod, trees, and similar items to a person who provides for installation of the items is a retail sale and not a sale for resale since a sale of shrubbery, plants, sod, trees, and similar items that includes installation is a contract for the improvement of real property.

(g) A sale of tangible personal property that is awarded as prizes is a retail sale and is not considered a sale of property for resale.

(h) A sale of tangible personal property utilized or employed in the furnishing or providing of services under subdivision 3, paragraph (g), clause (1), including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(i) A sale of tangible personal property used in conducting lawful gambling under chapter 349 or the State Lottery under chapter 349A, including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(j) a sale of machines, equipment, or devices that are used to furnish, provide, or dispense goods or services, including, but not limited to, coin-operated devices, is a retail sale and is not considered a sale of property for resale.

(k) In the case of a lease, a retail sale occurs (1) when an obligation to make a lease payment becomes due under the terms of the agreement or the trade practices of the lessor or (2) in the case of a lease of a motor vehicle, as defined in section 297B.01, subdivision 11, but excluding vehicles with a manufacturer's gross vehicle weight rating greater than 10,000 pounds and rentals of vehicles for not more than 28 days, at the time the lease is executed.

(l) In the case of a conditional sales contract, a retail sale occurs upon the transfer of title or possession of the tangible personal property.

(m) A sale of a bundled transaction in which one or more of the products included in the bundle is a taxable product is a retail sale, except that if one of the products is a telecommunication service, ancillary service, Internet access, or audio or video programming service, and the seller has maintained books and records identifying through reasonable and verifiable standards the portions of the price that are attributable to the distinct and separately identifiable products, then the products are not considered part of a bundled transaction. For purposes of this paragraph:

(1) the books and records maintained by the seller must be maintained in the regular course of business, and do not include books and records created and maintained by the seller primarily for tax purposes;

(2) books and records maintained in the regular course of business include, but are not limited to, financial statements, general ledgers, invoicing and billing systems and reports, and reports for regulatory tariffs and other regulatory matters; and

(3) books and records are maintained primarily for tax purposes when the books and records identify taxable and nontaxable portions of the price, but the seller maintains other books and records that identify different prices attributable to the distinct products included in the same bundled transaction.

(n) A sale of motor vehicle repair paint and materials by a motor vehicle repair or body shop business is a retail sale and the sales tax is imposed on the gross receipts from the retail sale of the paint and materials. The motor vehicle repair or body shop that purchases motor vehicle repair paint and motor vehicle repair materials for resale must either:

(1) separately state each item of paint and each item of materials, and the sales price of each, on the invoice to the purchaser; or

(2) in order to calculate the sales price of the paint and materials, use a method which estimates the amount and monetary value of the paint and materials used in the repair of the motor vehicle by multiplying the number of labor hours by a rate of consideration for the paint and materials used in the repair of the motor vehicle following industry

standard practices that fairly calculate the gross receipts from the retail sale of the motor vehicle repair paint and motor vehicle repair materials. An industry standard practice fairly calculates the gross receipts if the sales price of the paint and materials used or consumed in the repair of a motor vehicle equals or exceeds the purchase price paid by the motor vehicle repair or body shop business. Under this clause, the invoice must either separately state the "paint and materials" as a single taxable item, or separately state "paint" as a taxable item and "materials" as a taxable item. This clause does not apply to wholesale transactions at an auto auction facility.

~~(o) A sale of specified digital products or other digital products to an end user with or without rights of permanent use and regardless of whether rights of use are conditioned upon payment by the purchaser is a retail sale. When a digital code has been purchased that relates to specified digital products or other digital products, the subsequent receipt of or access to the related specified digital products or other digital products is not a retail sale.~~

~~(p)~~ (o) A payment made to a cooperative electric association or public utility as a contribution in aid of construction is a contract for improvement to real property and is not a retail sale.

(p) When either a manufacturer or a subcontractor of a manufacturer installs a modular home, as defined in section 297A.668, subdivision 8, paragraph (b), on a foundation, it is not a retail sale.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 5. Minnesota Statutes 2014, section 297A.61, subdivision 38, is amended to read:

Subd. 38. **Bundled transaction.** (a) "Bundled transaction" means the retail sale of two or more products when the products are otherwise distinct and identifiable, and the products are sold for one nonitemized price. As used in this subdivision, "product" includes tangible personal property, services, and intangibles, ~~and digital goods, including specified digital products or other digital products,~~ but does not include real property or services to real property. A bundled transaction does not include the sale of any products in which the sales price varies, or is negotiable, based on the selection by the purchaser of the products included in the transaction.

(b) For purposes of this subdivision, "distinct and identifiable" products does not include:

(1) packaging and other materials, such as containers, boxes, sacks, bags, and bottles, wrapping, labels, tags, and instruction guides, that accompany the retail sale of the products and are incidental or immaterial to the retail sale. Examples of packaging that are incidental or immaterial include grocery sacks, shoe boxes, dry cleaning garment bags, and express delivery envelopes and boxes;

(2) a promotional product provided free of charge with the required purchase of another product. A promotional product is provided free of charge if the sales price of another product, which is required to be purchased in order to receive the promotional product, does not vary depending on the inclusion of the promotional product; and

(3) items included in the definition of sales price.

(c) For purposes of this subdivision, the term "one nonitemized price" does not include a price that is separately identified by product on binding sales or other supporting sales-related documentation made available to the customer in paper or electronic form including but not limited to an invoice, bill of sale, receipt, contract, service agreement, lease agreement, periodic notice of rates and services, rate card, or price list.

(d) A transaction that otherwise meets the definition of a bundled transaction is not a bundled transaction if it is:

(1) the retail sale of tangible personal property and a service and the tangible personal property is essential to the use of the service, and is provided exclusively in connection with the service, and the true object of the transaction is the service;

(2) the retail sale of services if one service is provided that is essential to the use or receipt of a second service and the first service is provided exclusively in connection with the second service and the true object of the transaction is the second service;

(3) a transaction that includes taxable products and nontaxable products and the purchase price or sales price of the taxable products is de minimis; or

(4) the retail sale of exempt tangible personal property and taxable tangible personal property if:

(i) the transaction includes food and food ingredients, drugs, durable medical equipment, mobility enhancing equipment, over-the-counter drugs, prosthetic devices, or medical supplies; and

(ii) the seller's purchase price or sales price of the taxable tangible personal property is 50 percent or less of the total purchase price or sales price of the bundled tangible personal property. Sellers must not use a combination of the purchase price and sales price of the tangible personal property when making the 50 percent determination for a transaction.

(e) For purposes of this subdivision, "purchase price" means the measure subject to use tax on purchases made by the seller, and "de minimis" means that the seller's purchase price or sales price of the taxable products is ten percent or less of the total purchase price or sales price of the bundled products. Sellers shall use either the purchase price or the sales price of the products to determine if the taxable products are de minimis. Sellers must not use a combination of the purchase price and sales price of the products to determine if the taxable products are de minimis. Sellers shall use the full term of a service contract to determine if the taxable products are de minimis.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 6. Minnesota Statutes 2014, section 297A.62, subdivision 3, is amended to read:

Subd. 3. **Manufactured housing and park trailers; modular housing.** (a) For retail sales of manufactured homes as defined in section 327.31, subdivision 6, for residential uses, the sales tax under 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 subdivisions 1 and 1a is imposed on 65 percent of the sales price of the park trailer.

(b) For retail sales of a modular home, as defined in section 297A.668, subdivision 8, paragraph (b), for residential use, the sales tax under subdivisions 1 and 1a is imposed on 65 percent of the invoice price of the modular home.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 7. Minnesota Statutes 2014, section 297A.668, subdivision 1, is amended to read:

Subdivision 1. **Applicability.** The provisions of this section apply regardless of the characterization of a product as tangible personal property, ~~a digital good~~, or a service; but do not apply to telecommunications services or the sales of motor vehicles. These provisions only apply to determine a seller's obligation to pay or collect and remit a sales or use tax with respect to the seller's sale of a product. These provisions do not affect the obligation of a seller as purchaser to remit tax on the use of the product.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 8. Minnesota Statutes 2014, section 297A.668, subdivision 2, is amended to read:

Subd. 2. **Sourcing rules.** (a) The retail sale, excluding lease or rental, of a product shall be sourced as required in paragraphs (b) through (f).

(b) When the product is received by the purchaser at a business location of the seller, the sale is sourced to that business location.

(c) When the product is not received by the purchaser at a business location of the seller, the sale is sourced to the location where receipt by the purchaser or the donee designated by the purchaser occurs, including the location indicated by instructions for delivery to the purchasers or the purchaser's donee, known to the seller.

(d) When paragraphs (b) and (c) do not apply, the sale is sourced to the location indicated by an address for the purchaser that is available from the business records of the seller that are maintained in the ordinary course of the seller's business, when use of this address does not constitute bad faith.

(e) When paragraphs (b), (c), and (d) do not apply, the sale is sourced to the location indicated by an address for the purchaser obtained during the consummation of the sale, including the address of a purchaser's payment instrument if no other address is available, when use of this address does not constitute bad faith.

(f) When paragraphs (b), (c), (d), and (e) do not apply, including the circumstance where the seller is without sufficient information to apply the previous paragraphs, then the location is determined by the address from which tangible personal property was shipped, from which ~~the digital good or~~ the computer software delivered electronically was first available for transmission by the seller, or from which the service was provided. ~~For purposes of this paragraph, the seller must disregard any location that merely provided the digital transfer of the product sold.~~

(g) For purposes of this subdivision, the terms "receive" and "receipt" mean taking possession of tangible personal property, making first use of services, or taking possession or making first use of ~~digital goods or~~ the computer software delivered electronically, whichever occurs first. The terms receive and receipt do not include possession by a carrier for hire on behalf of the purchaser.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 9. Minnesota Statutes 2014, section 297A.668, subdivision 6a, is amended to read:

Subd. 6a. **Multiple points of use.** (a) Notwithstanding the provisions of subdivisions 2 and 3, a business purchaser that has not received authorization to pay the tax directly to the commissioner may use an exemption certificate indicating multiple points of use if:

(1) the purchaser knows at the time of its purchase of a ~~digital good~~, computer software delivered electronically, or a service that the good or service will be concurrently available for use in more than one taxing jurisdiction; and

(2) the purchaser delivers to the seller the exemption certificate indicating multiple points of use at the time of purchase.

(b) Upon receipt of the fully completed exemption certificate indicating multiple points of use, the seller is relieved of the obligation to collect, pay, or remit the applicable tax and the purchaser is obligated to collect, pay, or remit the applicable tax on a direct pay basis. The provisions of section 297A.665 apply to this paragraph.

(c) The purchaser delivering the exemption certificate indicating multiple points of use may use any reasonable but consistent and uniform method of apportionment that is supported by the purchaser's business records as they exist at the time of the consummation of the sale.

(d) The purchaser shall provide the exemption certificate indicating multiple points of use to the seller at the time of purchase.

(e) A purchaser that has received authorization to pay the tax directly to the commissioner is not required to deliver to the seller an exemption certificate indicating multiple points of use. A purchaser that has received authorization to pay the tax directly to the commissioner shall follow the provisions of paragraph (c) in apportioning the tax due on ~~a digital good~~, computer software delivered electronically, or a service that will be concurrently available for use in more than one taxing jurisdiction.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 10. Minnesota Statutes 2014, section 297A.668, subdivision 7, is amended to read:

Subd. 7. **Advertising and promotional direct mail.** (a) Notwithstanding other subdivisions of this section, the provisions in paragraphs (b) to (e) apply to the sale of advertising and promotional direct mail. "Advertising and promotional direct mail" means printed material that is direct mail as defined in section 297A.61, subdivision 35, the primary purpose of which is to attract public attention to a product, person, business, or organization, or to attempt to sell, popularize, or secure financial support for a person, business, organization, or product. "Product" includes tangible personal property, ~~a digital product transferred electronically~~, or a service.

(b) A purchaser of advertising and promotional direct mail may provide the seller with one of the following:

(1) a fully completed exemption certificate as described in section 297A.72 indicating that the purchaser is authorized to pay any sales or use tax due on purchases made by the purchaser directly to the commissioner under section 297A.89;

(2) a fully completed exemption certificate claiming an exemption for direct mail; or

(3) information showing the jurisdictions to which the advertising and promotional direct mail is to be delivered to recipients.

(c) In the absence of bad faith, if the purchaser provides one of the exemption certificates indicated in paragraph (b), clauses (1) and (2), the seller is relieved of all obligations to collect, pay, or remit the applicable tax and the purchaser is obligated to pay or remit the tax on any transaction involving advertising and promotional direct mail to which the certificate applies. The purchaser shall source the sale to the jurisdictions to which the advertising and promotional direct mail is to be delivered to the recipients of the mail, and shall report and pay any applicable tax due.

(d) If the purchaser provides the seller information showing the jurisdictions to which the advertising and promotional direct mail is to be delivered to recipients, the seller shall source the sale to the jurisdictions to which the advertising and promotional direct mail is to be delivered and shall collect and remit the applicable tax. In the absence of bad faith, the seller is relieved of any further obligation to collect any additional tax on the sale of advertising and promotional direct mail where the seller has sourced the sale according to the delivery information provided by the purchaser.

(e) If the purchaser does not provide the seller with any of the items listed in paragraph (b), the sale shall be sourced under subdivision 2, paragraph (f). Nothing in this paragraph limits a purchaser's obligation for sales or use tax to any state to which the direct mail is delivered.

(f) This subdivision does not apply to printed materials that result from developing billing information or providing any data processing service that is more than incidental to producing the printed materials, regardless of whether advertising and promotional direct mail is included in the same mailing.

(g) If a transaction is a bundled transaction that includes advertising and promotional direct mail, this subdivision applies only if the primary purpose of the transaction is the sale of products or services that meet the definition of advertising and promotional direct mail.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 11. Minnesota Statutes 2014, section 297A.669, subdivision 14a, is amended to read:

Subd. 14a. **Prepaid wireless calling service.** "Prepaid wireless calling service," for purposes of this section, means a telecommunications service that:

(1) provides the right to utilize mobile wireless service as well as other nontelecommunications services, including ~~the download of digital products delivered electronically, content, and~~ ancillary services;

(2) must be paid for in advance; and

(3) is sold in predetermined units or dollars of which the number declines with use in a known amount.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 12. Minnesota Statutes 2014, section 297A.67, subdivision 7a, is amended to read:

Subd. 7a. **Accessories and supplies.** Accessories and supplies required for the effective use of durable medical equipment for home use only or purchased in a transaction covered by Medicare ~~or~~ Medicaid, or other health insurance plan, that are not already exempt under subdivision 7, are exempt. Accessories and supplies for the effective use of a prosthetic device, that are not already exempt under subdivision 7, are exempt. For purposes of this subdivision "durable medical equipment," "prosthetic device," "Medicare," and "Medicaid" have the definitions given in subdivision 7-, and "other health insurance plan" means a health plan defined in section 62A.011, subdivision 3, or 62V.02, subdivision 4, or a qualified health plan defined in section 62A.011, subdivision 7.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 13. Minnesota Statutes 2014, section 297A.67, subdivision 13a, is amended to read:

Subd. 13a. **Instructional materials.** (a) Instructional materials, other than textbooks, that are prescribed for use in conjunction with a course of study in a postsecondary school, college, university, or private career school to students who are regularly enrolled at such institutions are exempt. For purposes of this subdivision, "instructional materials" means materials required to be used directly in the completion of the course of study, including, but not limited to:

(1) interactive CDs, tapes, digital audio works, digital audiovisual works, and computer software;

(2) charts and models used in the course of study; and

(3) specialty pens, pencils, inks, paint, paper, and other art supplies for art classes.

(b) Notwithstanding paragraph (c), if the course of study is necessary to obtaining a degree or certification for a trade or career, any equipment, tools, and supplies required during the course of study that are generally used directly in the practice of the career or trade are also exempt.

(c) Instructional materials do not include general reference works or other items incidental to the instructional process such as pens, pencils, paper, folders, or computers that are of general use outside of the course of study.

(d) For purposes of this subdivision, "school" and "private career school" have the meanings given in subdivision 13.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 14. Minnesota Statutes 2014, section 297A.67, is amended by adding a subdivision to read:

Subd. 34. **Propane tanks.** (a) Propane tanks with a propane capacity of at least 100 gallons, and any valves and regulators necessary for use of the propane tank, are exempt when purchased by the user of the tank. This exemption does not apply to the lease of a propane tank from a propane supplier or dealer.

(b) This subdivision expires December 31, 2017.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to sales and purchases made on or after that date.

Sec. 15. Minnesota Statutes 2014, section 297A.67, is amended by adding a subdivision to read:

Subd. 35. **Precious metal bullion and bullion coin.** (a) Precious metal bullion and bullion coin is exempt. For purposes of this subdivision, "precious metal bullion" is any product that is:

(1) at least 90 percent by actual weight of gold, silver, platinum, or palladium;

(2) bought and sold on a current spot market price, including a transaction fee, for immediate payment and an agreed delivery date; and

(3) in the form of rounds, bars, or any other form that meets the requirements of clauses (1) and (2).

(b) For purposes of this subdivision, "spot market price" means the current price of the actual precious metal as set by a recognized commodities exchange.

(c) For purposes of this subdivision, "bullion coin" means any coin containing at least 90 percent by weight of gold, silver, platinum, or palladium.

(d) The intent of this subdivision is to eliminate the difference in tax treatment between the sale of precious metal bullion and the sale of stocks, bullion EFTs, bonds, and other investment instruments.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 16. Minnesota Statutes 2014, section 297A.68, subdivision 5, is amended to read:

Subd. 5. **Capital equipment.** (a) Capital equipment is exempt. 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.

"Capital equipment" means machinery and equipment purchased or leased, and used in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail if the machinery and equipment are essential to the integrated production process of manufacturing, fabricating, mining, or refining. Capital equipment also includes machinery and equipment used primarily to electronically transmit results retrieved by a customer of an online computerized data retrieval system and machinery and equipment used by restaurants in the furnishing, preparing, or serving of prepared foods as defined in section 297A.61, subdivision 31.

(b) Capital equipment includes, but is not limited to:

- (1) machinery and equipment used to operate, control, or regulate the production equipment;
- (2) machinery and equipment used for research and development, design, quality control, and testing activities;
- (3) environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process;
- (4) materials and supplies used to construct and install machinery or equipment;
- (5) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery or equipment;
- (6) materials used for foundations that support machinery or equipment;
- (7) materials used to construct and install special purpose buildings used in the production process;
- (8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed as part of the delivery process regardless if mounted on a chassis, repair parts for ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and
- (9) machinery or equipment used for research, development, design, or production of computer software.

(c) Capital equipment does not include the following:

- (1) motor vehicles taxed under chapter 297B;
- (2) machinery or equipment used to receive or store raw materials;
- (3) building materials, except for materials included in paragraph (b), clauses (6) and (7);
- (4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations; support operations or administration; pollution control; and plant cleaning, disposal of scrap and waste, plant communications, space heating, cooling, lighting, or safety;
- (5) farm machinery and aquaculture production equipment as defined by section 297A.61, subdivisions 12 and 13;
- (6) machinery or equipment purchased and installed by a contractor as part of an improvement to real property;
- (7) ~~machinery and equipment used by restaurants in the furnishing, preparing, or serving of prepared foods as defined in section 297A.61, subdivision 31;~~

~~(8)~~ machinery and equipment used to furnish the services listed in section 297A.61, subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii);

~~(9)~~ (8) machinery or equipment used in the transportation, transmission, or distribution of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines, tanks, mains, or other means of transporting those products. This clause does not apply to machinery or equipment used to blend petroleum or biodiesel fuel as defined in section 239.77; or

~~(10)~~ (9) any other item that is not essential to the integrated process of manufacturing, fabricating, mining, or refining.

(d) For purposes of this subdivision:

(1) "Equipment" means independent devices or tools separate from machinery but essential to an integrated production process, including computers and computer software, used in operating, controlling, or regulating machinery and equipment; and any subunit or assembly comprising a component of any machinery or accessory or attachment parts of machinery, such as tools, dies, jigs, patterns, and molds.

(2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(3) "Integrated production process" means a process or series of operations through which tangible personal property is manufactured, fabricated, mined, or refined. For purposes of this clause, (i) manufacturing begins with the removal of raw materials from inventory and ends when the last process prior to loading for shipment has been completed; (ii) fabricating begins with the removal from storage or inventory of the property to be assembled, processed, altered, or modified and ends with the creation or production of the new or changed product; (iii) mining begins with the removal of overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and ends when the last process before stockpiling is completed; and (iv) refining begins with the removal from inventory or storage of a natural resource and ends with the conversion of the item to its completed form.

(4) "Machinery" means mechanical, electronic, or electrical devices, including computers and computer software, that are purchased or constructed to be used for the activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through completion of the product, including packaging of the product.

(5) "Machinery and equipment used for pollution control" means machinery and equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity described in paragraph (a).

(6) "Manufacturing" means an operation or series of operations where raw materials are changed in form, composition, or condition by machinery and equipment and which results in the production of a new article of tangible personal property. For purposes of this subdivision, "manufacturing" includes the generation of electricity or steam to be sold at retail.

(7) "Mining" means the extraction of minerals, ores, stone, or peat.

(8) "Online data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

(9) "Primarily" means machinery and equipment used 50 percent or more of the time in an activity described in paragraph (a).

(10) "Refining" means the process of converting a natural resource to an intermediate or finished product, including the treatment of water to be sold at retail.

(11) This subdivision does not apply to telecommunications equipment as provided in subdivision 35a, and does not apply to wire, cable, fiber, poles, or conduit for telecommunications services.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 17. Minnesota Statutes 2014, section 297A.68, subdivision 19, is amended to read:

Subd. 19. **Petroleum products.** The following petroleum products are exempt:

(1) products upon which a tax has been imposed and paid under chapter 296A, and for which no refund has been or will be allowed because the buyer used the fuel for nonhighway use;

(2) products that are used in the improvement of agricultural land by constructing, maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water impoundment, and other erosion control structures;

(3) products purchased by a transit system receiving financial assistance under section 174.24, 256B.0625, subdivision 17, or 473.384;

(4) products purchased by an ambulance service licensed under chapter 144E;

(5) products used in a passenger snowmobile, as defined in section 296A.01, subdivision 39, for off-highway business use as part of the operations of a resort as provided under section 296A.16, subdivision 2, clause (2);

(6) products purchased by a state or a political subdivision of a state for use in motor vehicles exempt from registration under section 168.012, subdivision 1, paragraph (b);

(7) products purchased by providers of transportation to recipients of medical assistance home and community-based services waivers enrolled in day programs, including adult day care, family adult day care, day treatment and habilitation, prevocational services, and structured day services; ~~or~~

(8) products used in a motor vehicle used exclusively as a mobile medical unit for the provision of medical or dental services by a federally qualified health center, as defined under title 19 of the federal Social Security Act, as amended by Section 4161 of the Omnibus Budget Reconciliation Act of 1990; or

(9) special fuels eligible for a motor fuel tax refund under section 296A.16, subdivision 2, clause (4).

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 18. Minnesota Statutes 2014, section 297A.70, subdivision 4, is amended to read:

Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph ~~(b)~~ (c), ~~to the following "nonprofit organizations" are exempt if the item purchased is used in the performance of their exempt function. The exemptions under this paragraph do not apply to:~~

(1) ~~a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes if the item purchased is used in the performance of charitable, religious, or educational functions; and~~ veterans groups under subdivision 5;

~~(2) any senior citizen group or association of groups that: hospitals, outpatient surgical centers, and critical access dental providers under subdivision 7, paragraphs (a), (b), (c), (e), and (f);~~

~~(i) in general limits membership to persons who are either age 55 or older, or physically disabled;~~

~~(ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, not including housing, no part of the net earnings of which inures to the benefit of any private shareholders; and~~

~~(iii) is an exempt organization under section 501(c) of the Internal Revenue Code.~~

(3) products and services under subdivision 7, paragraph (d); or

(4) nursing homes and boarding care homes under subdivision 18.

~~(b) For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization. "nonprofit organization" means:~~

(1) an organization that has a current federal determination letter stating that the nonprofit organization qualifies as an exempt organization under section 501(c)(3) of the Internal Revenue Code and has obtained a Minnesota tax identification number from the Department of Revenue under section 297A.83; or

(2) any senior citizen group or association of groups that:

(i) in general, limits membership to persons who are either age 55 or older or physically disabled;

(ii) is not organized and operated exclusively for housing; and

(iii) is an exempt organization under section 501(c) of the Internal Revenue Code.

~~(b)~~ (c) This exemption does not apply to the following sales:

(1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility;

(2) construction materials purchased by tax-exempt entities or their contractors to be used in constructing buildings or facilities that will not be used principally by the tax-exempt entities;

(3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except wine purchased by an established religious organization for sacramental purposes or as allowed under subdivision 9a; and

(4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as provided in paragraph ~~(e)~~ (d).

~~(e)~~ (d) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01, subdivision 11, only if the vehicle is:

(1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a passenger automobile, as defined in section 168.002, if the automobile is designed and used for carrying more than nine persons including the driver; and

(2) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose.

~~(d)~~ (e) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 19. Minnesota Statutes 2014, section 297A.70, subdivision 10, is amended to read:

Subd. 10. **Nonprofit tickets or admissions.** (a) Tickets or admissions to an event are exempt if all the gross receipts are recorded as such, in accordance with generally accepted accounting principles, on the books of one or more organizations whose primary mission is to provide an opportunity for citizens of the state to participate in the creation, performance, or appreciation of the arts, and provided that each organization is:

(1) an organization described in section 501(c)(3) of the Internal Revenue Code in which voluntary contributions make up at least five percent of the organization's annual revenue in its most recently completed 12-month fiscal year, or in the current year if the organization has not completed a 12-month fiscal year;

(2) a municipal board that promotes cultural and arts activities; or

(3) the University of Minnesota, a state college and university, or a private nonprofit college or university provided that the event is held at a facility owned by the educational institution holding the event.

The exemption only applies if the entire proceeds, after reasonable expenses, are used solely to provide opportunities for citizens of the state to participate in the creation, performance, or appreciation of the arts.

(b) Tickets or admissions to the premises of the Minnesota Zoological Garden are exempt, provided that the exemption under this paragraph does not apply to tickets or admissions to performances or events held on the premises unless the performance or event is sponsored and conducted exclusively by the Minnesota Zoological Board or employees of the Minnesota Zoological Garden.

(c) Tickets or admissions to a performance or event on the premises of a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code are exempt if:

(1) the nonprofit organization was established to preserve Minnesota's rural agricultural heritage and focuses on educating the public about rural history and how farms in Minnesota helped to provide food for the nation and the world;

(2) the premises of the nonprofit organization is at least 115 acres;

(3) the performance or event is sponsored and conducted exclusively by volunteers, employees of the nonprofit organization, or members of the board of directors of the nonprofit organization; and

(4) the performance or event is consistent with the nonprofit organization's purposes under section 501(c)(3) of the Internal Revenue Code.

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

Sec. 20. Minnesota Statutes 2014, section 297A.70, subdivision 14, is amended to read:

Subd. 14. **Fund-raising events sponsored by nonprofit groups.** (a) Sales of tangible personal property or services at, and admission charges for fund-raising events sponsored by, a nonprofit organization are exempt if:

(1) all gross receipts are recorded as such, in accordance with generally accepted accounting practices, on the books of the nonprofit organization; and

(2) the entire proceeds, less the necessary expenses for the event, will be used solely and exclusively for charitable, religious, or educational purposes. Exempt sales include the sale of prepared food, candy, and soft drinks at the fund-raising event.

(b) This exemption is limited in the following manner:

(1) it does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities;

(2) all gross receipts are taxable if the profits are not used solely and exclusively for charitable, religious, or educational purposes;

(3) it does not apply unless the organization keeps a separate accounting record, including receipts and disbursements from each fund-raising event that documents all deductions from gross receipts with receipts and other records;

(4) it does not apply to any sale made by or in the name of a nonprofit corporation as the active or passive agent of a person that is not a nonprofit corporation;

(5) all gross receipts are taxable if fund-raising events exceed 24 days per year;

(6) it does not apply to fund-raising events conducted on premises leased for more than ~~five~~ ten days but less than 30 days; and

(7) it does not apply if the risk of the event is not borne by the nonprofit organization and the benefit to the nonprofit organization is less than the total amount of the state and local tax revenues forgone by this exemption.

(c) For purposes of this subdivision, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans' purposes, no part of the net earnings of which inures to the benefit of a private individual.

(d) For purposes of this subdivision, "fund-raising events" means activities of limited duration, not regularly carried out in the normal course of business, that attract patrons for community, social, and entertainment purposes, such as auctions, bake sales, ice cream socials, block parties, carnivals, competitions, concerts, concession stands, craft sales, bazaars, dinners, dances, door-to-door sales of merchandise, fairs, fashion shows, festivals, galas, special event workshops, sporting activities such as marathons and tournaments, and similar events. Fund-raising events do not include the operation of a regular place of business in which services are provided or sales are made during regular hours such as bookstores, thrift stores, gift shops, restaurants, ongoing Internet sales, regularly scheduled classes, or other activities carried out in the normal course of business.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 21. Minnesota Statutes 2014, section 297A.70, is amended by adding a subdivision to read:

Subd. 20. **Animal shelters.** (a) For purposes of this subdivision, the term "animal shelter" means a nonprofit organization engaged in the business of rescuing, sheltering, and finding homes for unwanted animals.

(b) Purchases made by an animal shelter are exempt if the purchases are used directly in the activities of rescuing, sheltering, and finding homes for unwanted animals. The exemption under this paragraph does not apply to the following purchases:

(1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility;

(2) construction materials purchased by an animal shelter or their contractors to be used in constructing buildings or facilities that will not be used principally by the tax-exempt entities;

(3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2; and

(4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11.

(c) The sale or adoption of unwanted animals by an animal shelter and the sale of associated animal supplies and equipment by an animal shelter are exempt.

(d) Sales made by and events run by an animal shelter for fund-raising purposes are exempt. Exempt sales include the sale of prepared food, candy, and soft drinks at a fund-raising event. The exemption under this paragraph is subject to the following limits:

(1) gross receipts from all fund-raising sales are taxable if the total fund-raising by the animal shelter exceeds 24 days per year;

(2) it does not apply to fund-raising events conducted on premises leased for more than ten days but less than 30 days; and

(3) it does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 22. Minnesota Statutes 2014, section 297A.70, is amended by adding a subdivision to read:

Subd. 21. **City celebrations.** (a) Sales of tangible personal property or services and admissions charges to a city-designated annual city celebration designed to promote community spirit and cooperation are exempt. Exempt sales include the sale of prepared food, candy, soft drinks, and malt liquor and wine as defined in section 340A.101, subdivisions 16 and 19, at the event. The governing board of a statutory or home rule charter city may designate one event in each calendar year as the annual city celebration that qualifies for the exemption under this subdivision. For a celebration to qualify, it must meet the following requirements:

(1) the home rule charter or statutory city must have a population of less than 10,000;

(2) the event must be held on consecutive days, not to exceed five days in total;

(3) the event must be run either by the city or by a nonprofit organization designated by the city;

(4) all gross receipts of the event are recorded as such, in accordance with generally accepted accounting practice on the books of the city or the designated nonprofit organization; and

(5) the entire proceeds, less the necessary expenses, will be distributed to one or more of the following for charitable, educational, civic, or governmental purposes:

(i) the city's general fund;

(ii) a nonprofit 501(c)(3) organization to promote its primary mission; or

(iii) a nonprofit 501(c)(4) organization to promote its primary mission, however, no revenues from this event may be used by the organization for lobbying or political activities.

(b) This exemption is limited in the following manner:

(1) it does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities;

(2) all gross receipts are taxable if the profits are not used solely and exclusively for charitable, educational, civic, or governmental purposes; and

(3) it does not apply unless the city or designated nonprofit organization keeps a separate accounting record, including receipts and disbursements for all events included in the celebration that documents all deductions from gross receipts with receipts and other records.

(c) For purposes of this subdivision, "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans' purposes, no part of the net earnings of which inures to the benefit of a private individual.

(d) For purposes of this subdivision, "city celebration" means any of the following activities or combination of activities of limited duration, not regularly carried out in the normal course of business, that attract patrons for community, social, and entertainment purposes, such as parades, auctions, bake sales, ice cream socials, block parties, carnivals, competitions, concerts, concession stands, craft sales, bazaars, dinners, dances, fairs, fashion shows, festivals, galas, special event workshops, sporting activities such as marathons and tournaments, and similar events. A city celebration does not include the operation of a regular place of business in which services are provided or sales are made during regular hours such as bookstores, thrift stores, gift shops, restaurants, ongoing Internet sales, or regularly scheduled activities carried out in the normal course of business.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 23. Minnesota Statutes 2014, section 297A.70, is amended by adding a subdivision to read:

Subd. 22. Admissions; certain BMX tracks. Admissions to or charges for access to a BMX track owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code are exempt. For purposes of this subdivision "BMX track" means a track designed for bicycle motocross racing and includes related training and riding areas as well as the actual racing track or tracks. In order to qualify for the exemption under this subdivision, the BMX track must be sanctioned by a national or regional governing body for bicycle motocross racing.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 24. Minnesota Statutes 2014, section 297A.71, is amended by adding a subdivision to read:

Subd. 49. **Building materials; resorts and recreational camping areas.** Materials and supplies used or consumed in, and equipment incorporated into, the improvement of an existing structure located at a resort, as defined in section 157.15, subdivision 11, or recreational camping area, as defined in section 327.14, subdivision 8, are exempt. For purposes of this subdivision, a structure means a cabin located on resort property and any other structure available for use by guests of the resort or recreational camping area.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 25. Minnesota Statutes 2014, section 297A.71, is amended by adding a subdivision to read:

Subd. 50. **Construction materials purchased by contractors; exemption for certain entities.** (a) Building, construction, or reconstruction materials, supplies used or consumed in, and equipment incorporated into buildings or facilities used principally by the following entities are exempt:

(1) school districts, as defined under section 297A.70, subdivision 2, paragraph (c);

(2) local governments, as defined under section 297A.70, subdivision 2, paragraph (d);

(3) hospitals and nursing homes owned and operated by political subdivisions of the state, as defined under section 297A.70, subdivision 2, paragraph (a), clause (3);

(4) public libraries; library systems; multicounty, multitype library systems, as defined in section 134.001; and county law libraries under chapter 134A;

(5) nonprofit groups, as defined under section 297A.70, subdivision 4;

(6) hospitals, outpatient surgical centers, and critical access dental providers, as defined under section 297A.70, subdivision 7; and

(7) nursing homes and boarding care homes, as defined under section 297A.70, subdivision 18.

(b) Materials, supplies used in, and equipment incorporated into the construction, reconstruction, repair, maintenance, or improvement of public infrastructure of any kind including, but not limited to, roads, bridges, culverts, drinking water facilities, and wastewater facilities purchased by a contractor or subcontractor of the following entities are exempt:

(1) school districts, as defined under section 297A.70, subdivision 2, paragraph (c); or

(2) local governments, as defined under section 297A.70, subdivision 2, paragraph (d).

(c) The tax on purchases made by a contractor, subcontractor, or builder, that are exempt under this subdivision 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. Exempt items purchased directly by the owner of the building, facility, or infrastructure are exempt from the tax at the time of purchase.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 26. Minnesota Statutes 2014, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

- (1) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;
- (2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
- (3) building materials for correctional facilities under section 297A.71, subdivision 3;
- (4) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;
- (5) elevators and building materials exempt under section 297A.71, subdivision 12;
- (6) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;
- (7) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;
- (8) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;
- (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);
- (10) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;
- (11) materials, supplies, and equipment for construction, improvement, or expansion of:
 - (i) an aerospace defense manufacturing facility exempt under section 297A.71, subdivision 42;
 - (ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;
 - (iii) a research and development facility exempt under section 297A.71, subdivision 46; and
 - (iv) an industrial measurement manufacturing and controls facility exempt under section 297A.71, subdivision 47;
- (12) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42;
- (13) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44;
- (14) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c); ~~and~~
- (15) items and services purchased under a business subsidy agreement for use or consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 44; ~~and~~
- (16) building construction or reconstruction materials, supplies, and equipment purchased by an entity eligible under section 297A.71, subdivision 50.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 27. Minnesota Statutes 2014, section 297A.75, subdivision 2, is amended to read:

Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must be paid to the applicant. Only the following persons may apply for the refund:

(1) for subdivision 1, clauses (1), (2), and (14), the applicant must be the purchaser;

(2) for subdivision 1, clause (3), the applicant must be the governmental subdivision;

(3) for subdivision 1, clause (4), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;

(4) for subdivision 1, clause (5), the applicant must be the owner of the homestead property;

(5) for subdivision 1, clause (6), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause (7), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;

(7) for subdivision 1, clauses (8), (11), (12), and (15), the owner of the qualifying business; ~~and~~

(8) for subdivision 1, clauses (9), (10), and (13), the applicant must be the governmental entity that owns or contracts for the project or facility; and

(9) for subdivision 1, clause (16), the applicant must be the entity eligible under section 297A.71, subdivision 50.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 28. Minnesota Statutes 2014, section 297A.75, subdivision 3, is amended to read:

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clauses (3) to (13), ~~or (15), or (16),~~ the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 29. Minnesota Statutes 2014, section 297A.77, subdivision 3, is amended to read:

Subd. 3. **Tax must be remitted.** The tax collected by a retailer under this section, except for the amount allowed to be retained by the seller under section 297A.816, must be remitted to the commissioner as provided in chapter 289A and this chapter.

EFFECTIVE DATE. This section is effective for sales taxes remitted after June 30, 2016.

Sec. 30. **[297A.816] VENDOR ALLOWANCE.**

Subdivision 1. Eligibility. A retailer or seller may retain a portion of sales tax collected as a vendor allowance in compensation for the costs of collecting and administering the tax under this chapter. This section applies only if the tax minus the vendor allowance is both reported and remitted to the commissioner in a timely fashion as required under chapter 289A.

Subd. 2. Tax not eligible for allowance. Use taxes paid by the seller on the seller's own purchases are not included in calculating the vendor allowance under this section.

Subd. 3. Calculation of allowance; maximum amounts. The amount of the vendor allowance is equal to the sum of 0.30 percent of up to the first \$10,000 in tax remitted in the reporting period plus 0.15 percent of the tax remitted in excess of \$10,000 in the reporting period.

EFFECTIVE DATE. This section is effective for sales taxes remitted after June 30, 2016.

Sec. 31. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991, chapter 291, article 8, section 22, Laws 1998, chapter 389, article 8, section 25, Laws 2003, First Special Session chapter 21, article 8, section 11, Laws 2008, chapter 154, article 5, section 2, and Laws 2014, chapter 308, article 3, section 21, is amended to read:

Subd. 2. (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to one and three-quarter percent on sales transactions which are described in Minnesota Statutes 2000, section 297A.01, subdivision 3, clause (c). The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions. When the city council determines that the taxes imposed under this paragraph at a rate of three-quarters of one percent and other sources of revenue produce revenue sufficient to pay debt service on bonds in the principal amount of \$40,285,000 plus issuance and discount costs, issued for capital improvements at the Duluth Entertainment and Convention Center, which include a new arena, the rate of tax under this subdivision must be reduced by three-quarters of one percent.

(b) In addition to the tax in paragraph (a) and notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to one-half of one percent on sales transactions which are described in Minnesota Statutes 2000, section 297A.01, subdivision 3, clause (c). This tax expires when the city council determines that the tax imposed under this paragraph, along with the tax imposed under section 22, paragraph (b), has produced revenues sufficient to pay the debt service on bonds in a principal amount of no more than \$18,000,000, plus issuance and discount costs, to finance capital improvements to public facilities to support tourism and recreational activities in that portion of the city west of ~~34th~~ 14th Avenue West and the area south of and including Skyline Parkway.

(c) The city of Duluth may sell and issue up to \$18,000,000 in general obligation bonds under Minnesota Statutes, chapter 475, plus an additional amount to pay for the costs of issuance and any premiums. The proceeds may be used to finance capital improvements to public facilities that support tourism and recreational activities in the portion of the city west of ~~34th~~ 14th Avenue West and the area south of and including Skyline Parkway, as described in paragraph (b). The issuance of the bonds is subject to the provisions of Minnesota Statutes, chapter 475, except no election shall be required unless required by the city charter. The bonds shall not be included in computing net debt. The revenues from the taxes that the city of Duluth may impose under paragraph (b) and under section 22, paragraph (b), may be pledged to pay principal of and interest on such bonds.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 32. Laws 1980, chapter 511, section 2, as amended by Laws 1998, chapter 389, article 8, section 26, Laws 2003, First Special Session chapter 21, article 8, section 12, and Laws 2014, chapter 308, article 3, section 22, is amended to read:

Sec. 22. CITY OF DULUTH; TAX ON RECEIPTS BY HOTELS AND MOTELS.

(a) Notwithstanding Minnesota Statutes, section 477A.016, or any other law, or ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional tax of one percent upon the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. The tax shall be collected in the same manner as the tax set forth in the Duluth city charter, section 54(d), paragraph one. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions.

(b) In addition to the tax in paragraph (a) and notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to one-half of one percent on the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. This tax expires when the city council first determines that the tax imposed under this paragraph, along with the tax imposed under section 21, paragraph (b), has produced revenues sufficient to pay the debt service on bonds in a principal amount of no more than \$18,000,000, plus issuance and discount costs, to finance capital improvements to public facilities to support tourism and recreational activities in that portion of the city west of ~~34th~~ 14th Avenue West and the area south of and including Skyline Parkway.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 33. Laws 1991, chapter 291, article 8, section 27, subdivision 3, as amended by Laws 1998, chapter 389, article 8, section 28, Laws 2008, chapter 366, article 7, section 9, and Laws 2009, chapter 88, article 4, section 14, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by subdivisions 1 and 2 shall be used by the city to pay the cost of collecting the tax and to pay all or a portion of the expenses of constructing and improving facilities as part of an urban revitalization project in downtown Mankato known as Riverfront 2000. Authorized expenses include, but are not limited to, acquiring property and paying relocation expenses related to the development of Riverfront 2000 and related facilities, and securing or paying debt service on bonds or other obligations issued to finance the construction of Riverfront 2000 and related facilities. For purposes of this section, "Riverfront 2000 and related facilities" means a civic-convention center, an arena, a riverfront park, a technology center and related educational facilities, and all publicly owned real or personal property that the governing body of the city determines will be necessary to facilitate the use of these facilities, including but not limited to parking, skyways, pedestrian bridges, lighting, and landscaping. It also includes the performing arts theatre and the Southern Minnesota Women's Hockey Exposition Center, for use by Minnesota State University, Mankato.

(b) Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, and subject to voter approval at a general election held before December 31, 2016, the city may by ordinance also use revenues from taxes authorized under subdivisions 1 and 2, up to a maximum of \$29,000,000, plus associated bond costs, to pay all or a portion of the expenses of the following capital projects:

(1) improvements to regional recreational facilities including existing hockey and curling rinks, a baseball park, youth athletic fields and facilities, and the municipal swimming pool including improvements to make the pool compliant with the Americans with Disabilities Act;

(2) improvements to flood control and the levee system;

(3) water quality improvement projects in Blue Earth and Nicollet Counties;

(4) expansion of the regional transit building and related multimodal transit improvements;

(5) regional public safety and emergency communications improvements and equipment; and

(6) matching funds for improvements to publicly owned regional facilities including a historic museum, supportive housing, and a senior center.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Mankato and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 34. Laws 1991, chapter 291, article 8, section 27, subdivision 4, as amended by Laws 2005, First Special Session chapter 3, article 5, section 25, and Laws 2008, chapter 366, article 7, section 10, is amended to read:

Subd. 4. **Expiration of taxing authority and expenditure limitation.** The authority granted by subdivisions 1 and 2 to the city to impose a sales tax and an excise tax shall expire ~~on~~ at the earlier of when revenues are sufficient to pay off the bonds, including interest and all other associated bond costs authorized under subdivision 5, or December 31, 2022, unless the additional uses under subdivision 3, paragraph (b) or (c), are authorized. If the additional use allowed in subdivision 3, paragraph (b), is authorized, the taxes expire at the earlier of when revenues are sufficient to pay off the bonds, including interest and all other associated bond costs authorized under subdivision 5, or December 31, 2032.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

Sec. 35. Laws 1991, chapter 291, article 8, section 27, subdivision 5, is amended to read:

Subd. 5. **Bonds.** (a) The city of Mankato may issue general obligation bonds of the city in an amount not to exceed \$25,000,000 for Riverfront 2000 and related facilities, without election under Minnesota Statutes, chapter 475, on the question of issuance of the bonds or a tax to pay them. The debt represented by bonds issued for Riverfront 2000 and related facilities shall not be included in computing any debt limitations applicable to the city of Mankato, and the levy of taxes required by section 475.61 to pay principal of and interest on the bonds shall not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city.

(b) The city of Mankato, subject to voter approval at the election required under subdivision 3, paragraph (b), may issue general obligation bonds of the city in an amount not to exceed \$29,000,000 for the projects listed under subdivision 3, paragraph (b), without election under Minnesota Statutes, chapter 475, on the question of issuance of the bonds or a tax to pay them. The debt represented by bonds under this paragraph shall not be included in computing any debt limitations applicable to the city of Mankato, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds, and shall not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city. The city may use tax revenue in excess of one year's principal interest reserve for intended annual bond payments to pay all or a portion of the cost of capital improvements authorized in subdivision 3.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

Sec. 36. Laws 1991, chapter 291, article 8, section 27, subdivision 6, is amended to read:

Subd. 6. **Reverse referendum; authorization of extension.** (a) If the Mankato city council intends to exercise the authority provided by this section, it shall pass a resolution stating the fact before July 1, 1991. The resolution must be published for two successive weeks in the official newspaper of the city or, if there is no official newspaper, in a newspaper of general circulation in the city, together with a notice fixing a date for a public hearing on the matter. The hearing must be held at least two weeks but not more than four weeks after the first publication of the resolution. Following the public hearing, the city may determine to take no further action or adopt a resolution confirming its intention to exercise the authority. That resolution must also be published in the official newspaper of the city or, if there is no official newspaper, in a newspaper of general circulation in the city. If within 30 days after publication of the resolution a petition signed by voters equal in number to ten percent of the votes cast in the city in the last general election requesting a vote on the proposed resolution is filed with the county auditor, the resolution is not effective until it has been submitted to the voters at a general or special election and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election. The referendum must be held at a special or general election before December 1, 1991. This subdivision applies notwithstanding any city charter provision to the contrary.

(b) If the Mankato city council wishes to extend the taxes authorized under subdivisions 1 and 2 to fund any of the projects listed in subdivision 3, paragraph (b), the city must pass a resolution extending the taxes before July 1, 2015. The tax may not be imposed unless approved by the voters.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

Sec. 37. Laws 1999, chapter 243, article 4, section 18, subdivision 1, as amended by Laws 2008, chapter 366, article 7, section 12, is amended to read:

Subdivision 1. **Sales and use tax.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at the first municipal general election held after the date of final enactment of this act or at a special election held November 2, 1999, the city of Proctor may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

(b) Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Proctor may impose by ordinance an additional sales and use tax of up to one-half of one percent pursuant to approval by the voters at the November 4, 2014, general election. The revenues received from the additional tax must be used for the purposes specified in subdivision 3, paragraph (b).

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Proctor and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, but only if the local approval requirement under section 10 is also met.

Sec. 38. Laws 2008, chapter 366, article 7, section 20, is amended to read:

Sec. 20. **CITY OF NORTH MANKATO; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the voters on November 7, 2006, the city of North Mankato may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. **Use of revenues.** (a) Revenues received from the tax authorized by subdivision 1 must be used to pay all or part of the capital costs of the following projects:

- (1) the local share of the Trunk Highway 14/County State-Aid Highway 41 interchange project;
- (2) development of regional parks and hiking and biking trails;
- (3) expansion of the North Mankato Taylor Library;
- (4) riverfront redevelopment; and
- (5) lake improvement projects.

The total amount of revenues from the tax in subdivision 1 that may be used to fund these projects is \$6,000,000 plus any associated bond costs.

(b) If the city extends the tax as authorized under subdivision 2a, the total amount that may be used to fund these projects is increased by \$9,000,000, plus associated bond costs.

Subd. 2a. **Authorization to extend the tax.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, the North Mankato city council may, by resolution, extend the tax authorized under subdivision 1 to cover an additional \$9,000,000 in bonds, plus associated bond costs, to fund the projects in subdivision 2, paragraph (a), if approved by the voters at a general election held by December 31, 2016.

Subd. 3. **Bonds.** (a) The city of North Mankato, pursuant to the approval of the voters at the November 7, 2006 referendum authorizing the imposition of the taxes in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 2, paragraph (a), in an amount that does not exceed \$6,000,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The city of North Mankato, subject to the referendum in subdivision 2a, allowing for additional revenue to be spent for the projects in subdivision 2, may issue additional bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for those projects in an amount that does not exceed \$9,000,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

~~(b)~~ (c) The debt represented by the bonds is not included in computing any debt limitation applicable to the city, 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. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires when the city council determines that the amount of revenues received from the taxes to pay for the projects under subdivision 2, paragraph (a), first equals or exceeds \$6,000,000 plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 3, including interest on the bonds, unless the tax is extended as allowed in this section. If the tax is extended as allowed under the referendum under subdivision 2a, the tax expires at the earlier of December 31, 2038, or when revenues from the taxes first equal or exceed \$15,000,000 plus the additional amount needed to pay costs related to issuance of bonds under subdivision 3, including interest. Any funds remaining after completion of the projects and retirement or redemption of the bonds shall be placed in a capital facilities and equipment replacement fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of North Mankato and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 39. **CITY OF MARSHALL; VALIDATION OF PRIOR ACT.**

(a) Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city of Marshall may approve Laws 2011, First Special Session chapter 7, article 4, section 14, and file its approval with the secretary of state by June 15, 2013. If approved as authorized under this paragraph, actions undertaken by the city pursuant to the approval of the voters on November 6, 2012, and otherwise in accordance with Laws 2011, First Special Session chapter 7, article 4, section 14, are validated.

(b) Notwithstanding the time limit on the imposition of tax under Laws 2011, First Special Session chapter 7, article 4, section 14, and subject to local approval under paragraph (a), the city of Marshall may impose the tax on or before July 1, 2013.

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

Sec. 40. **CITY OF PROCTOR; EFFECTIVE DATE; VALIDATION OF PRIOR ACT.**

Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city of Proctor may approve Laws 2008, chapter 366, article 7, section 13, and Laws 2010, chapter 389, article 5, sections 1 and 2, and file its approval with the secretary of state by January 1, 2015. If approved under this paragraph, actions undertaken by the city pursuant to the approval of the voters on November 2, 2010, and otherwise in accordance with those laws are validated.

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

Sec. 41. **CITY OF WALKER; LOCAL TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, pursuant to the approval of the voters on November 6, 2012, the city of Walker may impose by ordinance a sales and use tax of 1-1/2 percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from the tax authorized by subdivision 1 must be used to pay all or part of the capital and administrative costs of underground water and sewer improvements in the city of Walker as outlined in the 2012 capital improvement plan of the engineer of the city of Walker.

Subd. 3. **Bonding authority.** The city of Walker, pursuant to the approval of the voters at the November 6, 2012, referendum authorizing the imposition of the taxes in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 2, in an amount that does not exceed \$20,000,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of tax.** The tax authorized under subdivision 1 terminates at the earlier of:

(1) 20 years after the date of initial imposition of the tax; or

(2) when the city council determines that sufficient funds have been raised from the tax to finance the capital and administrative costs of the improvements described in subdivision 2, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 3, including interest on the bonds.

Any funds remaining after completion of the projects specified in subdivision 2 and retirement or redemption of bonds in subdivision 3 shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Walker and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 42. **CITY OF WINDOM; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters at a general election held by December 31, 2016, the city of Windom may impose by ordinance a sales and use tax of up to one percent for the purposes specified in subdivision 3. Except as provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** The proceeds of the tax imposed under this section must be used to pay for the cost of collecting the tax and to pay all or a portion of the expenses of constructing and improving a fire hall and a public safety facility, including any associated bond costs.

Subd. 3. **Bonding authority.** The city of Windom, pursuant to the approval of the voters at the referendum authorizing the imposition of tax in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the project described in subdivision 2. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of tax.** (a) The tax authorized under subdivision 1 terminates at the earlier of:

(1) 15 years after the date of initial imposition of the tax; or

(2) when \$3,500,000 has been collected.

(b) Any funds remaining after completion of the projects specified in subdivision 2 may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Windom and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 43. **AMNESTY; CERTAIN LOCAL FESTIVALS.**

A nonprofit organization that organized and ran a city celebration on behalf of a group of nonprofit organizations, of which all of the net proceeds were distributed to a combination of 501(c)(3) and 501(c)(4) nonprofit organizations that use the proceeds primarily for charitable, educational, civic, or governmental purposes shall not be liable for any state or local uncollected and unpaid sales and use tax, penalties, or interest incurred in running the city celebration, for celebrations held before January 1, 2015. The amnesty in this section does not apply to sales and use taxes already paid or remitted to the state or to sales taxes already collected by the organization. The amnesty does apply to an audit of an organization as long as the audit is not finally resolved.

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

Sec. 44. **MUNICIPALLY OWNED WASTEWATER TREATMENT FACILITY; CITY OF MORA.**

Subdivision 1. **Exemption.** Materials and supplies used in and equipment incorporated into a wastewater treatment facility owned and operated by the city of Mora, regardless of whether purchased by the owner or a contractor, subcontractor, or builder, are exempt from taxation under Minnesota Statutes, chapter 297A. All purchases for this facility must be made after January 1, 2015, and before January 1, 2017.

Subd. 2. **Refund.** The tax on purchases exempt under subdivision 1 must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62 applied, and then refunded in the manner provided in Minnesota Statutes, section 297A.75. The applicant must be the governmental entity that owns or contracts for the project or facility. If the tax was paid by a contractor, subcontractor, or builder, the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items.

Subd. 3. **Appropriation.** The amount required to make the refunds under this section is appropriated to the commissioner of revenue.

EFFECTIVE DATE. This section is effective retroactively for purchases made after January 1, 2015, and before January 1, 2017.

Sec. 45. **REPEALER.**

Minnesota Statutes 2014, section 297A.61, subdivisions 50, 51, 52, 53, 54, 55, and 56, are repealed.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

ARTICLE 7
SPECIAL TAXES

Section 1. Minnesota Statutes 2014, section 296A.01, subdivision 12, is amended to read:

Subd. 12. **Compressed natural gas or CNG.** "Compressed natural gas" or "CNG" means natural gas, primarily methane, condensed under high pressure and stored in specially designed storage tanks at between 2,000 and 3,600 pounds per square inch. For purposes of this chapter, the energy content of CNG is considered to be ~~4,000~~ 900 BTUs per cubic foot.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 2. Minnesota Statutes 2014, section 296A.08, subdivision 2, is amended to read:

Subd. 2. **Rate of tax.** The special fuel excise tax is imposed at the following rates:

(a) Liquefied petroleum gas or propane is taxed at the rate of 18.75 cents per gallon.

(b) Liquefied natural gas is taxed at the rate of 15 cents per gallon.

(c) Compressed natural gas is taxed at the rate of ~~\$2.174~~ \$1.974 per thousand cubic feet; or 25 cents per gasoline equivalent. For purposes of this paragraph, "gasoline equivalent," as defined by the National Conference on Weights and Measures, is 5.66 pounds of natural gas or 126.67 cubic feet.

(d) All other special fuel is taxed at the same rate as the gasoline excise tax as specified in section 296A.07, subdivision 2. The tax is payable in the form and manner prescribed by the commissioner.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 3. Minnesota Statutes 2014, section 297E.02, subdivision 1, is amended to read:

Subdivision 1. **Imposition.** (a) A tax is imposed on all lawful gambling other than (1) paper or electronic pull-tab deals or games; (2) tipboard deals or games; and (3) ~~electronic linked bingo; and~~ (4) items listed in section 297E.01, subdivision 8, clauses (4) and (5), at the rate of 8.5 percent on the gross receipts as defined in section 297E.01, subdivision 8, less prizes actually paid.

(b) A tax is imposed on the conduct of paper pull-tabs, at the rate of nine percent of the gross receipts, less prizes actually paid, of the pull-tab deal. However, the tax imposed under this paragraph applies only to paper pull-tabs sold at a bingo hall as defined in section 349.12, subdivision 4a.

(c) The tax imposed by this subdivision is in lieu of the tax imposed by section 297A.62 and all local taxes and license fees except a fee authorized under section 349.16, subdivision 8, or a tax authorized under subdivision 5.

(d) The tax imposed under this subdivision is payable by the organization or party conducting, directly or indirectly, the gambling.

EFFECTIVE DATE. This section is effective for gross receipts received and sales made on or after July 1, 2015.

Sec. 4. Minnesota Statutes 2014, section 297E.02, subdivision 6, is amended to read:

Subd. 6. **Combined net receipts tax.** (a) In addition to the taxes imposed under subdivision 1, a tax is imposed on the combined receipts of the organization. As used in this section, "combined net receipts" is the sum of the organization's gross receipts from lawful gambling less gross receipts directly derived from the conduct of paper bingo, electronic linked bingo, raffles, and paddlewheels, as defined in section 297E.01, subdivision 8, and less the net prizes actually paid, other than prizes actually paid for paper bingo, electronic linked bingo, raffles, and paddlewheels, for the fiscal year. The combined net receipts of an organization for the fiscal year are subject to a tax computed according to the following schedule of rates:

If the combined net receipts for the fiscal year are:	The tax is:
Not over \$87,500	nine percent
Over \$87,500, but not over \$122,500	\$7,875 plus 18 percent of the amount over \$87,500, but not over \$122,500
Over \$122,500, but not over \$157,500	\$14,175 plus 27 percent of the amount over \$122,500, but not over \$157,500
Over \$157,500	\$23,625 plus 36 percent of the amount over \$157,500

(1) on the first \$100,000, 9 percent;

(2) on all over \$100,000 but not over \$200,000, 18 percent;

(3) on all over \$200,000 but not over \$300,000, 27 percent; and

(4) on all over \$300,000, 36 percent.

(b) On or before April 1, 2016, the commissioner shall estimate the total amount of revenue, including interest and penalties, that will be collected for fiscal year 2016 from taxes imposed under this chapter. If the amount estimated by the commissioner equals or exceeds ~~\$94,800,000~~ \$72,000,000, the commissioner shall certify that effective July 1, 2016, the rates under this paragraph apply in lieu of the rates under paragraph (a) and shall publish a

notice to that effect in the State Register and notify each taxpayer by June 1, 2016. If the rates under this section apply, the combined net receipts of an organization for the fiscal year are subject to a tax computed according to the following schedule of rates:

If the combined net receipts for the fiscal year are:	The tax is:
Not over \$87,500	8.5 percent
Over \$87,500, but not over \$122,500	\$7,438 plus 17 percent of the amount over \$87,500, but not over \$122,500
Over \$122,500, but not over \$157,500	\$13,388 plus 25.5 percent of the amount over \$122,500, but not over \$157,500
Over \$157,500	\$22,313 plus 34 percent of the amount over \$157,500

(1) on the first \$100,000, 8.5 percent;

(2) on all over \$100,000 but not over \$200,000, 17 percent;

(3) on all over \$200,000 but not over \$300,000, 25.5 percent; and

(4) on all over \$300,000, 34 percent.

(c) The first \$50,000 on which taxes would otherwise be due under this section for a fiscal year is exempt from taxation.

(e) (d) Gross receipts derived from sports-themed tipboards are exempt from taxation under this section. For purposes of this paragraph, a sports-themed tipboard means a sports-themed tipboard as defined in section 349.12, subdivision 34, under which the winning numbers are determined by the numerical outcome of a professional sporting event.

(e) A bingo hall as defined in section 349.12, subdivision 4a, is exempt from taxation under this subdivision with respect to receipts from paper pull-tabs.

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

Sec. 5. Minnesota Statutes 2014, section 297F.01, is amended by adding a subdivision to read:

Subd. 6a. **Consumable material.** "Consumable material" means any liquid nicotine solution or other material containing nicotine that is depleted as a vapor product is used.

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

Sec. 6. Minnesota Statutes 2014, section 297F.01, subdivision 19, is amended to read:

Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing, made, or derived from tobacco that is intended for human consumption, whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or any component, part, or accessory of a tobacco product, including, but not limited to, cigars; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, vapor products, and other kinds and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco products excludes any tobacco product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and is being marketed and sold solely for such an approved purpose.

(b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4, tobacco products includes a premium cigar, as defined in subdivision 13a.

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

Sec. 7. Minnesota Statutes 2014, section 297F.01, is amended by adding a subdivision to read:

Subd. 24. **Vapor products.** "Vapor products" means any noncombustible product that employs a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means, regardless of shape or size, that can be used to produce vapor from nicotine in a solution or other form. Vapor products include any electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device and any vapor cartridge or other container of nicotine in a solution or other form that is intended to be used with or in an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device. Vapor products do not include any product regulated as a drug or device by the United States Food and Drug Administration.

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

Sec. 8. Minnesota Statutes 2014, section 297F.05, subdivision 1, is amended to read:

Subdivision 1. **Rates; cigarettes.** A tax is imposed upon the sale of cigarettes in this state, upon having cigarettes in possession in this state with intent to sell, upon any person engaged in business as a distributor, and upon the use or storage by consumers, at the rate of ~~44.5~~ 14.5 mills, or ~~44.5~~ 14.5 cents, on each cigarette.

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

Sec. 9. Minnesota Statutes 2014, section 297F.05, subdivision 3, is amended to read:

Subd. 3. **Rates; tobacco products.** (a) Except as provided in ~~subdivision~~ subdivisions 3a and 3b, a tax is imposed upon all tobacco products in this state and upon any person engaged in business as a distributor, at the rate of 95 percent of the wholesale sales price of the tobacco products. The tax is imposed at the time the distributor:

- (1) brings, or causes to be brought, into this state from outside the state tobacco products for sale;
- (2) makes, manufactures, or fabricates tobacco products in this state for sale in this state; or
- (3) ships or transports tobacco products to retailers in this state, to be sold by those retailers.

(b) Notwithstanding paragraph (a), a minimum tax equal to the rate imposed on a pack of 20 cigarettes weighing not more than three pounds per thousand, as established under subdivision 1, is imposed on each container of moist snuff.

For purposes of this subdivision, a "container" means the smallest consumer-size can, package, or other container that is marketed or packaged by the manufacturer, distributor, or retailer for separate sale to a retail purchaser. When more than one container is packaged together, each container is subject to tax.

EFFECTIVE DATE. This section is effective for sales made on or after July 1, 2015.

Sec. 10. Minnesota Statutes 2014, section 297F.05, is amended by adding a subdivision to read:

Subd. 3b. **Rates; vapor products.** A tax is imposed upon all vapor products in this state and upon any person engaged in business as a tobacco product distributor, at the rate of 30 cents per milliliter of consumable material. The tax imposed under this subdivision is imposed at the time the tobacco products distributor:

(1) brings, or causes to be brought into this state, vapor products for sale;

(2) makes, manufactures, or fabricates vapor products in this state for sale in this state; or

(3) ships or transports vapor products to retailers in this state to be sold by those retailers.

EFFECTIVE DATE. This section is effective for sales made on or after July 1, 2015.

Sec. 11. Minnesota Statutes 2014, section 297F.05, is amended by adding a subdivision to read:

Subd. 4b. **Use tax; vapor products.** A tax is imposed upon the use or storage by consumers of all vapor products in this state, and upon such consumers, at the rate of 30 cents per milliliter of consumable material.

EFFECTIVE DATE. This section is effective for use and storage of vapor products on or after July 1, 2015.

Sec. 12. Minnesota Statutes 2014, section 297F.06, subdivision 1, is amended to read:

Subdivision 1. **Federal laws.** The tax imposed by this section does not apply with respect to any sale of cigarettes, vapor products, or tobacco products which under the Constitution and laws of the United States may not be subject to taxation by the state.

EFFECTIVE DATE. This section is effective for sales made on or after July 1, 2015.

Sec. 13. Minnesota Statutes 2014, section 297F.06, subdivision 4, is amended to read:

Subd. 4. **Tobacco products use tax.** The tobacco products use tax does not apply to the possession, use, or storage of tobacco products if (1) the tobacco products have an aggregate cost in any calendar month to the consumer of \$50 or less, ~~and~~ (2) for vapor products the consumable material subject to the tax does not exceed in the aggregate 50 milliliters in any calendar month, and (3) the tobacco products were carried into this state by that consumer.

EFFECTIVE DATE. This section is effective for possession, use, or storage of tobacco products on or after July 1, 2015.

Sec. 14. Minnesota Statutes 2014, section 297F.08, subdivision 5, is amended to read:

Subd. 5. **Deposit of proceeds.** The commissioner shall use the amounts appropriated by law to purchase stamps for resale. The commissioner shall charge the purchasers for the ~~costs of the stamps along with the tax value of the stamps~~ plus shipping costs. The ~~costs recovered along with~~ shipping costs recovered must be deposited into the general fund.

EFFECTIVE DATE. This section is effective for sales of stamps made after June 30, 2015.

Sec. 15. Minnesota Statutes 2014, section 297F.08, subdivision 7, is amended to read:

Subd. 7. **Price of stamps.** The commissioner shall sell stamps to any person licensed as a distributor at a discount of 0.45 percent from the face amount of the stamps purchased in any fiscal year, except that such discount shall not apply to that portion of the face amount of the stamps representing the cigarette sales tax as imposed under section 297F.25. The commissioner shall not sell stamps to any other person. The commissioner may prescribe the method of shipment of the stamps to the distributor as well as the quantities of stamps purchased.

EFFECTIVE DATE. This section is effective for sales of stamps made after June 30, 2015.

Sec. 16. Minnesota Statutes 2014, section 297F.08, subdivision 8, is amended to read:

Subd. 8. **Sale of stamps.** The commissioner may sell stamps on a credit basis under conditions prescribed by the commissioner. The commissioner shall sell the stamps at a price which includes the tax after giving effect to the discount provided in subdivision 7. ~~The commissioner shall recover the actual costs of the stamps from the distributor.~~ The commissioner shall annually establish the maximum amount of stamps that may be purchased each month.

EFFECTIVE DATE. This section is effective for sales of stamps made after June 30, 2015.

Sec. 17. Minnesota Statutes 2014, section 297F.09, subdivision 1, is amended to read:

Subdivision 1. **Monthly return; cigarette distributor.** On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity of cigarettes manufactured or brought in from outside the state or purchased during the preceding calendar month and the quantity of cigarettes sold or otherwise disposed of in this state and outside this state during that month. A licensed distributor outside this state shall in like manner file a return showing the quantity of cigarettes shipped or transported into this state during the preceding calendar month. Returns must be made in the form and manner prescribed by the commissioner and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full unpaid tax liability shown by it less 0.45 percent of the liability on the face amount of the stamps purchased, excluding that portion of the face amount of the stamps representing the cigarette sales tax as imposed under section 297F.25, as compensation to reimburse the distributor for expenses incurred in the administration of this chapter. For distributors subject to the accelerated tax payment requirements in subdivision 10, the return for the May liability is due two business days before June 30th of the year and the return for the June liability is due on or before August 18th of the year.

EFFECTIVE DATE. This section is effective for sales of stamps made after June 30, 2015.

Sec. 18. Minnesota Statutes 2014, section 309.53, subdivision 3, is amended to read:

Subd. 3. **Financial statement requirements.** The financial statement shall include a balance sheet, statement of income and expense, and statement of functional expenses, shall be consistent with forms furnished by the attorney general, and shall be prepared in accordance with generally accepted accounting principles so as to make a full disclosure of the following, including necessary allocations between each item and the basis of such allocations:

- (a) total receipts and total income from all sources;
- (b) cost of management and general;
- (c) program services;

- (d) cost of fund-raising;
- (e) cost of public education;
- (f) funds or properties transferred out of state, with explanation as to recipient and purpose;
- (g) total net amount disbursed or dedicated within this state, broken down into total amounts disbursed or dedicated for each major purpose, charitable or otherwise;
- (h) names of professional fund-raisers used during the accounting year and the financial compensation and profit resulting to each professional fund-raiser; and
- (i) a list of the five highest paid directors, officers, and employees of the organization and its related organizations, as that term is defined by section 317A.011, subdivision 18, that receive total compensation of more than \$100,000, together with the compensation paid to each. For purposes of this subdivision, "compensation" is defined as the total amount reported on Form W-2 (Box 5) or Form 1099-MISC (Box 7) issued by the organization and its related organizations to the individual. The value of fringe benefits and deferred compensation paid by the charitable organization and all related organizations as that term is defined by section 317A.011, subdivision 18, shall also be reported as a separate item for each person whose compensation is required to be reported pursuant to this subdivision.

Unless otherwise required by this subdivision, the financial statement need not be certified.

A financial statement of a charitable organization which has received total revenue in excess of \$750,000 for the 12 months of operation covered by the statement shall be accompanied by an audited financial statement prepared in accordance with generally accepted accounting principles that has been examined by an independent certified public accountant for the purpose of expressing an opinion. In preparing the audit the certified public accountant shall take into consideration capital, endowment or other reserve funds, if any, controlled by the charitable organization. For purposes of calculating the \$750,000 total revenue threshold provided by this subdivision, the value of donated food to a nonprofit food shelf may not be included if the food is donated for subsequent distribution at no charge, and not for resale. Charitable organizations who conduct lawful gambling in compliance with chapter 349 are not subject to the requirement for an audited financial statement under this subdivision unless the organization's gross receipts, less prizes actually paid, exceed \$750,000 for the 12 months of operation covered by the financial statement.

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

Sec. 19. Minnesota Statutes 2014, section 349.12, is amended by adding a subdivision to read:

Subd. 4a. **Bingo hall.** "Bingo hall" means a premises where the primary business is bingo conducted by a nonprofit organization licensed by the board.

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

Sec. 20. Laws 2011, First Special Session chapter 9, article 6, section 97, subdivision 6, is amended to read:

Subd. 6. **MinnesotaCare provider taxes.** Minnesota Statutes 2010, sections 13.4967, subdivision 3; 295.50, subdivisions 1, 1a, 2, 2a, 3, 4, 6, 6a, 7, 9b, 9c, 10a, 10b, 12b, 13, 14, and 15; 295.51, subdivisions 1 and 1a; 295.52, subdivisions 1, 1a, 2, 3, 4, 4a, 5, 6, and 7; 295.53, subdivisions 1, 2, 3, and 4a; 295.54; 295.55; 295.56; 295.57; 295.58; 295.581; 295.582; and 295.59, are repealed effective for gross revenues received after December 31, ~~2019~~ 2018.

Sec. 21. **REPEALER.**

Minnesota Statutes 2014, section 297F.05, subdivision 1a, is repealed.

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

ARTICLE 8
TRANSPORTATION SALES TAX PROVISIONS

Section 1. Minnesota Statutes 2014, section 97A.055, subdivision 2, is amended to read:

Subd. 2. **Receipts.** The commissioner of management and budget shall credit to the game and fish fund all money received under the game and fish laws and all income from state lands acquired by purchase or gift for game or fish purposes, including receipts from:

- (1) licenses and permits issued;
- (2) fines and forfeited bail;
- (3) sales of contraband, wild animals, and other property under the control of the division;
- (4) fees from advanced education courses for hunters and trappers;
- (5) reimbursements of expenditures by the division;
- (6) contributions to the division; and
- (7) revenue credited to the game and fish fund under section 297A.94, paragraph ~~(e)~~ (h), clause (1).

Sec. 2. Minnesota Statutes 2014, section 297A.815, subdivision 3, is amended to read:

Subd. 3. **Motor vehicle lease sales tax revenue.** ~~(a) For purposes of this subdivision, "net revenue" means an amount equal to the revenues, including interest and penalties, collected under this section, during the fiscal year; less \$32,000,000 in each fiscal year.~~

~~(b)~~ On or before June 30 of each fiscal year, the commissioner of revenue shall estimate the amount of the ~~net revenue~~ revenues for the current fiscal year, including interest and penalties collected during the fiscal year under this section.

~~(c) On or after July 1~~ (b) By July 15 of the subsequent fiscal year, the commissioner of management and budget shall transfer the ~~net revenue~~ revenues as estimated in paragraph ~~(b)~~ (a) from the general fund, as follows:

~~(1) \$9,000,000 annually until January 1, 2015, and 50 percent annually thereafter to the county state aid highway fund. Notwithstanding any other law to the contrary, the commissioner of transportation shall allocate the funds transferred under this clause to the counties in the metropolitan area, as defined in section 473.121, subdivision 4, excluding the counties of Hennepin and Ramsey, so that each county shall receive of such amount the percentage that its population, as defined in section 477A.011, subdivision 3, estimated or established by July 15 of the year prior to the current calendar year, bears to the total population of the counties receiving funds under this clause 50 percent to the county highway allocation account in the transportation stability fund; and~~

(2) ~~the remainder to the greater Minnesota transit account~~ 50 percent to the transit allocation account in the transportation stability fund.

(c) The revenues deposited under this subdivision do not include the revenues, including interest and penalties, generated by the sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as provided under the Minnesota Constitution, article XI, section 15.

EFFECTIVE DATE. This section is effective beginning with the estimate that must be completed on or before June 30, 2017, for a transfer that occurs on or after July 1, 2017, except paragraph (c) is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2014, section 297A.94, is amended to read:

297A.94 DEPOSIT OF REVENUES.

(a) Except as provided in this section, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed by this chapter in the state treasury and credit them to the general fund.

(b) The commissioner shall deposit taxes in the Minnesota agricultural and economic account in the special revenue fund if:

(1) the taxes are derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project; and

(2) the purchase was made on or after the date on which a conditional commitment was made for a loan guaranty for the project under section 41A.04, subdivision 3.

The commissioner of management and budget shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account must be reduced by any refunds and by the costs incurred by the Department of Revenue to administer and enforce the assessment and collection of the taxes.

(c) The commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance to the general fund.

(d) Beginning with sales taxes remitted after July 1, 2017, the commissioner shall deposit in the state treasury the revenues collected under section 297A.64, subdivision 1, and credit them to the small cities assistance account under section 162.145 in the transportation stability fund under section 16A.89.

(e) The commissioner shall deposit the revenues, including interest and penalties, collected under section 297A.64, subdivision 5, in the state treasury and credit them to the general fund. By July 15 of each year the commissioner shall transfer to the highway user tax distribution fund an amount equal to the excess fees collected under section 297A.64, subdivision 5, for the previous calendar year.

(f) Beginning with sales taxes remitted after July 1, 2017, in conjunction with the deposit of revenues under paragraph (d), the commissioner shall deposit into the state treasury and credit to the metropolitan transit capital account in the transportation stability fund under section 16A.89, an amount equal to the estimated revenues derived from the tax rate imposed under section 297A.62, subdivision 1, on the lease or rental for not more than 28 days of rental motor vehicles subject to section 297A.64. The commissioner shall estimate the amount of sales tax revenues deposited under this paragraph based on the amount of revenue deposited under paragraph (d).

(g) Starting after July 1, 2015, the commissioner shall deposit an amount of the remittances monthly into the state treasury and credit them to the highway allocation account in the transportation stability fund under section 16A.89, as a portion of the estimated amount of taxes collected from the sales and purchase of motor vehicle repair parts in that month. For the remittances between July 1, 2015, and June 30, 2016, the monthly deposit amount is \$12,500,000. For remittances in each subsequent fiscal year period, the monthly deposit amount is one-twelfth of the product of (1) the estimated percentage of sales tax attributable to the sale and purchase of motor vehicle parts calculated under this paragraph, and (2) the total sales tax revenues for the calendar year ending before the start of that fiscal year. By July 1, 2016, and June 30 of every second year thereafter, the commissioner shall estimate the percent of total sales tax revenues collected in the previous calendar year that is attributable to sales and purchases of motor vehicle parts based on federal data and department consumption models. For purposes of this paragraph, "motor vehicle" has the meaning given in section 297B.01, subdivision 11, and "motor vehicle repair and replacement parts" includes (1) all parts, tires, accessories, and equipment incorporated into or affixed to the motor vehicle as part of the motor vehicle maintenance or repair, and (2) paint, oil, and other fluids that remain on or in the motor vehicle as part of the motor vehicle maintenance or repair.

~~(e)~~ (h) 72.43 percent of the revenues, including interest and penalties, transmitted to the commissioner under section 297A.65, must be deposited by the commissioner in the state treasury as follows:

(1) 50 percent of the receipts must be deposited in the heritage enhancement account in the game and fish fund, and may be spent only on activities that improve, enhance, or protect fish and wildlife resources, including conservation, restoration, and enhancement of land, water, and other natural resources of the state;

(2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only for state parks and trails;

(3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only on metropolitan park and trail grants;

(4) three percent of the receipts must be deposited in the natural resources fund, and may be spent only on local trail grants; and

(5) two percent of the receipts must be deposited in the natural resources fund, and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

~~(f)~~ (i) The revenue dedicated under paragraph ~~(e)~~ (h) may not be used as a substitute for traditional sources of funding for the purposes specified, but the dedicated revenue shall supplement traditional sources of funding for those purposes. Land acquired with money deposited in the game and fish fund under paragraph ~~(e)~~ (h) must be open to public hunting and fishing during the open season, except that in aquatic management areas or on lands where angling easements have been acquired, fishing may be prohibited during certain times of the year and hunting may be prohibited. At least 87 percent of the money deposited in the game and fish fund for improvement, enhancement, or protection of fish and wildlife resources under paragraph ~~(e)~~ (h) must be allocated for field operations.

~~(g)~~ (j) The revenues deposited under paragraphs (a) to ~~(f)~~ (i) do not include the revenues, including interest and penalties, generated by the sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as provided under the Minnesota Constitution, article XI, section 15.

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

Sec. 4. Minnesota Statutes 2014, section 297A.992, subdivision 1, is amended to read:

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

(1) "metropolitan transportation area" means the counties participating in the joint powers agreement under subdivision 3;

(2) "eligible county" means the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington;

(3) "committee" means the Grant Evaluation and Ranking System (GEARS) Committee;

(4) "minimum guarantee county" means any metropolitan county or eligible county that is participating in the joint powers agreement under subdivision 3, whose proportion of the annual sales tax revenue under this section collected within that county is less than or equal to three percent; ~~and~~

(5) "population" means the population, as defined in section 477A.011, subdivision 3, estimated or established by July 15 of the year prior to the calendar year in which the representatives will serve on the Grant Evaluation and Ranking System Committee established under subdivision 5; and

(6) "transitway" means a guideway, as defined in section 174.93, subdivision 1, but excluding intercity passenger rail.

Sec. 5. Minnesota Statutes 2014, section 297A.992, is amended by adding a subdivision to read:

Subd. 2a. **Tax base.** Notwithstanding section 297A.99, subdivision 4, or any requirements under the multistate agreement entered into under section 297A.995, the tax under this section applies to all sales subject to the state sales tax under this chapter that occur in the metropolitan transit area, except for sales and purchases of electricity and natural gas.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 6. Minnesota Statutes 2014, section 297A.992, subdivision 6, is amended to read:

Subd. 6. ~~**Allocation of Grant awards; use and allocation requirements.**~~ (a) The board must allocate grant awards only for the following transit purposes:

(1) assistance for transitways, which may consist of:

(i) capital improvements to transitways, including, but not limited to, commuter rail rolling stock, light rail vehicles, and transitway buses;

(ii) capital costs for park-and-ride facilities, as defined in section 174.256, subdivision 2;

(iii) feasibility studies, planning, alternatives analyses, environmental studies, engineering, property acquisition for transitway purposes, and construction of transitways; and

(iv) operating assistance for transitways; or

(2) capital and operating assistance for transit systems, including but not limited to bus operations and arterial bus rapid transit.

(b) The joint powers board must annually award grants to each minimum guarantee county in an amount no less than the amount of sales tax revenue collected within that county.

(c) No more than 1.25 percent of the total awards may be annually allocated for planning, studies, design, construction, maintenance, and operation of pedestrian programs and bicycle programs and pathways.

Sec. 7. Minnesota Statutes 2014, section 297A.992, subdivision 6a, is amended to read:

Subd. 6a. **Priority of fund uses.** (a) The joint powers board shall allocate all revenues from the taxes imposed under this section in conformance with the following priority order:

(1) payment of debt service necessary for the fiscal year on bonds or other obligations issued prior to January 1, 2011, under subdivision 7; and

(2) 100 percent of the net operating and capital maintenance costs for the fiscal year for all transitways in which a grant award for capital or operating costs has previously been provided under this section; and

(3) as otherwise authorized under this section.

(b) The joint powers board must not award any grants to begin or continue work on transit capital projects for which construction has not begun as of the effective date of this section, unless the requirements under paragraph (a), clauses (1) and (2), are met.

EFFECTIVE DATE. This section is effective the day following final enactment and applies for grant awards made for calendar year 2016 and thereafter.

Sec. 8. Minnesota Statutes 2014, section 473.13, is amended by adding a subdivision to read:

Subd. 6. **Forecasted base appropriations.** The base appropriation from the general fund to the council for transit system operations under sections 473.371 to 473.449 in fiscal year 2018 and thereafter is the greater of zero or:

(1) \$76,626,000; less

(2) funds in the metropolitan area transit account in the transit assistance fund under section 16A.88 in that fiscal year, attributable to motor vehicle sales tax revenue under section 297B.09; less funds appropriated to the council from that account in fiscal year 2015, attributable to motor vehicle sales tax revenue; less

(3) the amount in grants to the council under section 297A.992, subdivision 6a, in excess of 50 percent of the net operating costs of those guideways for which the grants are provided.

APPLICATION. This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 9. Minnesota Statutes 2014, section 473.39, is amended by adding a subdivision to read:

Subd. 6. **Limitations.** The council may not issue certificates of indebtedness, bonds, or other obligations secured in whole or in part by a pledge of motor vehicle sales tax revenue received under sections 16A.88 and 297B.09, or by a pledge of any earnings from the council's investment of motor vehicle sales tax revenues.

EFFECTIVE DATE; APPLICATION. This section is effective the day following final enactment and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 10. **SUPPLEMENTAL METROPOLITAN COUNCIL FUNDING.**

The joint powers board under Minnesota Statutes, section 297A.992, shall allocate \$23,700,000 to the Metropolitan Council as part of calendar year 2015 grants. This is a onetime amount and is in addition to other grant awards from the board

Sec. 11. **REPEALER.**

Minnesota Statutes 2014, section 297A.992, subdivision 12, is repealed.

ARTICLE 9 AIDS AND CREDITS

Section 1. Minnesota Statutes 2014, section 16A.726, is amended to read:

16A.726 SPORTS FACILITIES TRANSFERS; APPROPRIATIONS.

(a) If state appropriation bonds have not been issued under section 16A.965, amounts not to exceed the increased revenues estimated by the commissioner of management and budget under section 297E.021, subdivision 2, are appropriated from the general fund to the commissioner of management and budget to make transfers to the Minnesota Sports Facilities Authority for stadium costs as defined under section 473J.03, subdivision 9.

(b) The commissioner shall make transfers to the Minnesota Sports Facilities Authority required to make the state payments under section 473J.13, subdivisions 2 and 4, and for the amount of Minneapolis taxes withheld under section 297A.994, subdivision 4, ~~paragraph (a), clause clauses (5) and (6).~~ Amounts sufficient to make the transfers are appropriated to the commissioner from the general fund.

(c) \$2,700,000 is annually appropriated from the general fund from fiscal year 2014 through fiscal year 2033 to the commissioner of management and budget for a grant to the city of St. Paul for the operating or capital costs of new or existing sports facilities.

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

Sec. 2. **[273.1387] SCHOOL BUILDING BOND AGRICULTURAL CREDIT.**

Subdivision 1. **Eligibility.** All class 2a, 2b, and 2c property under section 273.13, subdivision 23, other than 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 building bond agricultural credit is equal to 50 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 notification.** The preliminary credit under this section must be noted on the notice of proposed property taxes under section 275.065, subdivision 3. The actual credit amount must be reported on the property tax statement under section 276.04, subdivision 2. The credit may be claimed by the property owner as an income tax credit as provided in section 290.06, subdivision 38.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 3. Minnesota Statutes 2014, 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 a meeting for each taxing authority in which the budget and levy will be discussed and public input allowed, prior to the final budget and levy 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 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, 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, agricultural homestead credit under section 273.1384, school building bond agricultural credit under section 273.1387, 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~~.

In the case of property allowed a school building bond agricultural credit under section 273.1387, the notice must indicate that the property owner may claim the credit under the income tax as provided in section 290.06, subdivision 38; 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 beginning with taxes payable in 2016.

Sec. 4. Minnesota Statutes 2014, section 275.07, subdivision 2, is amended to read:

Subd. 2. **School district ~~in more than one county levies; special requirements.~~** (a) In school districts lying in more than one county, the clerk shall certify the tax levied to the auditor of the county in which the administrative offices of the school district are located.

(b) The district must identify the portion of the school district levy that is levied for debt service at the time the levy is certified under this section. For the purposes of this paragraph, "levied for debt service" means levies authorized under sections 123B.53, 123B.535, and 123B.55, as adjusted by sections 126C.46 and 126C.48, net of any debt excess levy reductions under section 475.61, subdivision 4.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 5. Minnesota Statutes 2014, section 275.08, subdivision 1b, is amended to read:

Subd. 1b. **Computation of tax rates.** (a) The amounts certified to be levied against net tax capacity under section 275.07 by an individual local government unit shall be divided by the total net tax capacity of all taxable properties within the local government unit's taxing jurisdiction. The resulting ratio, the local government's local tax rate, multiplied by each property's net tax capacity shall be each property's net tax capacity tax for that local government unit before reduction by any credits.

(b) The auditor must also determine the school debt tax rate for each school district equal to the school debt service levy certified under section 275.07, divided by the total net tax capacity of all taxable property within the district.

(c) Any amount certified to the county auditor to be levied against market value shall be divided by the total referendum market value of all taxable properties within the taxing district. The resulting ratio, the taxing district's new referendum tax rate, multiplied by each property's referendum market value shall be each property's new referendum tax before reduction by any credits. For the purposes of this subdivision, "referendum market value" means the market value as defined in section 126C.01, subdivision 3.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 6. Minnesota Statutes 2014, 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 special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), 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 homestead market value exclusion under section 273.13, subdivision 35;
- (3) the property's taxable market value under section 272.03, subdivision 15;
- (4) the property's gross tax, before credits;
- (5) for homestead agricultural properties, the credit under section 273.1384;

(6) 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~~

(7) the net tax payable in the manner required in paragraph (a); and

(8) the school building bond agricultural credit under section 273.1387, with a statement indicating that the credit may be claimed as an income tax credit under section 290.06, subdivision 38.

(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 beginning with taxes payable in 2016.

Sec. 7. Minnesota Statutes 2014, section 290.06, is amended by adding a subdivision to read:

Subd. 38. School building bond agricultural credit. (a) A taxpayer is allowed a credit against the tax imposed under subdivision 2c and section 290.091 equal to the amount determined under section 273.1387 and reported to the taxpayer on the property tax statement as provided in section 276.04, subdivision 2. The credit is allowed in the taxable year for which the property taxes are payable. For a taxpayer who is allowed a credit under section 273.1387 for more than one parcel, the credit under this section equals the sum of the amounts allowed under section 273.1387 for all parcels. A credit allowed under section 273.1387 to a property with multiple owners must be allocated to the owners in the same ratio that the owners are allowed to deduct the taxes on the property in the computation of net income. The total amount claimed by all owners may not exceed the amount determined under section 273.1387 and reported on the property tax statement for the property.

(b) If the amount of credit that the taxpayer is eligible to receive under this subdivision exceeds the taxpayer's liability under this section and section 290.091, the commissioner of revenue shall refund the excess to the taxpayer.

(c) The amount necessary to pay claims for refunds provided in this subdivision is appropriated to the commissioner of revenue from the general fund.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 8. Minnesota Statutes 2014, section 297A.994, subdivision 4, is amended to read:

Subd. 4. **General fund allocations.** The commissioner must retain and deposit to the general fund the following amounts, as required by subdivision 3, clause (3):

(1) for state bond debt service support beginning in calendar year 2021, and for each calendar year thereafter through calendar year 2046, periodic amounts so that not later than December 31, 2046, an aggregate amount equal to a present value of \$150,000,000 has been deposited in the general fund. To determine aggregate present value, the commissioner must consult with the commissioner of management and budget regarding the present value dates, discount rate or rates, and schedules of annual amounts. The present value date or dates must be based on the date or dates bonds are sold under section 16A.965, or the date or dates other state funds, if any, are deposited into the construction fund. The discount rate or rates must be based on the true interest cost of the bonds issued under section 16A.965, or an equivalent 30-year bond index, as determined by the commissioner of management and budget. The schedule of annual amounts must be certified to the commissioner by the commissioner of management and budget and the finance officer of the city;

(2) for the capital improvement reserve appropriation to the Minnesota Sports Facilities Authority beginning in calendar year 2021, and for each calendar year thereafter through calendar year 2046, an aggregate annual amount equal to the amount paid by the state for this purpose in that calendar year under section 473J.13, subdivision 4;

(3) for the operating expense appropriation to the Minnesota Sports Facilities Authority beginning in calendar year 2021, and for each calendar year thereafter through calendar year 2046, an aggregate annual amount equal to the amount paid by the state for this purpose in that calendar year under section 473J.13, subdivision 2;

(4) for recapture of state advances for capital improvements and operating expenses for calendar years 2016 through 2020 beginning in calendar year 2021, and for each calendar year thereafter until all amounts under this clause have been paid, proportionate amounts periodically until an aggregate amount equal to the present value of all amounts paid by the state have been deposited in the general fund. To determine the present value of the amounts paid by the state to the authority and the present value of amounts deposited to the general fund under this clause, the commissioner shall consult with the commissioner of management and budget regarding the present value dates, discount rate or rates, and schedule of annual amounts. The present value dates must be based on the dates state funds are paid to the authority, or the dates the commissioner of revenue deposits taxes for purposes of this clause to the general fund. The discount rates must be based on the reasonably equivalent cost of state funds as determined by the commissioner of management and budget. The schedule of annual amounts must be revised to reflect amounts paid under section 473J.13, subdivision 2, paragraph (b), for 2016 to 2020, and subdivision 4, paragraph (c), for 2016 to 2020, and taxes deposited to the general fund from time to time under this clause, and the schedule and revised schedules must be certified to the commissioner by the commissioner of management and budget and the finance officer of the city, and are transferred as accrued from the general fund for repayment of advances made by the state to the authority; ~~and~~

(5) to capture increases in taxes imposed under the special law, for the benefit of the Minnesota Sports Facilities Authority, beginning in calendar year 2013 and for each calendar year thereafter through 2046, except as required under clause (6), there shall be deposited to the general fund in proportionate periodic payments in the following year, an amount equal to the following:

(i) 50 percent of the difference, if any, by which the amount of the net annual taxes for the previous year exceeds the sum of the net actual taxes in calendar year 2011 plus \$1,000,000, inflated at two percent per year since 2011, minus

(ii) 25 percent of the difference, if any, by which the amount of the net annual taxes for the preceding year exceeds the sum of the net actual taxes in calendar year 2011 plus \$3,000,000, inflated at two percent per year since 2011; and

(6) to offset the city aid loss in section 19, the amount deposited to the general fund under clause (5) is reduced to zero for payments made between July 1, 2015, through June 30, 2017, until a maximum amount of \$5,864,000 in total revenue has been forgone in deposits to the general fund under that clause; with the additional revenue returned to the city to be deposited in its general fund and used as required under section 19.

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

Sec. 9. Minnesota Statutes 2014, section 477A.013, is amended by adding a subdivision to read:

Subd. 9a. **Maximum final aid payment to first class cities.** A first class city may not receive a total aid payment in any year under this section that exceeds an amount equal to 112.5 percent of the average per capita amount for all cities, except first class cities, under subdivision 9, multiplied by its population. Any aid calculated for these cities under subdivision 9 in excess of the amount calculated under this subdivision shall be retained in the general fund. For purposes of this subdivision, "first class city" has the meaning given in section 410.01.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2016 and thereafter.

Sec. 10. Minnesota Statutes 2014, section 477A.013, subdivision 10, is amended to read:

Subd. 10. **Levy adjustments for aid decreases.** Notwithstanding any local ordinance or charter provision, a city whose certified aid under ~~subdivision~~ subdivisions 9 and 9a is less than the amount it received in the previous year under the same subdivision may increase its levy payable in the same year as the certified aid is paid by an amount equal to the aid decrease for that year.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2016 and thereafter.

Sec. 11. Minnesota Statutes 2014, section 477A.017, subdivision 2, is amended to read:

Subd. 2. **State auditor's duties.** The state auditor shall prescribe uniform financial accounting and reporting standards in conformity with national standards to be applicable to cities and towns of more than 2,500 population and uniform reporting standards to be applicable to cities and towns of less than 2,500 population.

EFFECTIVE DATE. This section is effective for reporting of financial information for years ending on or after December 31, 2015.

Sec. 12. Minnesota Statutes 2014, section 477A.017, is amended by adding a subdivision to read:

Subd. 4. **Noncompliance.** (a) If a county, city, or town required to make financial reports under this section does not file them in a timely fashion, the state auditor may arrange to complete and file the financial reports on its behalf and charge the county, city, or town for 105 percent of the cost of the service. The amount charged may not exceed the amount of aid the county, city, or town receives under sections 477A.011 to 477A.03. The state auditor may use staff from the state auditor's office or may contract with persons from the private sector to complete the reports. The county, city, or town must provide access to all public records necessary to filing the financial report to the state auditor or state auditor's designee.

(b) The state auditor may delay the dates for filing required financial reports or waive the filing of reports for any year upon petition of the chief clerical officer of a county, city, or town in the case of a disaster or emergency. The county, city, or town must provide any information requested by the state auditor needed to make the decision on whether or not to delay or waive the filing requirements. The decision of the state auditor under this paragraph is final.

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

Sec. 13. Minnesota Statutes 2014, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. **Cities.** For aids payable in 2014, the total aid paid under section 477A.013, subdivision 9, is \$507,598,012. The total aid paid under section 477A.013, subdivision 9, is \$516,898,012 for aids payable in 2015. For aids payable in 2016 and thereafter, the total aid paid calculated under section 477A.013, subdivision 9, is \$519,398,012. For aids payable in 2016 and thereafter, the total aids payable to cities under section 477A.013 is the amount calculated under section 477A.013, subdivision 9, minus the amount of aid retained in the general fund under section 477A.013, subdivision 9a.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2016 and thereafter.

Sec. 14. Minnesota Statutes 2014, section 477A.03, subdivision 2b, is amended to read:

Subd. 2b. **Counties.** (a) For aids payable in 2014 and thereafter 2016, the total aid payable under section 477A.0124, subdivision 3, is \$100,795,000 \$104,295,000. Each calendar year, \$500,000 of this appropriation shall be retained by the commissioner of revenue to make reimbursements to the commissioner of management and budget for payments made under section 611.27. The reimbursements shall be to defray the additional costs associated with court ordered counsel under section 611.27. Any retained amounts not used for reimbursement in a year shall be included in the next distribution of county need aid that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year.

(b) For aids payable in 2014 and thereafter 2015, the total aid under section 477A.0124, subdivision 4, is \$104,909,575 \$104,695,575. The commissioner of revenue shall transfer to the commissioner of management and budget \$207,000 annually for the cost of preparation of local impact notes as required by section 3.987, and other local government activities. The commissioner of revenue shall transfer to the commissioner of education \$7,000 annually for the cost of preparation of local impact notes for school districts as required by section 3.987. The commissioner of revenue shall deduct the amounts transferred under this paragraph from the appropriation under this paragraph. The amounts transferred are appropriated to the commissioner of management and budget and the commissioner of education respectively.

EFFECTIVE DATE. The amendment to paragraph (a) is effective for aids payable in 2016 and thereafter. The amendment to paragraph (b) is effective for aids payable in 2015 and thereafter.

Sec. 15. Minnesota Statutes 2014, section 611.27, subdivision 13, is amended to read:

Subd. 13. **Public defense services; correctional facility inmates.** All billings for services rendered and ordered under subdivision 7 shall require the approval of the chief district public defender before being forwarded on a monthly basis to the state public defender. In cases where adequate representation cannot be provided by the district public defender and where counsel has been appointed under a court order, the state public defender shall forward to the commissioner of management and budget all billings for services rendered under the court order. ~~The commissioner shall pay for services from county program aid retained by the commissioner of revenue for that purpose under section 477A.03, subdivision 2b, paragraph (a).~~

The costs of appointed counsel and associated services in cases arising from new criminal charges brought against indigent inmates who are incarcerated in a Minnesota state correctional facility are the responsibility of the state Board of Public Defense. In such cases the state public defender may follow the procedures outlined in this section for obtaining court-ordered counsel.

EFFECTIVE DATE. This section is effective July 1, 2016.

Sec. 16. Minnesota Statutes 2014, section 611.27, subdivision 15, is amended to read:

Subd. 15. **Costs of transcripts.** In appeal cases and postconviction cases where the appellate public defender's office does not have sufficient funds to pay for transcripts and other necessary expenses because it has spent or committed all of the transcript funds in its annual budget, the state public defender may forward to the commissioner of management and budget all billings for transcripts and other necessary expenses. ~~The commissioner shall pay for these transcripts and other necessary expenses from county program aid retained by the commissioner of revenue for that purpose under section 477A.03, subdivision 2b, paragraph (a).~~

EFFECTIVE DATE. This section is effective July 1, 2016.

Sec. 17. **2013 CITY AID PENALTY FORGIVENESS; CITY OF OSLO.**

Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, the city of Oslo shall receive the portion of its aid payment for calendar year 2013 under Minnesota Statutes, section 477A.013, that was withheld under Minnesota Statutes, section 477A.017, subdivision 3, provided that the state auditor certifies to the commissioner of revenue that it received audited financial statements from the city for calendar year 2012 by December 31, 2013. The commissioner of revenue shall make a payment of \$37,473.50 with the first payment of aids under Minnesota Statutes, section 477A.015. \$37,473.50 is appropriated from the general fund to the commissioner of revenue in fiscal year 2016 to make this payment.

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

Sec. 18. **2014 AID PENALTY FORGIVENESS.**

(a) Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, any city that did not receive all or part of its calendar year 2014 aid payment for failing to meet the requirements for filing calendar year 2013 financial reports with the state auditor, as required under Minnesota Statutes, section 477A.017, subdivision 3, shall receive its aid payment provided that the state auditor certifies to the commissioner of revenue that it received audited financial statements from the city for calendar years 2013 and 2014 by June 1, 2015.

(b) The commissioner of revenue shall make payment to each qualifying city no later than June 30, 2015. Up to \$101,570 of the fiscal year 2015 appropriation for local government aid is available for the payment under this section.

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

Sec. 19. **2016 REDUCTION TO OFFSET ADDITIONAL GENERAL FUND USE OF LOCAL SALES TAX REVENUE.**

For the city of Minneapolis the aid payable under Minnesota Statutes, section 477A.013, subdivision 9, in 2016 only, is reduced by \$5,864,000. The city may deposit in its general fund the additional portion of its sales tax, retained under Minnesota Statutes, section 297A.994, subdivision 4, clause (6), during fiscal year 2016 and fiscal year 2017, up to \$5,864,000 to fund any governmental purposes in calendar year 2016 that would otherwise be funded with aid under Minnesota Statutes, section 477A.013, subdivision 9.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2016 only.

Sec. 20. **COUNTY PROGRAM AID WORKING GROUP.**

(a) A county program aid working group is established as provided in this section. The goals of the working group are to recommend one or more alternative options for distributing county program aid that promote:

(1) fairness, with regard to the wide range of populations, demographic profiles, service needs, tax bases, economic conditions, and physical conditions of counties across the state; and

(2) stability, to reduce major year-to-year fluctuations in aid distributions and allow counties to predict the amount of aid that they will receive from year to year.

(b) The 11-member working group shall consist of the following members:

(1) two state representatives, both appointed by the chair of the house of representatives Committee on Taxes, one from the majority party and one from the largest minority party;

(2) two senators appointed by the senate Subcommittee on Committees of the Committee on Rules and Administration, one from the majority party and one from the largest minority party;

(3) two persons appointed by the governor; and

(4) five persons appointed by the Association of Minnesota Counties, provided that they are county officials, and that no more than two persons are appointed from counties in the metropolitan area as defined in Minnesota Statutes, section 473.121, subdivision 2.

(c) The state representative from the majority party 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. Legislative staff 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 working group occurs when a quorum is present.

(d) The working group shall make its advisory recommendations to the chairs of the house of representatives and senate committees with jurisdiction over taxes, in compliance with Minnesota Statutes, sections 3.195 and 3.197, on or before February 1, 2016, at which time the working group shall be finished and this section expires.

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

Sec. 21. **STUDY ON IMPACT OF ADDITIONAL HEALTH-RELATED COSTS INCURRED BY COUNTIES.**

The commissioner of revenue shall collect information from each county and compile a report on the total increase in county administrative costs due to lack of functionality of the MNsure eligibility determination system for medical assistance and MinnesotaCare in the 2014 calendar year compared to those costs had the MNsure eligibility determination system been fully functional. The study should include information on the number of additional staff hours and related salary costs, as well as other associated expenses related to increased processing time for (1) determining eligibility for medical assistance and MNsure applicants, and (2) processing renewals and modifications for life change events of existing clients for medical assistance and MNsure. The report on this information is due to the chairs of the house of representatives and senate committees with jurisdiction over taxes, in compliance with Minnesota Statutes, sections 3.195 and 3.197, by February 15, 2016.

Sec. 22. **REPEALER.**

Minnesota Statutes 2014, sections 477A.017, subdivision 3; 477A.085; and 477A.19, are repealed.

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

ARTICLE 10
MISCELLANEOUS

Section 1. **[11A.237] ACCOUNT FOR COUNTY JOINT TRUST FUND PAYMENTS.**

Subdivision 1. **Establishment.** The State Board of Investment, when requested by a county as required under sections 97A.056, subdivision 1b, and 116P.045, subdivision 2, shall invest the funds deposited by the commissioner of revenue, acting as an agent on its behalf, under section 97A.056, subdivision 1b, or 116P.045, subdivision 2, in a special account for that purpose in the combined investment funds established in section 11A.14, subject to the policy and procedures of the State Board of Investment. Use of the funds is restricted to payments to the commissioner of revenue, acting as an agent on behalf of the counties, for distributions to counties under sections 97A.056, subdivision 1b, and 116P.045, subdivision 3.

Subd. 2. **Account maintenance and investment.** The commissioner of revenue may deposit money into the account on behalf of the counties and may withdraw money from the account for the purpose of making distributions to the counties under sections 97A.056, subdivision 1b, and 116P.045, subdivision 3, only. The commissioner of revenue shall make one payment under each section each year for all counties eligible for a payment in that year. The commissioner shall make one withdrawal annually at a time negotiated with the executive director of the State Board of Investment, but no later than November 15 to cover distributions to counties under section 477A.30, up to the limit allowed under that section. Such transactions shall be in a manner required by the executive director of the State Board of Investment. Investment earnings must be credited to the account.

EFFECTIVE DATE. This section is effective beginning January 1, 2017.

Sec. 2. Minnesota Statutes 2014, section 97A.056, subdivision 1a, is amended to read:

Subd. 1a. **Definitions.** ~~For the purpose of~~ (a) The definitions in this subdivision apply to this section and appropriations from the outdoor heritage fund.

(b) "Land acquisition costs" means acquisition coordination costs, costs of engineering services, appraisal fees, attorney fees, taxes, assessments required at the time of purchase, onetime trust fund payments under subdivision 1b, and recording fees.

(c) "Recipient" means the entity responsible for deliverables financed by the outdoor heritage fund.

Sec. 3. Minnesota Statutes 2014, section 97A.056, is amended by adding a subdivision to read:

Subd. 1b. Outdoor heritage trust fund account; trust fund payments. (a) An outdoor heritage trust fund account is created in the special revenue fund. The State Board of Investment must ensure the account is invested under section 11A.24. The commissioner of management and budget must credit to the account all money appropriated to the account and all money earned by the account. The principal of the account and any unexpended earnings must be invested and reinvested by the State Board of Investment. Nothing in this section limits the source of contributions to the account. Money in the account must be used only for the purposes of this subdivision.

(b) State land acquired in fee in whole or in part with money appropriated from the outdoor heritage fund is eligible for a onetime trust fund payment as provided under this subdivision. For purposes of this subdivision, "acquired in part" means that at least 20 percent of the state payment for the parcel was from money from the outdoor heritage fund. The trust payment is equal to 30 times the property taxes assessed in the year prior to the year in which the land is acquired. If the land was acquired from a private party that was exempt from paying property taxes, the payments must be based on 30 times the property taxes assessed on comparable land in the year prior to the year in which the land is acquired. By September 1 of each year, the county in which the land is acquired must provide the commissioner of revenue with information necessary in a form determined by the commissioner to make this determination for all lands acquired for the 12-month period ending on June 30 of that year. The commissioner of revenue must make a trust payment on behalf of each county on the same date as the first payment under section 273.1384, subdivision 4, each year for all land acquired in that county in the 12-month period ending on June 30 of that year to the State Board of Investment as required under paragraph (e). The money so deposited is money paid to the counties and may only be withdrawn for the purposes allowed under section 477A.30. The commissioner of revenue must inform each county by October 15 of each year the amount deposited on the county's behalf with the State Board of Investment under this subdivision.

(c) If the land eligible for a trust fund payment under this subdivision is also eligible for a trust fund payment under section 116P.045, the payment under this subdivision is equal to the amount calculated under paragraph (b), multiplied by the ratio of (1) the amount paid for the parcel with money from the outdoor heritage fund to (2) the sum of the money paid for the parcel out of the outdoor heritage fund and the environment and natural resources trust fund.

(d) The amount necessary to make the payments required under this subdivision is annually appropriated from the outdoor heritage trust fund account to the commissioner of revenue.

(e) In order to receive a trust fund payment under this subdivision, a county board must enter into an agreement with the State Board of Investment to allow the commissioner of revenue to make deposits and withdrawals on behalf of the county into and out of the county joint trust fund account under section 1.

(f) Land receiving a trust fund payment under this subdivision is not eligible for payments under sections 477A.11 to 477A.14, but is eligible for distribution of withdrawals from the county joint trust fund account under section 477A.30.

EFFECTIVE DATE. This section is effective July 1, 2016, and applies to land acquired with funds appropriated on or after that date.

Sec. 4. Minnesota Statutes 2014, section 97A.056, is amended by adding a subdivision to read:

Subd. 15b. **State acquisition of land; restrictions.** The state may not use funds from the environment and natural resources fund to acquire in fee in whole or in part any land currently subject to property taxes or any land owned by a nonprofit organization that was subject to property taxes prior to the land's acquisition by the nonprofit organization if (1) subdivision 1b is void, or (2) sufficient funds to cover the onetime trust fund payment required under that subdivision have not been appropriated or are not available.

EFFECTIVE DATE. This section is effective July 1, 2016, and applies to land acquired with funds appropriated on or after that date.

Sec. 5. Minnesota Statutes 2014, section 116P.02, subdivision 1, is amended to read:

Subdivision 1. **Applicability.** The definitions in this section apply to this chapter, except that the definition in subdivision 6 does not apply to section 116P.045.

EFFECTIVE DATE. This section is effective July 1, 2016.

Sec. 6. Minnesota Statutes 2014, section 116P.02, is amended by adding a subdivision to read:

Subd. 4a. **Land acquisition costs.** "Land acquisition costs" means acquisition coordination costs, costs of engineering services, appraisal fees, attorney fees, taxes, assessments required at the time of purchase, payments under section 116P.045, and recording fees.

EFFECTIVE DATE. This section is effective July 1, 2016.

Sec. 7. **[116P.045] ENVIRONMENT AND NATURAL RESOURCES TRUST FUND PAYMENT ACCOUNT.**

Subdivision 1. **Account created.** An environment and natural resources trust fund payment account is created in the special revenue fund. The State Board of Investment must ensure the account is invested under section 11A.24. The commissioner of management and budget must credit to the account all money appropriated to the account and all money earned by the account. The principal of the account and any unexpended earnings must be invested and reinvested by the State Board of Investment. Nothing in this section limits the source of contributions to the account. Money in the account must be used only for the purposes of this section.

Subd. 2. **Trust fund payment; appropriation.** (a) State land acquired in fee in whole or in part with money appropriated from the environment and natural resources trust fund is eligible for a onetime trust fund payment as provided under this subdivision. For purposes of this subdivision, "acquired in part" means that at least 20 percent of the state payment for the parcel was from money from the environment and natural resources trust fund. The trust payment is equal to 30 times the property taxes assessed in the year prior to the year in which the land is acquired. If the land was acquired from a private party that was exempt from paying property taxes, the payments must be based on 30 times the property taxes assessed on comparable land in the year prior to the year in which the land is acquired. By September 1 of each year, the county in which the land is acquired must provide the commissioner of revenue with information necessary in a form determined by the commissioner to make this determination for all lands acquired for the 12-month period ending on June 30 of that year. The commissioner of revenue must make a trust payment on behalf of each county on the same date as the first payment under section 273.1384, subdivision 4, each year for all land acquired in that county in the 12-month period ending on June 30 of that year to the State Board of Investment as required under paragraph (e). The money so deposited is money paid to the counties and may only be withdrawn for the purposes allowed under section 477A.30. The commissioner of revenue must inform each county by October 15 of each year the amount deposited on the county's behalf with the State Board of Investment under this subdivision.

(b) If the land eligible for a trust fund payment under this subdivision is also eligible for a trust fund payment under section 97A.056, subdivision 1b, the payment under this subdivision is equal to the amount calculated under paragraph (a), multiplied by the ratio of (1) the amount paid for the parcel with money from the environment and natural resources trust fund to (2) the sum of the money paid for the parcel out of the outdoor heritage fund and the environment and natural resources trust fund.

(c) The amount necessary to make the payments required under this subdivision is annually appropriated from the environment and natural resources trust fund payment account to the commissioner of revenue.

Subd. 3. **County requirements.** In order to receive a trust fund payment under this section, a county board must enter into an agreement with the State Board of Investment to allow the commissioner of revenue to make deposits and withdrawals on behalf of the county into and out of the county joint trust fund account under section 1.

Subd. 4. **Ineligible for other payments.** Land receiving a trust fund payment under this section is not eligible for payments under sections 477A.11 to 477A.14, but is eligible for distribution of withdrawals from the county joint trust fund account under section 477A.30.

Subd. 5. **State acquisition of land; restrictions.** The state may not use funds from the outdoor heritage fund to acquire in fee in whole or in part any land currently subject to property taxes or any land owned by a nonprofit organization that was subject to property taxes prior to the land's acquisition by the nonprofit organization if (1) subdivision 2 is void, or (2) sufficient funds to cover the one time trust fund payment required under that subdivision have not been appropriated or are not available.

EFFECTIVE DATE. This section is effective July 1, 2016, and applies to land acquired with funds appropriated on or after that date.

Sec. 8. Minnesota Statutes 2014, section 270A.03, subdivision 7, is amended to read:

Subd. 7. **Refund.** "Refund" means an individual income tax refund ~~or political contribution refund~~, pursuant to chapter 290, or a property tax credit or refund, pursuant to chapter 290A, or a sustainable forest payment to a claimant under chapter 290C.

For purposes of this chapter, lottery prizes, as set forth in section 349A.08, subdivision 8, and amounts granted to persons by the legislature on the recommendation of the joint senate-house of representatives Subcommittee on Claims shall be treated as refunds.

In the case of a joint property tax refund payable to spouses under chapter 290A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total income determined under section 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total taxable income determined under section 290.01, subdivision 29. The commissioner shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, determine the amount of the refund belonging to that spouse and refund the amount to that spouse. For court fines, fees, and surcharges and court-ordered restitution under section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice to the spouse who does not owe the debt.

EFFECTIVE DATE. This section is effective for political contribution refund claims based on contributions made on or after July 1, 2015.

Sec. 9. Minnesota Statutes 2014, section 270C.13, subdivision 1, is amended to read:

Subdivision 1. **Biennial report.** The commissioner shall report to the legislature by March 1 of each odd-numbered year on the overall incidence of the income tax, sales and excise taxes, and property tax. The report shall present information on the distribution of the tax burden as follows: (1) for the overall income distribution, using a systemwide incidence measure such as the Suits index or other appropriate measures of equality and inequality; (2) by income classes, including at a minimum deciles of the income distribution; and (3) by other appropriate taxpayer characteristics. The report must also include information on the distribution of the burden of federal taxes borne by Minnesota residents.

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

Sec. 10. Minnesota Statutes 2014, section 270C.9901, is amended to read:

270C.9901 ASSESSOR ACCREDITATION.

(a) Every individual who appraises or physically inspects ~~real~~ income-producing property as defined in section 273.11, subdivision 13, for the purpose of determining its valuation or classification for property tax purposes must obtain licensure as an accredited Minnesota assessor from the State Board of Assessors by July 1, 2019, or within four years of that person having become licensed as a certified Minnesota assessor, whichever is later.

(b) A county may employ an individual who has obtained a license as a certified Minnesota assessor to appraise or physically inspect real property, not including income-producing property as defined in section 273.11, subdivision 13, for the purposes of determining its valuation or classification for property tax purposes.

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

Sec. 11. Minnesota Statutes 2014, section 273.061, subdivision 4, is amended to read:

Subd. 4. **Assistants.** (a) With the approval of the board of county commissioners, the county assessor may employ one or more assistants and sufficient clerical help to perform the duties of the assessor's office.

(b) Subject to the requirements of section 270C.9901, or any other applicable requirement, the qualifications and licensure of assistants to the assessor shall be determined by the board of county commissioners in consultation with the assessor.

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

Sec. 12. Minnesota Statutes 2014, section 289A.50, subdivision 1, is amended to read:

Subdivision 1. **General right to refund.** (a) Subject to the requirements of this section and section 289A.40, a taxpayer who has paid a tax in excess of the taxes lawfully due and who files a written claim for refund will be refunded or credited the overpayment of the tax determined by the commissioner to be erroneously paid.

(b) The claim must specify the name of the taxpayer, the date when and the period for which the tax was paid, the kind of tax paid, the amount of the tax that the taxpayer claims was erroneously paid, the grounds on which a refund is claimed, and other information relative to the payment and in the form required by the commissioner. An income tax, estate tax, or corporate franchise tax return, or amended return claiming an overpayment constitutes a claim for refund.

(c) When, in the course of an examination, and within the time for requesting a refund, the commissioner determines that there has been an overpayment of tax, the commissioner shall refund or credit the overpayment to the taxpayer and no demand is necessary. If the overpayment exceeds \$1, the amount of the overpayment must be refunded to the taxpayer. If the amount of the overpayment is less than \$1, the commissioner is not required to refund. In these situations, the commissioner does not have to make written findings or serve notice by mail to the taxpayer.

(d) If the amount allowable as a credit for withholding, estimated taxes, or dependent care exceeds the tax against which the credit is allowable, the amount of the excess is considered an overpayment. ~~The refund allowed by section 290.06, subdivision 23, is also considered an overpayment.~~ The requirements of section 270C.33 do not apply to the refunding of such an overpayment shown on the original return filed by a taxpayer.

(e) If the entertainment tax withheld at the source exceeds by \$1 or more the taxes, penalties, and interest reported in the return of the entertainment entity or imposed by section 290.9201, the excess must be refunded to the entertainment entity. If the excess is less than \$1, the commissioner need not refund that amount.

(f) If the surety deposit required for a construction contract exceeds the liability of the out-of-state contractor, the commissioner shall refund the difference to the contractor.

(g) An action of the commissioner in refunding the amount of the overpayment does not constitute a determination of the correctness of the return of the taxpayer.

(h) There is appropriated from the general fund to the commissioner of revenue the amount necessary to pay refunds allowed under this section.

EFFECTIVE DATE. This section is effective for political contribution refund claims based on contributions made on or after July 1, 2015.

Sec. 13. Minnesota Statutes 2014, section 290.01, subdivision 6, is amended to read:

Subd. 6. **Taxpayer.** The term "taxpayer" means any person or corporation subject to a tax imposed by this chapter. ~~For purposes of section 290.06, subdivision 23, the term "taxpayer" means an individual eligible to vote in Minnesota under section 201.014.~~

EFFECTIVE DATE. This section is effective for political contribution refund claims based on contributions made on or after July 1, 2015.

Sec. 14. Minnesota Statutes 2014, section 298.24, subdivision 1, is amended to read:

Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in 2013, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of \$2.56 per gross ton of merchantable iron ore concentrate produced therefrom. The tax is also imposed upon other iron-bearing material.

(b) For concentrates produced in 2014 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the Bureau of Economic Analysis of the United States Department of Commerce.

(c) An additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax on taconite and iron sulphides shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable. The tax on other iron-bearing material shall be imposed on the current year production.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of \$2.56 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's commercial production of direct reduced ore from ore mined in this state, no tax is imposed under this section. As used in this paragraph, "commercial production" is production of more than 50,000 tons of direct reduced ore in the current year or in any prior year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore in any year, and "direct reduced ore" is ore that results in a product that has an iron content of at least ~~75 percent~~ 67 percent and silica plus alumina content of no greater than three percent. For the third year of a plant's commercial production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth commercial production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent commercial production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron sulfides, or other iron-bearing material, that is consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite, iron sulfides, or other iron-bearing material.

(3) Notwithstanding any other provision of this subdivision, no tax is imposed on direct reduced ore under this section during the facility's noncommercial production of direct reduced ore. ~~The taconite or iron sulphides consumed in the noncommercial production of direct reduced ore is subject to the tax imposed by this section on taconite and iron sulphides.~~ Three-year average production of direct reduced ore does not include production of direct reduced ore in any noncommercial year. Three-year average production for a direct reduced ore facility that has noncommercial production is the average of the commercial production of direct reduced ore for the current year and the previous two commercial years.

~~(4) This paragraph applies only to plants for which all environmental permits have been obtained and construction has begun before July 1, 2008.~~

EFFECTIVE DATE. This section is effective for taxes based on concentrate produced in 2015 and thereafter.

Sec. 15. Minnesota Statutes 2014, section 477A.10, is amended to read:

477A.10 NATURAL RESOURCES LAND PAYMENTS IN LIEU; PURPOSE.

The purposes of sections 477A.11 to 477A.14 are:

(1) to compensate local units of government for the loss of tax base from state ownership of land, except land acquired in whole or in part with money appropriated on or after July 1, 2016, from the outdoor heritage fund or the environment and natural resources trust fund and the need to provide services for state land;

(2) to address the disproportionate impact of state land ownership on local units of government with a large proportion of state land; and

(3) to address the need to manage state lands held in trust for the local taxing districts.

Sec. 16. Minnesota Statutes 2014, section 477A.11, is amended by adding a subdivision to read:

Subd. 9. **Environment and natural resources trust fund lands.** Notwithstanding any other provision of law to the contrary, natural resource land acquired in whole or in part with money appropriated from the environment and natural resources trust fund after July 1, 2016, is not included in the definitions of the lands described in subdivisions 3 to 7 and is excluded from payments under sections 477A.11 to 477A.14. For purposes of this subdivision, "acquired in part" means that at least 20 percent of the state payment for the acquisition of the parcel was from money from the environment and natural resources trust fund.

Sec. 17. Minnesota Statutes 2014, section 477A.11, is amended by adding a subdivision to read:

Subd. 10. **Outdoor heritage lands.** Notwithstanding any other provision of law to the contrary, natural resource land acquired in whole or in part with money appropriated from the outdoor heritage fund on or after July 1, 2016, is not included in the definitions of the lands described in subdivisions 3 to 7 and is excluded from payments under sections 477A.11 to 477A.14. For purposes of this subdivision, "acquired in part" means that at least 20 percent of the state payment for the acquisition of the parcel was from money from the outdoor heritage fund.

Sec. 18. [477A.30] ANNUAL COUNTY JOINT TRUST FUND WITHDRAWALS AND DISTRIBUTION FOR ENVIRONMENT AND NATURAL TRUST FUND LANDS AND OUTDOOR HERITAGE LANDS.

Subdivision 1. **Commissioner of revenue; withdrawals and payments.** No later than October 15 of each year, the commissioner of revenue shall make a withdrawal on behalf of all eligible counties from the county joint trust fund account established under section 11A.237 equal to the lesser of (1) the total amount of necessary withdrawals certified by the counties under subdivision 2 for the year, or (2) 5-1/2 percent of the amount in that account as of September 1 of that year as determined by the executive director of the State Board of Investment. The commissioner shall distribute the certified withdrawal amounts to each county by October 31. If the amount of the withdrawal is less than the total certified withdrawal amounts under subdivision 2, the commissioner shall reduce the distribution to each county proportionately.

Subd. 2. **Certification of needed withdrawal, distribution of funds.** (a) Beginning in calendar year 2016, by September 1 of each year, a county for whom a trust fund payment has been made on its behalf under sections 97A.056, subdivision 1b, or 116P.045, subdivision 2, shall calculate and certify to the commissioner of revenue the amount of trust fund withdrawals needed under this section. The amount of the withdrawal for each parcel of land for which a county received a trust fund payment under either provision is as follows:

(1) for the year in which a trust fund payment is made to a county for a parcel of land, the withdrawal for that parcel is equal to:

(i) the remaining taxes owed to the local governments for taxes spread that year for a parcel acquired between January 1 and June 30; or

(ii) the amount of taxes paid on the parcel in the previous year if the parcel was acquired before January 1 of the current year. The county must distribute the amount by December 15 to all local governments based on the location of the parcel and the local governments' share of the total tax; and

(2) For all subsequent years, the withdrawal for a parcel is equal to the taxes that would be owed based on the appraised value of the land and the taxes assessed on comparable, privately owned adjacent land. For purposes of this subdivision, "appraised value" is determined in the manner described in section 477A.12, subdivision 3. The county treasurer must allocate the withdrawn funds among the county, the school district, the town or home rule charter or statutory city, and special districts on the same basis as if the funds were taxes on the land received in that year. The county treasurer must pay the allocation to all eligible local governments by December 15 of the year in which the withdrawal is made. The county's share of the payment must be deposited in the county general fund.

(b) If the distribution to a county under subdivision 1 is less than its total withdrawal amounts certified under this subdivision, all distributions under paragraph (a) are reduced proportionately.

EFFECTIVE DATE. This section is effective January 1, 2016, and applies to land acquired with funds appropriated on or after July 1, 2015.

Sec. 19. Minnesota Statutes 2014, section 609.5316, subdivision 3, is amended to read:

Subd. 3. **Weapons, telephone cloning paraphernalia, automated sales suppression devices, and bullet-resistant vests.** Weapons used are contraband and must be summarily forfeited to the appropriate agency upon conviction of the weapon's owner or possessor for a controlled substance crime; for any offense of this chapter or chapter 624, or for a violation of an order for protection under section 518B.01, subdivision 14. Bullet-resistant vests, as defined in section 609.486, worn or possessed during the commission or attempted commission of a crime are contraband and must be summarily forfeited to the appropriate agency upon conviction of the owner or possessor for a controlled substance crime or for any offense of this chapter. Telephone cloning paraphernalia used in a violation of section 609.894, and automated sales suppression devices, phantom-ware, and other devices containing an automated sales suppression or phantom-ware device or software used in violation of section 609.858, are contraband and must be summarily forfeited to the appropriate agency upon a conviction.

Sec. 20. **[609.858] USE OF AUTOMATED SALES SUPPRESSION DEVICES.**

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

(b) "Automated sales suppression device" or "zapper" means a software program, carried on any tangible medium, or accessed through any other means, that falsifies the electronic records of electronic cash registers and other point-of-sale systems including, but not limited to, transaction data and transaction reports.

(c) "Electronic cash register" means a device that keeps a register or supporting documents through the means of an electronic device or computer system designed to record transaction data for the purpose of computing, compiling, or processing retail sales transaction data in whatever manner.

(d) "Phantom-ware" means hidden preinstalled, or later-installed programming option embedded in the operating system of an electronic cash register or hardwired into the electronic cash register that can be used to create a virtual second electronic cash register or may eliminate or manipulate transaction records that may or may not be preserved in digital formats to represent the true or manipulated record of transactions in the electronic cash register.

(e) "Transaction data" includes items purchased by a customer, the price of each item, the taxability determination for each item, a segregated tax amount for each of the taxed items, the date and time of the purchase, the name, address and identification number of the vendor, and the receipt or invoice number of the transaction.

(f) "Transaction report" means a report documenting, but not limited to, the sales, taxes collected, media totals, and discount voids at an electronic cash register that is printed on cash register tape at the end of a day or shift, or a report documenting every action at an electronic cash register that is stored electronically.

Subd. 2. **Felony.** A person who sells, purchases, installs, transfers, possesses, accesses, or uses an automated sales suppression device, zapper, phantom-ware, or similar device knowing that the device or phantom-ware is capable of being used to commit tax fraud or suppress sales is guilty of a felony and may be sentenced to imprisonment of not more than five years or a payment of a fine of not more than \$10,000, or both.

Subd. 3. **Forfeiture.** An automated sales suppression device, zapper, phantom-ware, and any other device containing an automated sales suppression, zapper, or phantom-ware device or software is contraband and subject to forfeiture under section 609.5316.

EFFECTIVE DATE. This section is effective August 1, 2015, and applies to crimes committed on or after that date.

Sec. 21. **BUDGET RESERVE INCREASE.**

On July 1, 2015, the commissioner of management and budget shall transfer \$100,000,000 from the general fund to the budget reserve account in the general fund.

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

Sec. 22. **NOTIFICATION OF POLITICAL CONTRIBUTION REFUND REPEAL.**

(a) The commissioner of revenue must take the following actions as soon as practicable:

(1) annotate the link to 2015 Form PCR indicating that political contribution refunds may only be claimed for contributions made before April 15, 2015, and that claims must be filed by June 15, 2015; and

(2) send notifications to all appropriate electronic mailing lists that the commissioner maintains announcing the repeal of the political contribution refund, including the requirement that claims for refund of contributions made before April 15, 2015, must be filed before June 15, 2015.

(b) The executive director of the campaign finance and public disclosure board must take the following actions as soon as practicable:

(1) notify all registered political parties and all candidates who have registered a principal campaign committee with the board and have filed a valid public subsidy agreement that the political contribution refund has been repealed, that refunds may only be claimed for contributions made before April 15, 2015, and that claims must be filed by June 15, 2015;

(2) update its Web site to indicate that the political contribution refund program has been repealed, and to indicate that political contribution refunds may only be claimed for contributions made before April 15, 2015, and that claims must be filed by June 15, 2015; and

(3) stop issuing Form EP-3, the official receipt form for political contribution refunds, to registered political parties and candidates.

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

Sec. 23. **REPORT ON TAX CREDIT FOR EMPLOYERS WHO HIRE VETERANS.**

The commissioner of revenue, in consultation with the commissioner of veterans affairs, must report to the legislature on allowing a corporate and individual income tax credit for employers who hire military veterans. The report must be completed on or before February 1, 2016, and provided to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes, and veterans affairs, in compliance with Minnesota Statutes, sections 3.195 and 3.197. The purpose of the report is to determine the credit structure most likely to result in increased employment of unemployed military veterans in Minnesota, including unemployed military veterans who are disabled. The report must include:

(1) data on the number of military veterans in Minnesota, including the number who are disabled, and the share of disabled and nondisabled veterans who are employed;

(2) to the extent information is available from the United States Department of the Treasury, data on usage in Minnesota of the federal work opportunity credit under section 51 of the Internal Revenue Code as it relates to the hiring of veterans and the effect of the federal credit on employment of veterans in Minnesota;

(3) descriptions of and data related to the effectiveness of income tax credits allowed in other states that are intended to encourage the hiring of military veterans;

(4) analysis of different possible credit structures, including but not limited to the credit structure proposed in 2015 Minnesota House File No. 10; and

(5) draft legislation for an income tax credit for employers who hire military veterans, to be effective for tax year 2016.

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

Sec. 24. **PURPOSE STATEMENTS; TAX EXPENDITURES.**

Subdivision 1. **Authority.** This section is intended to fulfill the requirement under Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax expenditure provide a statement of the purpose for the tax expenditure and a standard or goal against which its effectiveness may be measured.

Subd. 2. **Small business investment credit.** The provisions of article 1, section 3, are intended to support qualified small businesses in Minnesota through investments qualifying for the credit, and to encourage job creation. The standard against which effectiveness is to be measured is the number of businesses qualifying for investments, and the number of jobs created in businesses that receive investments that qualify for the credit.

Subd. 3. **Technology corporate tax benefit refund program.** The provisions of article 1, sections 5, 13, and 15, are intended to assist emerging biotechnology and technology businesses in Minnesota to expand their operations in Minnesota. The standard against which effectiveness is to be measured includes the increase in the number of employees, amount of facilities used by, and sales made by companies that surrendered their NOLs in return for tax refunds, compared to the increases by similar companies in the comparable period before the availability of the refund.

Subd. 4. **Federal update.** The provisions of article 1, sections 6, 9, 14, and 36, conforming Minnesota individual income, corporate franchise, and estate taxes to changes in federal law, are intended to simplify compliance with and administration of those taxes. The standard against which effectiveness is to be measured is the reduction in the number of income tax forms and text in the instructions for taxpayers resulting from this provision.

Subd. 5. Income tax subtraction and credit for education expenses; inflation, prekindergarten expenses, and nonpublic school tuition. The provisions of article 1, section 11, clause (3), and sections 21, 22, and 23 are intended to restore availability of the subtraction and credit to parents at income levels and amounts of expenses comparable to those in effect when the dollar amounts were last increased, to acknowledge the importance of early childhood education by extending to it the same tax preferences as are allowed for K-12 education, and to increase opportunities for parents to choose K-12 educational programs most appropriate for their children by extending the K-12 education credit to nonpublic school tuition. The standards against which effectiveness is to be measured is through comparison of the number of claims and amount of claims for the subtraction and credit for tax year 2015 relative to the year the credit was enacted and the subtraction last increased, after adjusting for growth in the state's population, through the change in the number of children enrolled in prekindergarten educational programs, and through the change in the number of children enrolled in nonpublic schools.

Subd. 6. Income tax subtraction for charity care services. The provisions of article 1, section 7, and section 11, clause (23), are intended to encourage medical professionals to provide charity care to uninsured and underinsured individuals. The standard against which effectiveness is to be measured is the increase in the number of medical professionals providing charity and the amount of charity care provided, compared with the similar increases that occurred during the period before the subtraction was available.

Subd. 7. Income and corporate tax subtraction for fitness facility memberships. The provisions of article 1, sections 11, clause (22), and 12, clause (18), are intended to increase employees' access to and use of fitness facilities. The standard against which effectiveness is to be measured is the change in the share of employees who have access to employer-provided fitness facility membership benefits, and the share of employees who use those benefits, as reported in surveys by human resource management associations.

Subd. 8. Income tax subtraction of military retirement pay. The provisions of article 1, section 11, clause (24), are intended to attract to Minnesota military retirees and to retain those already present, by allowing a subtraction from income tied to the number of years of military service provided. The standard against which effectiveness is to be measured is the change over time in the number of military retirees in Minnesota.

Subd. 9. Income tax subtraction of social security benefits. The provisions of article 1, section 11, clause (25), are intended to attract to Minnesota recipients of Social Security benefits and to retain those already present, by providing a phased-in subtraction of social security benefits. The standard against which effectiveness is to be measured is the change over time in the number of Social Security recipients in Minnesota, after adjusting for demographic changes.

Subd. 10. Income tax subtraction and credit for section 529 plan contributions. The provisions of article 1, sections 11, clause (26), and 31, are intended to increase saving for higher education expenses. The standard against which effectiveness is to be measured is the change over time in the estimated number of Minnesota residents making contributions to the Minnesota College Savings Plan, and in the amount contributed, as tracked by the Minnesota Office of Higher Education.

Subd. 11. Income tax subtraction for contributions to long-term care savings plans and increase in long-term care credit. The provisions of article 1, sections 1, 11, clause (27), and 20, are intended to increase individual financing of long-term care costs through direct payment or purchase of insurance. The standard against which effectiveness is to be measured is the change over time in the number of individuals participating in the long-term care savings plan and the number claiming the credit for long-term care insurance premiums.

Subd. 12. Income tax subtraction for meal expenses of first responders. The provisions of article 1, section 11, clause (28), are intended to offset out-of-pocket expenses of first responders related to being on-call for service and encourage individuals to continue to work and volunteer as first responders. The standard against which effectiveness is to be measured is the amount of meal expenses claimed as subtractions for first responders.

Subd. 13. **Income tax credit for MNsure premium payments.** The provisions of article 1, sections 2 and 16, are intended to transition individuals enrolled in MinnesotaCare to MNsure. The standard against which effectiveness is to be measured is the number of MinnesotaCare enrollees who claim credits and purchase insurance through MNsure.

Subd. 14. **Increase in dependent care credit and expansion of income eligibility.** The provisions of article 1, sections 17, 18, and 39, are intended to simplify the dependent care credit by tying it more closely to the federal credit, and to recognize an increased burden in dependent care expenses as a cost of workforce participation for parents. The standard against which effectiveness is to be measured is the change in the error rate on claims for dependent care credits and the change in the average credit amount claimed by parents in the income range eligible for the credit under present law.

Subd. 15. **Research credit increase, refundability, and extension to sole proprietors.** The provisions of article 1, sections 25, 26, 27, and 28, are intended to provide equitable tax treatment for Minnesota businesses operated as sole proprietorships by allowing sole proprietors to claim the research credit on the same basis as it is allowed for businesses operated as C corporations or pass-through entities, to increase access to the credit by making it refundable, and to encourage more research activities in Minnesota by increasing the credit rate. The standard against which effectiveness is to be measured is the number of sole proprietors claiming the credit, the number and amount of claims for refund, and the change over time in the amount of Minnesota research expenditures qualifying for the credit.

Subd. 16. **Income tax credit for teachers who earn master's degrees.** The provisions of article 1, section 29, are intended to improve the quality of teaching in Minnesota K-12 schools by encouraging teachers to obtain master's degrees in the subject areas they teach. The standard against which effectiveness is to be measured is the change over time in the number of K-12 classroom teachers with master's degrees in the subject area that they teach.

Subd. 17. **Income tax credit for student loan principal and interest payments.** The provisions of article 1, section 30, are intended to reduce the debt burden of recent graduates of higher education programs and to reduce and potentially reverse the current net demographic loss of young adults in Minnesota. The standard against which effectiveness is to be measured is the change over time in the number of young adults choosing to move to or remain in Minnesota, as measured by the state demographer.

Subd. 18. **Credit for job training center rehabilitation.** The provisions of article 1, section 38, are intended to encourage the viability of a rehabilitated historic structure in Minnesota currently serving as a job training center and to increase access to job training services. The standard against which the effectiveness of the credit is to be measured is whether the rehabilitated structure remains in service as a job training center.

Subd. 19. **Fuel use in other vehicles.** The provisions of article 6, sections 2 and 17, are intended to exclude fuels used for nonhighway purposes from supporting roads and to reduce tax pyramiding on business inputs. The standard against which effectiveness is to be measured is the increase in the number of fuel tax refunds for nonhighway use after June 30, 2015.

Subd. 20. **Sales tax exemption for digital goods.** The provisions of article 6, section 3, are intended to reduce the unfair advantage of sellers of digital goods located outside the state compared to sellers with a presence in the state. The standard against which effectiveness is to be measured is in the number of sellers of digital products located within the state and the increase in their total sales after the exemption takes effect.

Subd. 21. **Sales tax reduction for modular housing.** The provisions of article 6, sections 4 and 6, are intended to provide equitable tax treatment for various types of housing. The standard against which effectiveness is to be measured is the increase in the number of modular homes sold in the state after June 30, 2015.

Subd. 22. **Sales tax exemption for medical accessories and supplies.** The provisions of article 6, section 12, are intended to remove an uncollectable tax on purchases paid by medical insurance. The standard against which effectiveness is to be measured is whether this finally puts the dispute over the taxability of these sales to rest.

Subd. 23. **Sales tax exemption for instructional materials.** The provisions of article 6, section 13, are intended to provide equitable tax treatment and reduce costs for educational inputs used in vocational as well as academic postsecondary education. The standard against which effectiveness is to be measured is the number of students in vocational postsecondary education and the change in average amount of student debt for students in these programs.

Subd. 24. **Propane tanks.** The provisions of article 6, section 14, are intended to encourage private ownership of propane tanks to encourage competition. The standard against which effectiveness is to be measured is the decrease in the number of rented tanks, as determined by a survey of propane suppliers.

Subd. 25. **Sales tax exemption for metal bullion.** The provisions of article 6, section 15, are intended to provide equitable tax treatment for different types of investments. The standard against which effectiveness is to be measured is the increase in precious metal bullion sold in the state and in number of coin and precious metal trade shows held in the state.

Subd. 26. **Expansion of the sales tax reduction for nonprofits.** The provisions of article 6, section 18, are intended to provide equitable tax treatment and reduce administrative burdens for nonprofits. The standard against which effectiveness is to be measured is a decrease in the number of audits of nonprofits resulting in tax judgments and penalties.

Subd. 27. **Sales tax expansion for admissions to a nonprofit farm education organization.** The provisions of article 6, section 19, are intended to increase the ability of the nonprofit to provide opportunities for educating the public on the history of farming. The standard against which effectiveness is to be measured is an increase in the percent of the organizations budget being used for direct spending for its mission.

Subd. 28. **Sales tax exemptions for animal shelters.** The provisions of article 6, section 21, are intended to help to provide adequate funding for animal shelters. The standard against which effectiveness is to be measured is the number of animals served by shelters in the state

Subd. 29. **Sales tax exemption for city celebrations.** The provisions of article 6, section 22, are intended to help promote community spirit and to ease compliance burdens on organizations sponsoring city celebrations. The standard against which effectiveness is to be measured is the increase in contributions to benefiting organizations and a reduction in the number of audits of nonprofit organizations.

Subd. 30. **Sales tax exemption for admissions to BMX tracks.** The provisions of article 6, section 23, are intended to encourage participation in the sport of BMX racing. The standard against which effectiveness is to be measured is the increase in the number of admissions sold by sanctioned BMX tracks in the state.

Subd. 31. **Sales tax exemption for contractor purchases for certain entities.** The provisions of article 6, section 25, are intended to reduce construction and administrative costs for exempt nonprofit entities and local governments on their capital projects. The standard against which effectiveness is to be measured is the number and dollar amount of refunds under the provision.

Subd. 32. **Sales tax exemption for a wastewater treatment facility; city of Mora.** The provisions of article 6, section 44, are intended to reduce the costs of providing sewer services in the city of Mora. The standard against which effectiveness is to be measured is the costs saved due to the refund under this provision.

Subd. 33. **Income tax credit for school building bond levies.** The provisions of article 9, section 7, are intended to reduce the effect of school bond referenda on owners of agricultural property. The standard against which the effectiveness of the credit is to be measured is the amount of property tax reductions provided to owners of agricultural land.

Subd. 34. **New markets tax credit.** The new markets tax credit provided in article 5, sections 3 to 11, is intended to increase investment in low-income Minnesota communities by businesses that provide high-quality jobs, such as those in manufacturing, technology, and similar fields. The standard against which the effectiveness of the credit is to be measured is the incremental amount of investment in low-income communities that is stimulated by the credit and the associated employment positions that are created, especially for residents of those communities.

Subd. 35. **Tax rate for pull-tabs sold at bingo halls.** The provisions of article 7, section 3, paragraph (b), taxing pull-tabs sold by bingo halls at a flat rate of nine percent, are intended to increase the viability of bingo halls in Minnesota so that they continue making charitable expenditures. The standard against which effectiveness is to be measured is the number of bingo halls in Minnesota before and after enactment or the gross receipts of the bingo halls before and after enactment.

Subd. 36. **Tax incentive for direct reduced ore.** The provisions of article 10, section 14, reinstating a tax incentive for producers of direct reduced ore, are intended to encourage the production of direct reduced ore and the establishment of more direct reduced ore production facilities in Minnesota. The standard against which this effectiveness is to be measured is the amount of direct reduced ore produced and the number of producers of direct reduced ore before and after enactment.

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

Sec. 25. **REPEALER.**

Minnesota Statutes 2014, sections 10A.322, subdivision 4; 13.4967, subdivision 2; and 290.06, subdivision 23, and Minnesota Rules, part 4503.1400, subpart 4, are repealed.

EFFECTIVE DATE. This section is effective for contributions made after April 15, 2015, and refund claims filed after June 15, 2015."

Delete the title and insert:

"A bill for an act relating to financing and operation of state and local government; making changes to individual income, corporate franchise, property, sales and use, excise, estate, mineral, tobacco, gambling, special, local, and other taxes and tax-related provisions; providing for long-term care savings plans; modifying business income tax credits; modifying income tax subtractions and additions; modifying the definition of resident for income tax purposes; modifying the dependent care credit, education credit, and research credit; providing credits for MNsure premium payments, attaining a master's degree, student loan payments, college savings plans, and job training centers; modifying reciprocity provisions; providing an additional personal and dependent exemption; allowing a reverse referendum for property tax levies under certain circumstances; modifying dates for local referenda related to spending; changing proposed levy certification dates for special taxing districts; modifying general property tax provisions; providing for joint county and township assessment agreements; modifying the definition of agricultural homestead; modifying property classification definitions; permanently extending the market value exclusion for surviving spouses of deceased service members and permanently disabled veterans; modifying provisions for appeals and equalizations courses; providing a tax credit for overvalued property; modifying and phasing out the state general levy; modifying proposed levy provisions; modifying due dates for property taxes; changing withdrawal procedures for the Sustainable Forest Incentive Program; authorizing valuation exclusion for certain improvements to homestead and commercial-industrial property; providing an increased estate tax exemption

amount and other estate tax provisions; providing for certain economic development projects; providing for the Minnesota New Markets Jobs Act; restricting expenditures and other powers related to certain rail projects; providing for additional border city zone allocations; modifying general tax increment financing provisions; modifying provisions for the Destination Medical Center; modifying general and local sales and use tax provisions; modifying sales tax definitions and refunds related to petroleum and special fuel, durable medical equipment, instructional materials, propane tanks, bullion, capital equipment, and nonprofit groups; providing for a vendor allowance; providing exemptions for animal shelters, city celebrations, BMX tracks, and certain building and construction materials; repealing the tax on digital products; providing a separate rate for certain modular housing; modifying gambling taxes; providing a definition and rate of tax for vapor products under the tobacco tax; modifying cigarette stamp provisions; modifying rates for pull tabs sold at bingo halls; modifying miscellaneous tax provisions; modifying sales tax deposits, accounts, and provisions for transportation purposes; modifying local government aids and credits; providing for a school building bond agricultural credit; modifying assessor accreditation; accelerating the repeal of MinnesotaCare provider taxes; creating a county program aid working group; establishing trust fund accounts; providing trust fund payments to counties; modifying provisions related to payments in lieu of taxes for natural resources land; repealing the political contribution refund; making various conforming and technical changes; requiring reports; appropriating money; amending Minnesota Statutes 2014, sections 16A.726; 40A.18, subdivision 2; 62V.05, subdivision 5; 97A.055, subdivision 2; 97A.056, subdivision 1a, by adding subdivisions; 116J.8737, subdivisions 5, 12; 116P.02, subdivision 1, by adding a subdivision; 123B.63, subdivision 3; 126C.17, subdivision 9; 205.10, subdivision 1; 205A.05, subdivision 1; 216B.46; 237.19; 270A.03, subdivision 7; 270C.13, subdivision 1; 270C.9901; 273.061, subdivision 4; 273.072, by adding a subdivision; 273.124, subdivision 14; 273.13, subdivisions 23, 25, 34; 274.014, subdivision 2; 275.025; 275.065, subdivisions 1, 3; 275.07, subdivisions 1, 2; 275.08, subdivision 1b; 275.60; 276.04, subdivisions 1, 2; 278.12; 279.01, subdivisions 1, 3; 279.37, subdivision 2; 282.01, subdivision 4; 282.261, subdivision 2; 289A.02, subdivision 7, as amended; 289A.10, subdivision 1; 289A.12, by adding a subdivision; 289A.20, subdivision 4; 289A.50, subdivision 1; 290.01, subdivisions 6, 7, 19, as amended, 19a, 19b, 19d, 29, 31, as amended; 290.06, by adding subdivisions; 290.067, subdivision 1; 290.0671, subdivisions 1, 6a; 290.0672, subdivision 2; 290.0674, subdivisions 1, 2, by adding a subdivision; 290.0677, subdivision 2; 290.068, subdivisions 1, 3, 6a, by adding a subdivision; 290.081; 290.091, subdivision 2; 290.191, subdivision 5; 290A.03, subdivision 15, as amended; 290C.10; 291.005, subdivision 1, as amended; 291.016, subdivision 3; 291.03, subdivisions 1, 1d; 296A.01, subdivision 12; 296A.08, subdivision 2; 296A.16, subdivision 2; 297A.61, subdivisions 3, 4, 38; 297A.62, subdivision 3; 297A.668, subdivisions 1, 2, 6a, 7; 297A.669, subdivision 14a; 297A.67, subdivisions 7a, 13a, by adding subdivisions; 297A.68, subdivisions 5, 19; 297A.70, subdivisions 4, 10, 14, by adding subdivisions; 297A.71, by adding subdivisions; 297A.75, subdivisions 1, 2, 3; 297A.77, subdivision 3; 297A.815, subdivision 3; 297A.94; 297A.992, subdivisions 1, 6, 6a, by adding a subdivision; 297A.994, subdivision 4; 297E.02, subdivisions 1, 6; 297F.01, subdivision 19, by adding subdivisions; 297F.05, subdivisions 1, 3, by adding subdivisions; 297F.06, subdivisions 1, 4; 297F.08, subdivisions 5, 7, 8; 297F.09, subdivision 1; 297I.20, by adding a subdivision; 298.24, subdivision 1; 309.53, subdivision 3; 349.12, by adding a subdivision; 412.221, subdivision 2; 412.301; 426.19, subdivision 2; 447.045, subdivisions 2, 3, 4, 6, 7; 452.11; 455.24; 455.29; 459.06, subdivision 1; 469.053, subdivision 5; 469.0724; 469.107, subdivision 2; 469.169, by adding a subdivision; 469.174, subdivisions 12, 14; 469.175, subdivision 3; 469.176, subdivisions 4, 4c; 469.1761, by adding a subdivision; 469.1763, subdivisions 1, 2, 3; 469.178, subdivision 7; 469.190, subdivisions 1, 5; 469.40, subdivision 11, as amended; 469.43, by adding a subdivision; 469.45, subdivisions 1, 2; 469.47, subdivision 4, as amended; 471.57, subdivision 3; 471.571, subdivision 3; 471.572, subdivisions 2, 4; 473.13, by adding a subdivision; 473.39, by adding a subdivision; 473.446, subdivision 1; 473H.09; 473H.17, subdivision 1a; 475.59; 477A.013, subdivision 10, by adding a subdivision; 477A.017, subdivision 2, by adding a subdivision; 477A.03, subdivisions 2a, 2b; 477A.10; 477A.11, by adding subdivisions; 609.5316, subdivision 3; 611.27, subdivisions 13, 15; Laws 1980, chapter 511, sections 1, subdivision 2, as amended; 2, as amended; Laws 1991, chapter 291, article 8, section 27, subdivisions 3, as amended, 4, as amended, 5, 6; Laws 1996, chapter 471, article 3, section 51; Laws 1999, chapter 243, article 4, section 18, subdivision 1, as amended; Laws 2008, chapter 366, article 7, section 20; Laws 2009, chapter 88, article 5, section 17, as amended; Laws 2011, First Special Session chapter 9, article 6, section 97, subdivision 6; Laws 2014, chapter 308, article 6, section 7; proposing coding for new law in Minnesota Statutes, chapters 11A; 16A; 16B; 116J; 116P; 117; 273; 274; 275; 290; 297A; 416; 459; 473; 477A;

609; proposing coding for new law as Minnesota Statutes, chapter 116X; repealing Minnesota Statutes 2014, sections 10A.322, subdivision 4; 13.4967, subdivision 2; 205.10, subdivision 3; 290.06, subdivision 23; 290.067, subdivisions 2, 2a, 2b; 297A.61, subdivisions 50, 51, 52, 53, 54, 55, 56; 297A.992, subdivision 12; 297F.05, subdivision 1a; 477A.017, subdivision 3; 477A.085; 477A.19; Minnesota Rules, part 4503.1400, subpart 4."

With the recommendation that when so amended the bill be re-referred to the Committee on Ways and Means.

The report was adopted.

Sanders from the Committee on Government Operations and Elections Policy to which was referred:

H. F. No. 1508, A bill for an act relating to retirement; statewide and major local public retirement plans; eliminating various outdated or obsolete allowable service credit provisions; eliminating other outdated date references in pension provisions; clarifying or eliminating other ambiguous retirement provisions; correcting various pension-related headnotes; amending Minnesota Statutes 2014, sections 352.01, subdivisions 11, 15; 352.021, subdivisions 1, 3, 4; 352.029, subdivision 2; 352.22, subdivisions 8, 10; 352.23; 352.75, subdivision 2; 352.87, subdivision 8; 352B.011, subdivision 3; 352B.07; 352B.25; 353.01, subdivisions 2b, 6, 16, 17; 353.017, subdivision 2; 353.46, subdivision 2; 353.64, subdivisions 7a, 8, 9, 10; 353D.071, subdivision 2; 354.05, subdivisions 10, 13, 25; 354.07, subdivision 5; 354.092, subdivision 4; 354.42, subdivision 1a; 354.44, subdivisions 8, 9; 354.45, subdivision 1a; 354.48, subdivision 3; 354.51, subdivisions 1, 5; 354.52, subdivision 4c; 354.55, subdivision 10; 354A.011, subdivision 6; 354A.092; 354A.12, subdivision 3c; 354A.31, subdivision 7; 354A.42; 356.215, subdivisions 1, 18; 356.245; 356.40; 356.405; 356.407, subdivision 1; 356.415, subdivisions 1, 1a, 1d, 1e, 1f; 356.431; 356.62; 356B.10, subdivisions 2, 3, 4, 5, 6, 7; 423A.02, subdivision 1b; 424A.001, subdivision 10; repealing Minnesota Statutes 2014, sections 352.271; 352.75, subdivisions 1, 3, 4, 5, 6; 352.76; 352.91, subdivisions 3a, 3b; 352B.29; 353.83; 353.84; 353.85; 354.146, subdivisions 1, 3; 354.33, subdivisions 5, 6; 354.39; 354.55, subdivisions 13, 16, 17, 18, 19; 354.58; 354A.35, subdivision 2a; 356.42; 356.49, subdivision 2; 424A.03, subdivision 3.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1
INTEREST, SALARY, AND PAYROLL GROWTH ASSUMPTION CHANGES

Section 1. Minnesota Statutes 2014, section 356.215, subdivision 8, is amended to read:

Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use the applicable following interest assumption:

(1) select and ultimate interest rate assumption

plan	ultimate interest rate assumption
general state employees retirement plan	8.5%
correctional state employees retirement plan	8.5
State Patrol retirement plan	8.5
legislators retirement plan, and for the constitutional officers calculation of total plan liabilities	0
judges retirement plan	8.5

general public employees retirement plan	8.5
public employees police and fire retirement plan	8.5
local government correctional service retirement plan	8.5
teachers retirement plan	8.5%
St. Paul teachers retirement plan	8.5

~~Except for the legislators retirement plan and the constitutional officers calculation of total plan liabilities,~~ The select preretirement interest rate assumption for the period ~~after June 30, 2012,~~ through June 30, 2017, is 8 percent.

(2) single rate interest rate assumption

plan	interest rate assumption
<u>general state employees retirement plan</u>	<u>8%</u>
<u>correctional state employees retirement plan</u>	<u>8</u>
<u>State Patrol retirement plan</u>	<u>8</u>
<u>legislators retirement plan, and for the constitutional officers calculation of total plan liabilities</u>	<u>0</u>
<u>judges retirement plan</u>	<u>8</u>
<u>general public employees retirement plan</u>	<u>8</u>
<u>public employees police and fire retirement plan</u>	<u>8</u>
<u>local government correctional service retirement plan</u>	<u>8</u>
<u>St. Paul teachers retirement plan</u>	<u>8</u>
Bloomington Fire Department Relief Association	6
local monthly benefit volunteer firefighters relief associations	5

(b)(1) If funding stability has been attained, the valuation must use a postretirement adjustment rate actuarial assumption equal to the postretirement adjustment rate specified in section 354A.27, subdivision 7; 354A.29, subdivision 9; or 356.415, subdivision 1, whichever applies.

(2) If funding stability has not been attained, the valuation must use a select postretirement adjustment rate actuarial assumption equal to the postretirement adjustment rate specified in section 354A.27, subdivision 6a; 354A.29, subdivision 8; or 356.415, subdivision 1a, 1b, 1c, 1d, 1e, or 1f, whichever applies, for a period ending when the approved actuary estimates that the plan will attain the defined funding stability measure, and thereafter an ultimate postretirement adjustment rate actuarial assumption equal to the postretirement adjustment rate under section 354A.27, subdivision 7; 354A.29, subdivision 9; or 356.415, subdivision 1, for the applicable period or periods beginning when funding stability is projected to be attained.

(c) The actuarial valuation must use the applicable following single rate future salary increase assumption, the applicable following modified single rate future salary increase assumption, or the applicable following graded rate future salary increase assumption:

(1) single rate future salary increase assumption

plan	future salary increase assumption
legislators retirement plan	5%
judges retirement plan	3 <u>2.75</u>
Bloomington Fire Department Relief Association	4

(2) age-related future salary increase age-related select and ultimate future salary increase assumption or graded rate future salary increase assumption

plan	future salary increase assumption
local government correctional service retirement plan	assumption B
St. Paul teachers retirement plan	assumption A

For plans other than the St. Paul teachers retirement plan and the local government correctional service retirement plan, the select calculation is: during the designated select period, a designated percentage rate is multiplied by the result of the designated integer minus T, where T is the number of completed years of service, and is added to the applicable future salary increase assumption. The designated select period is ten years and the designated integer is ten for the local government correctional service retirement plan and 15 for the St. Paul Teachers Retirement Fund Association. The designated percentage rate is 0.2 percent for the St. Paul Teachers Retirement Fund Association.

The ultimate future salary increase assumption is:

age	A	B
16	5.9%	9% 8.75%
17	5.9	9 8.75
18	5.9	9 8.75
19	5.9	9 8.75
20	5.9	9 8.75
21	5.9	8.75 8.5
22	5.9	8.5 8.25
23	5.85	8.25 8
24	5.8	8 7.75
25	5.75	7.75 7.5
26	5.7	7.5 7.25
27	5.65	7.25 7
28	5.6	7 6.75
29	5.55	6.75 6.5
30	5.5	6.75 6.5
31	5.45	6.5 6.25
32	5.4	6.5 6.25
33	5.35	6.5 6.25
34	5.3	6.25 6
35	5.25	6.25 6
36	5.2	6 5.75
37	5.15	6 5.75
38	5.1	6 5.75
39	5.05	5.75 5.5
40	5	5.75 5.5
41	4.95	5.75 5.5
42	4.9	5.5 5.25

43	4.85	5.25 <u>5</u>
44	4.8	5.25 <u>5</u>
45	4.75	5 <u>4.75</u>
46	4.7	5 <u>4.75</u>
47	4.65	5 <u>4.75</u>
48	4.6	5 <u>4.75</u>
49	4.55	5 <u>4.75</u>
50	4.5	5 <u>4.75</u>
51	4.45	5 <u>4.75</u>
52	4.4	5 <u>4.75</u>
53	4.35	5 <u>4.75</u>
54	4.3	5 <u>4.75</u>
55	4.25	4.75 <u>4.5</u>
56	4.2	4.75 <u>4.5</u>
57	4.15	4.5 <u>4.25</u>
58	4.1	4.25 <u>4</u>
59	4.05	4.25 <u>4</u>
60	4	4.25 <u>4</u>
61	4	4.25 <u>4</u>
62	4	4.25 <u>4</u>
63	4	4.25 <u>4</u>
64	4	4.25 <u>4</u>
65	4	4 <u>3.75</u>
66	4	4 <u>3.75</u>
67	4	4 <u>3.75</u>
68	4	4 <u>3.75</u>
69	4	4 <u>3.75</u>
70	4	4 <u>3.75</u>

(3) service-related ultimate future salary increase assumption

general state employees retirement plan of the Minnesota State Retirement System	assumption A
general employees retirement plan of the Public Employees Retirement Association	assumption B
Teachers Retirement Association	assumption C
public employees police and fire retirement plan	assumption D
State Patrol retirement plan	assumption E
correctional state employees retirement plan of the Minnesota State Retirement System	assumption F

service length	A	B	C	D	E	F
1	10.5% <u>10.25%</u>	12.03% <u>11.78%</u>	12%	13% <u>12.75%</u>	8% <u>7.75%</u>	6% <u>5.75%</u>
2	8.1 <u>7.85</u>	8.9 <u>8.65</u>	9	11 <u>10.75</u>	7.5 <u>7.25</u>	5.85 <u>5.6</u>
3	6.9 <u>6.65</u>	7.46 <u>7.21</u>	8	9 <u>8.75</u>	7 <u>6.75</u>	5.7 <u>5.45</u>
4	6.2 <u>5.95</u>	6.58 <u>6.33</u>	7.5	8 <u>7.75</u>	6.75 <u>6.5</u>	5.55 <u>5.3</u>
5	5.7 <u>5.45</u>	5.97 <u>5.72</u>	7.25	6.5 <u>6.25</u>	6.5 <u>6.25</u>	5.4 <u>5.15</u>
6	5.3 <u>5.05</u>	5.52 <u>5.27</u>	7	6.1 <u>5.85</u>	6.25 <u>6</u>	5.25 <u>5</u>
7	5 <u>4.75</u>	5.16 <u>4.91</u>	6.85	5.8 <u>5.55</u>	6 <u>5.75</u>	5.1 <u>4.85</u>
8	4.7 <u>4.45</u>	4.87 <u>4.62</u>	6.7	5.6 <u>5.35</u>	5.85 <u>5.6</u>	4.95 <u>4.7</u>
9	4.5 <u>4.25</u>	4.63 <u>4.38</u>	6.55	5.4 <u>5.15</u>	5.7 <u>5.45</u>	4.8 <u>4.55</u>
10	4.4 <u>4.15</u>	4.42 <u>4.17</u>	6.4	5.3 <u>5.05</u>	5.55 <u>5.3</u>	4.65 <u>4.4</u>

11	4.2 <u>3.95</u>	4.24 <u>3.99</u>	6.25	5.2 <u>4.95</u>	5.4 <u>5.15</u>	4.55 <u>4.3</u>
12	4.1 <u>3.85</u>	4.08 <u>3.83</u>	6	5.1 <u>4.85</u>	5.25 <u>5</u>	4.45 <u>4.2</u>
13	4 <u>3.75</u>	3.94 <u>3.69</u>	5.75	5 <u>4.75</u>	5.1 <u>4.85</u>	4.35 <u>4.1</u>
14	3.8 <u>3.55</u>	3.82 <u>3.57</u>	5.5	4.9 <u>4.65</u>	4.95 <u>4.7</u>	4.25 <u>4</u>
15	3.7 <u>3.45</u>	3.7 <u>3.45</u>	5.25	4.8 <u>4.55</u>	4.8 <u>4.55</u>	4.15 <u>3.9</u>
16	3.6 <u>3.35</u>	3.6 <u>3.35</u>	5	4.8 <u>4.55</u>	4.65 <u>4.4</u>	4.05 <u>3.8</u>
17	3.5 <u>3.25</u>	3.51 <u>3.26</u>	4.75	4.8 <u>4.55</u>	4.5 <u>4.25</u>	3.95 <u>3.7</u>
18	3.5 <u>3.25</u>	3.5 <u>3.25</u>	4.5	4.8 <u>4.55</u>	4.35 <u>4.1</u>	3.85 <u>3.6</u>
19	3.5 <u>3.25</u>	3.5 <u>3.25</u>	4.25	4.8 <u>4.55</u>	4.2 <u>3.95</u>	3.75 <u>3.5</u>
20	3.5 <u>3.25</u>	3.5 <u>3.25</u>	4	4.8 <u>4.55</u>	4.05 <u>3.8</u>	3.75 <u>3.5</u>
21	3.5 <u>3.25</u>	3.5 <u>3.25</u>	3.9	4.7 <u>4.45</u>	4 <u>3.75</u>	3.75 <u>3.5</u>
22	3.5 <u>3.25</u>	3.5 <u>3.25</u>	3.8	4.6 <u>4.35</u>	4 <u>3.75</u>	3.75 <u>3.5</u>
23	3.5 <u>3.25</u>	3.5 <u>3.25</u>	3.7	4.5 <u>4.25</u>	4 <u>3.75</u>	3.75 <u>3.5</u>
24	3.5 <u>3.25</u>	3.5 <u>3.25</u>	3.6	4.5 <u>4.25</u>	4 <u>3.75</u>	3.75 <u>3.5</u>
25	3.5 <u>3.25</u>	3.5 <u>3.25</u>	3.5	4.5 <u>4.25</u>	4 <u>3.75</u>	3.75 <u>3.5</u>
26	3.5 <u>3.25</u>	3.5 <u>3.25</u>	3.5	4.5 <u>4.25</u>	4 <u>3.75</u>	3.75 <u>3.5</u>
27	3.5 <u>3.25</u>	3.5 <u>3.25</u>	3.5	4.5 <u>4.25</u>	4 <u>3.75</u>	3.75 <u>3.5</u>
28	3.5 <u>3.25</u>	3.5 <u>3.25</u>	3.5	4.5 <u>4.25</u>	4 <u>3.75</u>	3.75 <u>3.5</u>
29	3.5 <u>3.25</u>	3.5 <u>3.25</u>	3.5	4.5 <u>4.25</u>	4 <u>3.75</u>	3.75 <u>3.5</u>
30 or more	3.5 <u>3.25</u>	3.5 <u>3.25</u>	3.5	4.5 <u>4.25</u>	4 <u>3.75</u>	3.75 <u>3.5</u>

(d) The actuarial valuation must use the applicable following payroll growth assumption for calculating the amortization requirement for the unfunded actuarial accrued liability where the amortization retirement is calculated as a level percentage of an increasing payroll:

plan	payroll growth assumption
general state employees retirement plan of the Minnesota State Retirement System	3.75% <u>3.5%</u>
correctional state employees retirement plan	3.75 <u>3.5</u>
State Patrol retirement plan	3.75 <u>3.5</u>
judges retirement plan	3 <u>2.75</u>
general employees retirement plan of the Public Employees Retirement Association	3.75 <u>3.5</u>
public employees police and fire retirement plan	3.75 <u>3.5</u>
local government correctional service retirement plan	3.75 <u>3.5</u>
teachers retirement plan	3.75
St. Paul teachers retirement plan	4

(e) The assumptions set forth in paragraphs (c) and (d) continue to apply, unless a different salary assumption or a different payroll increase assumption:

(1) has been proposed by the governing board of the applicable retirement plan;

(2) is accompanied by the concurring recommendation of the actuary retained under section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the most recent actuarial valuation report if section 356.214 does not apply; and

(3) has been approved or deemed approved under subdivision 18.

EFFECTIVE DATE. This section is effective June 30, 2015, and applies to actuarial valuations prepared for an actuarial valuation date after that date.

ARTICLE 2
CONFORMING CHANGES IN REFUND REPAYMENT PROVISIONS RELATED TO INTEREST
ASSUMPTION CHANGE

Section 1. Minnesota Statutes 2014, section 3A.03, subdivision 2, is amended to read:

Subd. 2. **Refund.** (a) A former member who has made contributions under subdivision 1 and who is no longer a member of the legislature is entitled to receive, upon written application to the executive director on a form prescribed by the executive director, a refund from the general fund of all contributions credited to the member's account with interest computed as provided in section 352.22, subdivision 2.

(b) The refund of contributions as provided in paragraph (a) terminates all rights of a former member of the legislature and the survivors of the former member under this chapter.

(c) If the former member of the legislature again becomes a member of the legislature after having taken a refund as provided in paragraph (a), the member is a member of the unclassified employees retirement program of the Minnesota State Retirement System.

(d) However, the member may reinstate the rights and credit for service previously forfeited under this chapter if the member repays all refunds taken, plus interest at ~~an annual~~ the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually from the date on which the refund was taken to the date on which the refund is repaid.

(e) No person may be required to apply for or to accept a refund.

Sec. 2. Minnesota Statutes 2014, section 352.01, subdivision 13a, is amended to read:

Subd. 13a. **Reduced salary during period of workers' compensation.** An employee on leave of absence receiving temporary workers' compensation payments and a reduced salary or no salary from the employer who is entitled to allowable service credit for the period of absence, may make payment to the fund for the difference between salary received, if any, and the salary the employee would normally receive if not on leave of absence during the period. The employee shall pay an amount equal to the employee and employer contribution rate under section 352.04, subdivisions 2 and 3, on the differential salary amount for the period of the leave of absence.

The employing department, at its option, may pay the employer amount on behalf of its employees. Payment made under this subdivision must include interest at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter per year, and must be completed within one year of the return from leave of absence.

Sec. 3. Minnesota Statutes 2014, section 352.04, subdivision 8, is amended to read:

Subd. 8. **Department required to pay omitted salary deductions.** (a) If a department fails to take deductions past due for a period of 60 days or less from an employee's salary as provided in this section, those deductions must be taken on later payroll abstracts.

(b) If a department fails to take deductions past due for a period in excess of 60 days from an employee's salary as provided in this section, the department, and not the employee, must pay on later payroll abstracts the employee and employer contributions and an amount equivalent to 8.5 percent until June 30, 2015, and eight percent thereafter of the total amount due in lieu of interest, or if the delay in payment exceeds one year, 8.5 percent until June 30, 2015, and eight percent thereafter compound annual interest.

(c) If a department fails to take deductions past due for a period of 60 days or less and the employee is no longer in state service so that the required deductions cannot be taken from the salary of the employee, the department must nevertheless pay the required employer contributions. If any department fails to take deductions past due for a period in excess of 60 days and the employee is no longer in state service, the omitted contributions must be recovered under paragraph (b).

(d) If an employee from whose salary required deductions were past due for a period of 60 days or less leaves state service before the payment of the omitted deductions and subsequently returns to state service, the unpaid amount is considered the equivalent of a refund. The employee accrues no right by reason of the unpaid amount, except that the employee may pay the amount of omitted deductions as provided in section 352.23.

Sec. 4. Minnesota Statutes 2014, section 352.04, subdivision 9, is amended to read:

Subd. 9. **Erroneous deductions, canceled warrants.** (a) Deductions taken from the salary of an employee for the retirement fund in excess of required amounts must, upon discovery and verification by the department making the deduction, be refunded to the employee.

(b) If a deduction for the retirement fund is taken from a salary warrant or check, and the check is canceled or the amount of the warrant or check returned to the funds of the department making the payment, the sum deducted, or the part of it required to adjust the deductions, must be refunded to the department or institution if the department applies for the refund on a form furnished by the director. The department's payments must likewise be refunded to the department.

(c) If erroneous employee deductions and employer contributions are caused by an error in plan coverage involving the plan and any other plans specified in section 356.99, that section applies. If the employee should have been covered by the plan governed by chapter 352D, 353D, 354B, or 354D, the employee deductions and employer contributions taken in error must be directly transferred to the applicable employee's account in the correct retirement plan, with interest at the rate of 0.71 percent per month until June 30, 2015, and 0.667 percent per month thereafter, compounded annually, from the first day of the month following the month in which coverage should have commenced in the correct defined contribution plan until the end of the month in which the transfer occurs.

Sec. 5. Minnesota Statutes 2014, section 352.23, is amended to read:

352.23 TERMINATION OF RIGHTS.

When any employee accepts a refund as provided in section 352.22, all existing service credits and all rights and benefits to which the employee was entitled before accepting the refund terminate. They must not again be restored until the former employee acquires at least six months of allowable service credit after taking the last refund. In that event, the employee may repay all refunds previously taken from the retirement fund. Repayment of refunds entitles the employee only to credit for service covered by (1) salary deductions; (2) payments made in lieu of salary deductions; (3) payments made to obtain credit for service as permitted by laws in effect when payment was made; and (4) allowable service once credited while receiving temporary workers' compensation as provided in section 352.01, subdivision 11, clause (5). Payments under this section for repayment of refunds are to be paid with interest ~~at an annual~~ at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually. They may be paid in a lump sum or by payroll deduction in the manner provided in section 352.04. Payment may be made in a lump sum up to six months after termination from service.

Sec. 6. Minnesota Statutes 2014, section 352B.11, subdivision 4, is amended to read:

Subd. 4. **Reentry into state service.** When a former member, who has become separated from state service that entitled the member to membership and has received a refund of retirement payments, reenters the state service in a position that entitles the member to membership, that member shall receive credit for the period of prior allowable

state service if the member repays into the fund the amount of the refund, plus interest on it at ~~an annual~~ the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually, at any time before subsequent retirement. Repayment may be made in installments or in a lump sum.

Sec. 7. Minnesota Statutes 2014, section 352D.05, subdivision 4, is amended to read:

Subd. 4. **Repayment of refund.** (a) A participant in the unclassified program may repay regular refunds taken under section 352.22, as provided in section 352.23.

(b) A participant in the unclassified program or an employee covered by the general employees retirement plan who has withdrawn the value of the total shares may repay the refund taken and thereupon restore the service credit, rights and benefits forfeited by paying into the fund the amount refunded plus interest at ~~an annual~~ the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually from the date that the refund was taken until the date that the refund is repaid. If the participant had withdrawn only the employee shares as permitted under prior laws, repayment must be pro rata.

(c) Except as provided in section 356.441, the repayment of a refund under this section must be made in a lump sum.

Sec. 8. Minnesota Statutes 2014, section 352D.12, is amended to read:

352D.12 TRANSFER OF PRIOR SERVICE CONTRIBUTIONS.

(a) An employee who is a participant in the unclassified program and who has prior service credit in a covered plan under chapter 352, 353, 354, 354A, or 422A may, within the time limits specified in this section, elect to transfer to the unclassified program prior service contributions to one or more of those plans.

(b) For participants with prior service credit in a plan governed by chapter 352, 353, 354, 354A, or 422A, "prior service contributions" means the accumulated employee and equal employer contributions with interest at ~~an annual~~ the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually, based on fiscal year balances.

(c) If a participant has taken a refund from a retirement plan listed in this section, the participant may repay the refund to that plan, notwithstanding any restrictions on repayment to that plan, plus 8.5 percent interest until June 30, 2015, and eight percent interest thereafter compounded annually and have the accumulated employee and equal employer contributions transferred to the unclassified program with interest at ~~an annual~~ the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually based on fiscal year balances. If a person repays a refund and subsequently elects to have the money transferred to the unclassified program, the repayment amount, including interest, is added to the fiscal year balance in the year which the repayment was made.

(d) A participant electing to transfer prior service contributions credited to a retirement plan governed by chapter 352, 353, 354, 354A, or 422A as provided under this section must complete a written application for the transfer and repay any refund within one year of the commencement of the employee's participation in the unclassified program.

Sec. 9. Minnesota Statutes 2014, section 353.27, subdivision 7a, is amended to read:

Subd. 7a. **Deductions or contributions transmitted by error.** (a) If employee deductions and employer contributions under this section, section 353.50, 353.65, or 353E.03 were erroneously transmitted to the association, but should have been transmitted to a plan covered by chapter 352D, 353D, 354B, or 354D, the executive director shall transfer the erroneous employee deductions and employer contributions to the appropriate retirement fund or individual account, as applicable. The time limitations specified in subdivisions 7 and 12 do not apply. The transfer to the applicable defined contribution plan account must include interest at the rate of 0.71 percent per month until

June 30, 2015, and 0.667 percent per month thereafter, compounded annually, from the first day of the month following the month in which coverage should have commenced in the defined contribution plan until the end of the month in which the transfer occurs.

(b) A potential transfer under paragraph (a) that is reasonably determined to cause the plan to fail to be a qualified plan under section 401(a) of the federal Internal Revenue Code, as amended, must not be made by the executive director of the association. Within 30 days after being notified by the Public Employees Retirement Association of an unmade potential transfer under this paragraph, the employer of the affected person must transmit an amount representing the applicable salary deductions and employer contributions, without interest, to the retirement fund of the appropriate Minnesota public pension plan, or to the applicable individual account if the proper coverage is by a defined contribution plan. The association must provide the employing unit a credit for the amount of the erroneous salary deductions and employer contributions against future contributions from the employer. If the employing unit receives a credit under this paragraph, the employing unit is responsible for refunding to the applicable employee any amount that had been erroneously deducted from the person's salary.

(c) If erroneous employee deductions and employer contributions reflect a plan coverage error involving any Public Employees Retirement Association plan specified in section 356.99 and any other plan specified in that section, section 356.99 applies.

Sec. 10. Minnesota Statutes 2014, section 353.27, subdivision 12, is amended to read:

Subd. 12. **Omitted salary deductions; obligations.** (a) In the case of omission of required deductions for the general employees retirement plan, the public employees police and fire retirement plan, or the local government correctional employees retirement plan from the salary of an employee, the department head or designee shall immediately, upon discovery, report the employee for membership and deduct the employee deductions under subdivision 4 during the current pay period or during the pay period immediately following the discovery of the omission. Payment for the omitted obligations may only be made in accordance with reporting procedures and methods established by the executive director.

(b) When the entire omission period of an employee does not exceed 60 days, the governmental subdivision may report and submit payment of the omitted employee deductions and the omitted employer contributions through the reporting processes under subdivision 4.

(c) When the omission period of an employee exceeds 60 days, the governmental subdivision shall furnish to the association sufficient data and documentation upon which the obligation for omitted employee and employer contributions can be calculated. The omitted employee deductions must be deducted from the employee's subsequent salary payment or payments and remitted to the association for deposit in the applicable retirement fund. The employee shall pay omitted employee deductions due for the 60 days prior to the end of the last pay period in the omission period during which salary was earned. The employer shall pay any remaining omitted employee deductions and any omitted employer contributions, plus cumulative interest at ~~an~~ the annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually, from the date or dates each omitted employee contribution was first payable.

(d) An employer shall not hold an employee liable for omitted employee deductions beyond the pay period dates under paragraph (c), nor attempt to recover from the employee those employee deductions paid by the employer on behalf of the employee. Omitted deductions due under paragraph (c) which are not paid by the employee constitute a liability of the employer that failed to deduct the omitted deductions from the employee's salary. The employer shall make payment with interest at ~~an~~ the annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually. Omitted employee deductions are no longer due if an employee terminates public service before making payment of omitted employee deductions to the association, but the employer remains liable to pay omitted employer contributions plus interest at ~~an~~ the annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually from the date the contributions were first payable.

(e) The association may not commence action for the recovery of omitted employee deductions and employer contributions after the expiration of three calendar years after the calendar year in which the contributions and deductions were omitted. Except as provided under paragraph (b), no payment may be made or accepted unless the association has already commenced action for recovery of omitted deductions. An action for recovery commences on the date of the mailing of any written correspondence from the association requesting information from the governmental subdivision upon which to determine whether or not omitted deductions occurred.

Sec. 11. Minnesota Statutes 2014, section 353.27, subdivision 12a, is amended to read:

Subd. 12a. **Terminated employees: omitted deductions.** A terminated employee who was a member of the general employees retirement plan of the Public Employees Retirement Association, the public employees police and fire retirement plan, or the local government correctional employees retirement plan and who has a period of employment in which previously omitted employer contributions were made under subdivision 12 but for whom no, or only partial, omitted employee contributions have been made, or a member who had prior coverage in the association for which previously omitted employer contributions were made under subdivision 12 but who terminated service before required omitted employee deductions could be withheld from salary, may pay the omitted employee deductions for the period on which omitted employer contributions were previously paid plus interest at ~~an~~ the annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually. A terminated employee may pay the omitted employee deductions plus interest within six months of an initial notification from the association of eligibility to pay those omitted deductions. If a terminated employee is reemployed in a position covered under a public pension fund under section 356.30, subdivision 3, and elects to pay omitted employee deductions, payment must be made no later than six months after a subsequent termination of public service.

Sec. 12. Minnesota Statutes 2014, section 353.28, subdivision 5, is amended to read:

Subd. 5. **Interest chargeable on amounts due.** Any amount due under this section or section 353.27, subdivision 4, is payable with interest at ~~an~~ the annual compound rate of 8.5 percent until June 30, 2015, and eight percent thereafter from the date due until the date payment is received by the association, with a minimum interest charge of \$10.

Sec. 13. Minnesota Statutes 2014, section 353.35, subdivision 1, is amended to read:

Subdivision 1. **Refund rights.** (a) Except as provided in paragraph (b), when any former member accepts a refund, all existing service credits and all rights and benefits to which the person was entitled prior to the acceptance of the refund must terminate.

(b) A refund under section 353.651, subdivision 3, paragraph (c), does not result in a forfeiture of salary credit for the allowable service credit covered by the refund.

(c) The rights and benefits of a former member must not be restored until the person returns to active service and acquires at least six months of allowable service credit after taking the last refund and repays the refund or refunds taken and interest received under section 353.34, subdivisions 1 and 2, plus interest at ~~an~~ the annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually. If the person elects to restore service credit in a particular fund from which the person has taken more than one refund, the person must repay all refunds to that fund. All refunds must be repaid within six months of the last date of termination of public service.

Sec. 14. Minnesota Statutes 2014, section 354A.093, subdivision 6, is amended to read:

Subd. 6. **Interest requirements.** The employer shall pay interest on all equivalent employee and employer contribution amounts payable under this section. Interest must be computed at ~~a~~ the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received.

Sec. 15. Minnesota Statutes 2014, section 354A.38, subdivision 3, is amended to read:

Subd. 3. **Computation of refund repayment amount.** If the coordinated member elects to repay a refund under subdivision 2, the repayment to the fund must be in an amount equal to refunds the member has accepted plus interest at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually from the date that the refund was accepted to the date that the refund is repaid.

Sec. 16. Minnesota Statutes 2014, section 356.44, is amended to read:

356.44 PARTIAL PAYMENT OF PENSION PLAN REFUND.

(a) Notwithstanding any provision of law to the contrary, a member of a pension plan listed in section 356.30, subdivision 3, with at least two years of forfeited service taken from a single pension plan, may repay a portion of all refunds. A partial refund repayment must comply with this section.

(b) The minimum portion of a refund repayment is one-third of the total service credit period of all refunds taken from a single plan.

(c) The cost of the partial refund repayment is the product of the cost of the total repayment multiplied by the ratio of the restored service credit to the total forfeited service credit. The total repayment amount includes interest at the annual rate of 8.5 percent for any period for the Teachers Retirement Association and is 8.5 percent until June 30, 2015, and 8 percent thereafter for any other retirement plan listed in section 356.30, subdivision 3, compounded annually, from the refund date to the date repayment is received.

(d) The restored service credit must be allocated based on the relationship the restored service bears to the total service credit period for all refunds taken from a single pension plan.

(e) This section does not authorize a public pension plan member to repay a refund if the law governing the plan does not authorize the repayment of a refund of member contributions.

Sec. 17. Minnesota Statutes 2014, section 490.124, subdivision 12, is amended to read:

Subd. 12. **Refund.** (a) A person who ceases to be a judge is entitled to a refund in an amount that is equal to all of the member's employee contributions to the judges' retirement fund plus interest computed under section 352.22, subdivision 2.

(b) A refund of contributions under paragraph (a) terminates all service credits and all rights and benefits of the judge and the judge's survivors under this chapter.

(c) A person who becomes a judge again after taking a refund under paragraph (a) may reinstate the previously terminated allowable service credit, rights, and benefits by repaying the total amount of the previously received refund. The refund repayment must include interest on the total amount previously received at ~~an~~ the annual rate of 8.5 percent, until June 30, 2015, and eight percent thereafter compounded annually, from the date on which the refund was received until the date on which the refund is repaid.

Sec. 18. **EFFECTIVE DATE.**

Unless otherwise specified, this article is effective July 1, 2015.

ARTICLE 3
CONFORMING CHANGES IN LEAVE AND PRIOR SERVICE CREDIT PURCHASE PROVISIONS
RELATED TO INTEREST ASSUMPTION CHANGE

Section 1. Minnesota Statutes 2014, section 352.017, subdivision 2, is amended to read:

Subd. 2. **Purchase procedure.** (a) An employee covered by a plan specified in this chapter may purchase credit for allowable service in that plan for a period specified in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.

(b) If payment is received by the executive director within one year from the date the employee returned to work following the authorized leave, the payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan at the end of the leave period multiplied by the employee's hourly rate of salary on the date of return from the leave of absence and by the days and months of the leave of absence for which the employee is eligible for allowable service credit. The payment must include compound interest at ~~a~~ the monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter from the last day of the leave period until the last day of the month in which payment is received. If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date of termination from public employment covered under this chapter.

(c) If the employee terminates employment covered by this chapter during the leave or following the leave rather than returning to covered employment, payment must be received by the executive director within 30 days after the termination date. The payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan on the day prior to the termination date, multiplied by the employee's hourly rate of salary on that date and by the days and months of the leave of absence prior to termination.

Sec. 2. Minnesota Statutes 2014, section 352.27, is amended to read:

352.27 CREDIT FOR BREAK IN SERVICE TO PROVIDE UNIFORMED SERVICE.

(a) An employee who is absent from employment by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), and who returns to state service upon discharge from service in the uniformed service within the time frames required in United States Code, title 38, section 4312(e), may obtain service credit for the period of the uniformed service as further specified in this section, provided that the employee did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions.

(b) The employee may obtain credit by paying into the fund an equivalent employee contribution based upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary during the purchase period that the employee would have received if the employee had continued to be employed in covered employment rather than to provide uniformed service, or, if the determination of that rate is not reasonably certain, the annual salary rate is the employee's average salary rate during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service.

(c) The equivalent employer contribution and, if applicable, the equivalent additional employer contribution provided in this chapter must be paid by the department employing the employee from funds available to the department at the time and in the manner provided in this chapter, using the employer and additional employer contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent employee contribution.

(d) If the employee equivalent contributions provided in this section are not paid in full, the employee's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total employee contribution received by the total employee contribution otherwise required under this section.

(e) To receive service credit under this section, the contributions specified in this section must be transmitted to the Minnesota State Retirement System during the period which begins with the date on which the individual returns to state service and which has a duration of three times the length of the uniformed service period, but not to exceed five years. If the determined payment period is less than one year, the contributions required under this section to receive service credit may be made within one year of the discharge date.

(f) The amount of service credit obtainable under this section may not exceed five years unless a longer purchase period is required under United States Code, title 38, section 4312.

(g) The employing unit shall pay interest on all equivalent employee and employer contribution amounts payable under this section. Interest must be computed at a the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received.

Sec. 3. Minnesota Statutes 2014, section 352.955, subdivision 3, is amended to read:

Subd. 3. **Payment of additional equivalent contributions.** (a) An eligible employee who is transferred to plan coverage and who elects to transfer past service credit under this section must pay an additional member contribution for that prior service period. The additional member contribution is the amount computed under paragraph (b), plus the greater of the amount computed under paragraph (c), or 40 percent of the unfunded actuarial accrued liability attributable to the past service credit transfer.

(b) The executive director shall compute, for the most recent 12 months of service credit eligible for transfer, or for the entire period eligible for transfer if less than 12 months, the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at a the monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter.

(c) The executive director shall compute, for any service credit being transferred on behalf of the eligible employee and not included under paragraph (b), the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at a the monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter.

(d) The executive director shall compute an amount using the process specified in paragraph (b), but based on differences in employer contribution rates between the general state employees retirement plan and the correctional state employees retirement plan rather than employee contribution rates.

(e) The executive director shall compute an amount using the process specified in paragraph (c), but based on differences in employer contribution rates between the general state employees retirement plan and the correctional state employees retirement plan rather than employee contribution rates.

(f) The additional equivalent member contribution under this subdivision must be paid in a lump sum. Payment must accompany the election to transfer the prior service credit. No transfer election or additional equivalent member contribution payment may be made by a person or accepted by the executive director after the one year anniversary date of the effective date of the retirement coverage transfer, or the date on which the eligible employee terminates state employment, whichever is earlier.

(g) If an eligible employee elects to transfer past service credit under this section and pays the additional equivalent member contribution amount under paragraph (a), the applicable department shall pay an additional equivalent employer contribution amount. The additional employer contribution is the amount computed under paragraph (d), plus the greater of the amount computed under paragraph (e), or 60 percent of the unfunded actuarial accrued liability attributable to the past service credit transfer.

(h) The unfunded actuarial accrued liability attributable to the past service credit transfer is the present value of the benefit obtained by the transfer of the service credit to the correctional state employees retirement plan reduced by the amount of the asset transfer under subdivision 4, by the amount of the member contribution equivalent payment computed under paragraph (b), and by the amount of the employer contribution equivalent payment computed under paragraph (d).

(i) The additional equivalent employer contribution under this subdivision must be paid in a lump sum and must be paid within 30 days of the date on which the executive director of the Minnesota State Retirement System certifies to the applicable department that the employee paid the additional equivalent member contribution.

Sec. 4. Minnesota Statutes 2014, section 352B.013, subdivision 2, is amended to read:

Subd. 2. **Purchase procedure.** (a) An employee covered by the plan specified in this chapter may purchase credit for allowable service in the plan for a period specified in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.

(b) If payment is received by the executive director within one year from the date the employee returned to work following the authorized leave, the payment amount is equal to the employee and employer contribution rates specified in section 352B.02 at the end of the leave period multiplied by the employee's hourly rate of salary on the date of return from the leave of absence and by the days and months of the leave of absence for which the employee is eligible for allowable service credit. The payment must include compound interest at ~~a~~ the monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter from the last day of the leave period until the last day of the month in which payment is received. If payment is received by the executive director after one year from the date the employee returned to work following the authorized leave, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date of termination from public employment covered under this chapter.

(c) If the employee terminates employment covered by this chapter during the leave or following the leave rather than returning to covered employment, payment must be received by the executive director within 30 days after the termination date. The payment amount is equal to the employee and employer contribution rates specified in section 352B.02 on the day prior to the termination date, multiplied by the employee's hourly rate of salary on that date and by the days and months of the leave of absence prior to termination.

Sec. 5. Minnesota Statutes 2014, section 352B.085, is amended to read:

352B.085 SERVICE CREDIT FOR CERTAIN DISABILITY LEAVES OF ABSENCE.

A member on leave of absence receiving temporary workers' compensation payments and a reduced salary or no salary from the employer who is entitled to allowable service credit for the period of absence under section 352B.011, subdivision 3, paragraph (b), may make payment to the fund for the difference between salary received, if any, and the salary that the member would normally receive if the member was not on leave of absence during the period. The member shall pay an amount equal to the member and employer contribution rate under section 352B.02, subdivisions 1b and 1c, on the differential salary amount for the period of the leave of absence. The employing department, at its option, may pay the employer amount on behalf of the member. Payment made under this subdivision must include interest at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter per year, and must be completed within one year of the member's return from the leave of absence.

Sec. 6. Minnesota Statutes 2014, section 352B.086, is amended to read:

352B.086 SERVICE CREDIT FOR UNIFORMED SERVICE.

(a) A member who is absent from employment by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), and who returns to state employment in a position covered by the plan upon discharge from service in the uniformed services within the time frame required in United States Code, title 38, section 4312(e), may obtain service credit for the period of the uniformed service, provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions.

(b) The member may obtain credit by paying into the fund an equivalent member contribution based on the member contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary during the purchase period that the member would have received if the member had continued to provide employment services to the state rather than to provide uniformed service, or if the determination of that rate is not reasonably certain, the annual salary rate is the member's average salary rate during the 12-month period of covered employment rendered immediately preceding the purchase period.

(c) The equivalent employer contribution and, if applicable, the equivalent employer additional contribution, must be paid by the employing unit, using the employer and employer additional contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent member contribution.

(d) If the member equivalent contributions provided for in this section are not paid in full, the member's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total member contributions received by the total member contributions otherwise required under this section.

(e) To receive allowable service credit under this section, the contributions specified in this section must be transmitted to the fund during the period which begins with the date on which the individual returns to state employment covered by the plan and which has a duration of three times the length of the uniformed service period, but not to exceed five years. If the determined payment period is calculated to be less than one year, the contributions required under this section to receive service credit must be transmitted to the fund within one year from the discharge date.

(f) The amount of allowable service credit obtainable under this section may not exceed five years, unless a longer purchase period is required under United States Code, title 38, section 4312.

(g) The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this section. Interest must be computed at a the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received.

Sec. 7. Minnesota Statutes 2014, section 352D.11, subdivision 2, is amended to read:

Subd. 2. **Payments by employee.** An employee entitled to purchase service credit may make the purchase by paying to the state retirement system an amount equal to the current employee contribution rate in effect for the state retirement system applied to the current or final salary rate multiplied by the months and days of prior temporary, intermittent, or contract legislative service. Payment shall be made in one lump sum unless the executive director of the state retirement system agrees to accept payment in installments over a period of not more than three years from the date of the agreement. Installment payments shall be charged interest at an annual the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually.

Sec. 8. Minnesota Statutes 2014, section 353.01, subdivision 16, is amended to read:

Subd. 16. **Allowable service; limits and computation.** (a) "Allowable service" means:

(1) service during years of actual membership in the course of which employee deductions were withheld from salary and contributions were made at the applicable rates under section 353.27, 353.65, or 353E.03;

(2) periods of service covered by payments in lieu of salary deductions under sections 353.27, subdivision 12, and 353.35;

(3) service in years during which the public employee was not a member but for which the member later elected, while a member, to obtain credit by making payments to the fund as permitted by any law then in effect;

(4) a period of authorized leave of absence with pay from which deductions for employee contributions are made, deposited, and credited to the fund;

(5) a period of authorized personal, parental, or medical leave of absence without pay, including a leave of absence covered under the federal Family Medical Leave Act, that does not exceed one year, and for which a member obtained service credit for each month in the leave period by payment under section 353.0161 to the fund made in place of salary deductions. An employee must return to public service and render a minimum of three months of allowable service in order to be eligible to make payment under section 353.0161 for a subsequent authorized leave of absence without pay. Upon payment, the employee must be granted allowable service credit for the purchased period;

(6) a periodic, repetitive leave that is offered to all employees of a governmental subdivision. The leave program may not exceed 208 hours per annual normal work cycle as certified to the association by the employer. A participating member obtains service credit by making employee contributions in an amount or amounts based on the member's average salary, excluding overtime pay, that would have been paid if the leave had not been taken. The employer shall pay the employer and additional employer contributions on behalf of the participating member. The employee and the employer are responsible to pay interest on their respective shares at the rate of 8.5 percent ~~a year until June 30, 2015, and eight percent thereafter~~, compounded annually, from the end of the normal cycle until full payment is made. An employer shall also make the employer and additional employer contributions, plus 8.5 percent interest ~~until June 30, 2015, and eight percent interest thereafter~~, compounded annually, on behalf of an employee who makes employee contributions but terminates public service. The employee contributions must be made within one year after the end of the annual normal working cycle or within 30 days after termination of public service, whichever is sooner. The executive director shall prescribe the manner and forms to be used by a governmental subdivision in administering a periodic, repetitive leave. Upon payment, the member must be granted allowable service credit for the purchased period;

(7) an authorized temporary or seasonal layoff under subdivision 12, limited to three months allowable service per authorized temporary or seasonal layoff in one calendar year. An employee who has received the maximum service credit allowed for an authorized temporary or seasonal layoff must return to public service and must obtain a minimum of three months of allowable service subsequent to the layoff in order to receive allowable service for a subsequent authorized temporary or seasonal layoff;

(8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service within the time frames required under United States Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service must be credited if the member pays into the fund equivalent employee contributions based

upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary during the purchase period that the member would have received if the member had continued to be employed in covered employment rather than to provide uniformed service, or, if the determination of that rate is not reasonably certain, the annual salary rate is the member's average salary rate during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service. Payment of the member equivalent contributions must be made during a period that begins with the date on which the individual returns to public employment and that is three times the length of the military leave period, or within five years of the date of discharge from the military service, whichever is less. If the determined payment period is less than one year, the contributions required under this clause to receive service credit may be made within one year of the discharge date. Payment may not be accepted following 30 days after termination of public service under subdivision 11a. If the member equivalent contributions provided for in this clause are not paid in full, the member's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total member contributions received by the total member contributions otherwise required under this clause. The equivalent employer contribution, and, if applicable, the equivalent additional employer contribution must be paid by the governmental subdivision employing the member if the member makes the equivalent employee contributions. The employer payments must be made from funds available to the employing unit, using the employer and additional employer contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent member contribution. The governmental subdivision involved may appropriate money for those payments. The amount of service credit obtainable under this section may not exceed five years unless a longer purchase period is required under United States Code, title 38, section 4312. The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this clause. Interest must be computed at a the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under section 353.0162.

(b) For calculating benefits under sections 353.30, 353.31, 353.32, and 353.33 for state officers and employees displaced by the Community Corrections Act, chapter 401, and transferred into county service under section 401.04, "allowable service" means the combined years of allowable service as defined in paragraph (a), clauses (1) to (6), and section 352.01, subdivision 11.

(c) No member may receive more than 12 months of allowable service credit in a year either for vesting purposes or for benefit calculation purposes. For an active member who was an active member of the former Minneapolis Firefighters Relief Association on December 29, 2011, "allowable service" is the period of service credited by the Minneapolis Firefighters Relief Association as reflected in the transferred records of the association up to December 30, 2011, and the period of service credited under paragraph (a), clause (1), after December 30, 2011. For an active member who was an active member of the former Minneapolis Police Relief Association on December 29, 2011, "allowable service" is the period of service credited by the Minneapolis Police Relief Association as reflected in the transferred records of the association up to December 30, 2011, and the period of service credited under paragraph (a), clause (1), after December 30, 2011.

(d) MS 2002 [Expired]

Sec. 9. Minnesota Statutes 2014, section 353.0161, subdivision 2, is amended to read:

Subd. 2. **Purchase procedure.** (a) An employee covered by a plan specified in subdivision 1 may purchase credit for allowable service in that plan for a period specified in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.

(b) If payment is received by the executive director within one year from the date the member returned to work following the authorized leave, or within 30 days after the date of termination of public service if the member did not return to work, the payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan at the end of the leave period, or at termination of public service, whichever is earlier, multiplied by the employee's average monthly salary, excluding overtime, upon which deductions were paid during the six months, or portion thereof, before the commencement of the leave of absence and by the number of months of the leave of absence for which the employee wants allowable service credit. Payments made under this paragraph must include compound interest at a the monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter from the last day of the leave period until the last day of the month in which payment is received.

(c) If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date the person terminates public service under section 353.01, subdivision 11a.

Sec. 10. Minnesota Statutes 2014, section 353.0162, is amended to read:

353.0162 REDUCED SALARY PERIODS SALARY CREDIT PURCHASE.

(a) A member may purchase additional salary credit for a period specified in this section.

(b) The applicable period is a period during which the member is receiving a reduced salary from the employer while the member is:

- (1) receiving temporary workers' compensation payments related to the member's service to the public employer;
- (2) on an authorized medical leave of absence; or

(3) on an authorized partial paid leave of absence as a result of a budgetary or salary savings program offered or mandated by a governmental subdivision.

(c) The differential salary amount is the difference between the average monthly salary received by the member during the period of reduced salary under this section and the average monthly salary of the member, excluding overtime, on which contributions to the applicable plan were made during the period of the last six months of covered employment occurring immediately before the period of reduced salary, applied to the member's normal employment period, measured in hours or otherwise, as applicable.

(d) To receive eligible salary credit, the member shall pay an amount equal to:

(1) the applicable employee contribution rate under section 353.27, subdivision 2; 353.65, subdivision 2; or 353E.03, subdivision 1, as applicable, multiplied by the differential salary amount;

(2) plus an employer equivalent payment equal to the applicable employer contribution rate in section 353.27, subdivision 3; 353.65, subdivision 3; or 353E.03, subdivision 2, as applicable, multiplied by the differential salary amount;

(3) plus, if applicable, an equivalent employer additional amount equal to the additional employer contribution rate in section 353.27, subdivision 3a, multiplied by the differential salary amount.

(e) The employer, by appropriate action of its governing body and documented in its official records, may pay the employer equivalent contributions and, as applicable, the equivalent employer additional contributions on behalf of the member.

(f) Payment under this section must include interest on the contribution amount or amounts, whichever applies, at an 8.5 percent annual rate until June 30, 2015, and at an eight percent annual rate thereafter, prorated for applicable months from the date on which the period of reduced salary specified under this section terminates to the date on which the payment or payments are received by the executive director. Payment under this section must be completed within the earlier of 30 days from termination of public service by the employee under section 353.01, subdivision 11a, or one year after the termination of the period specified in paragraph (b), as further restricted under this section.

(g) The period for which additional allowable salary credit may be purchased is limited to the period during which the person receives temporary workers' compensation payments or for those business years in which the governmental subdivision offers or mandates a budget or salary savings program, as certified to the executive director by a resolution of the governing body of the governmental subdivision. For an authorized medical leave of absence, the period for which allowable salary credit may be purchased may not exceed 12 consecutive months of authorized medical leave.

(h) To purchase salary credit for a subsequent period of temporary workers' compensation benefits or subsequent authorized medical leave of absence, the member must return to public service and render a minimum of three months of allowable service.

Sec. 11. Minnesota Statutes 2014, section 354A.096, is amended to read:

354A.096 MEDICAL LEAVE.

Any teacher in the coordinated program of the St. Paul Teachers Retirement Fund Association who is on an authorized medical leave of absence and subsequently returns to teaching service is entitled to receive allowable service credit, not to exceed one year, for the period of leave, upon making the prescribed payment to the fund. This payment must include the required employee and employer contributions at the rates specified in section 354A.12, subdivisions 1 and 2a, as applied to the member's average full-time monthly salary rate on the date the leave of absence commenced plus annual interest at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter per year from the end of the fiscal year during which the leave terminates to the end of the month during which payment is made. The member must pay the total amount required unless the employing unit, at its option, pays the employer contributions. The total amount required must be paid by the end of the fiscal year following the fiscal year in which the leave of absence terminated or before the member retires, whichever is earlier. Payment must be accompanied by a copy of the resolution or action of the employing authority granting the leave and the employing authority, upon granting the leave, must certify the leave to the association in a manner specified by the executive director. A member may not receive more than one year of allowable service credit during any fiscal year by making payment under this section. A member may not receive disability benefits under section 354A.36 and receive allowable service credit under this section for the same period of time.

Sec. 12. Minnesota Statutes 2014, section 354A.108, is amended to read:

354A.108 PAYMENT BY TEACHERS COLLECTING WORKERS' COMPENSATION.

(a) A member of the Duluth Teachers Retirement Fund Association who is receiving temporary workers' compensation payments related to the member's teaching service and who either is receiving a reduced salary from the employer or is receiving no salary from the employer is entitled to receive allowable service credit for the period of time that the member is receiving the workers' compensation payments upon making the required payment amount.

(b) The required amount payable by the member must be calculated first by determining the differential salary amount, which is the difference between the salary received, if any, during the period of time that the member is collecting workers' compensation payments, and the salary that the member received for an identical length period immediately before collecting the workers' compensation payments. The member shall pay an amount equal to the employee contribution rate under section 354A.12, subdivision 1, multiplied by the differential salary amount.

(c) If the member makes the employee payment under this section, the employing unit shall make an employer payment to the Duluth Teachers Retirement Fund Association equal to the employer contribution rate under section 354A.12, subdivision 2a, multiplied by the differential salary amount.

(d) Payments made under this subdivision are payable without interest if paid by June 30 of the year during which the workers' compensation payments are received by the member. If paid after June 30, payments made under this subdivision must include interest at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter per year. Payment under this section must be completed within one year of the termination of the workers' compensation payments to the member.

Sec. 13. Minnesota Statutes 2014, section 356.195, subdivision 2, is amended to read:

Subd. 2. **Purchase procedure for strike periods.** (a) An employee covered by a plan specified in subdivision 1 may purchase allowable service credit in the applicable plan for any period of time during which the employee was on a public employee strike without pay, not to exceed a period of one year, if the employee makes a payment in lieu of salary deductions as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.

(b) If payment is received by the applicable pension plan executive director within one year from the end of the strike, the payment amount is equal to the applicable employee and employer contribution rates specified in law for the applicable plan during the strike period, applied to the employee's rate of salary in effect at the conclusion of the strike for the period of the strike without pay, plus compound interest at a the monthly rate of 0.71 percent for any period for the Teachers Retirement Association and at the monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent thereafter for any other retirement plan listed in section 356.30, subdivision 3 from the last day of the strike period until the date payment is received.

(c) If payment is received by the applicable pension fund director after one year and before five years from the end of the strike, the payment amount is the amount determined under section 356.551.

(d) Payments may not be made more than five years after the end of the strike.

Sec. 14. Minnesota Statutes 2014, section 356.50, subdivision 2, is amended to read:

Subd. 2. **Service credit procedure.** (a) To obtain the public pension plan allowable service credit, the eligible person under subdivision 1 shall pay the required member contribution amount. The required member contribution amount is the member contribution rate or rates in effect for the pension plan during the period of service covered by the back pay award, applied to the unpaid gross salary amounts of the back pay award including unemployment insurance, workers' compensation, or wages from other sources which reduced the back award. No contributions may be made under this clause for compensation covered by a public pension plan listed in section 356.30, subdivision 3, for employment during the removal period. The person shall pay the required member contribution amount within 60 days of the date of receipt of the back pay award or within 60 days of a billing from the retirement fund, whichever is later.

(b) The public employer who wrongfully discharged the public employee must pay an employer contribution on the back pay award. The employer contribution must be based on the employer contribution rate or rates in effect for the pension plan during the period of service covered by the back pay award, applied to the salary amount on

which the member contribution amount was determined under paragraph (a). Interest on both the required member and employer contribution amount must be paid by the employer at the annual compound rate of 8.5 percent for any period for the Teachers Retirement Association and 8.5 percent until June 30, 2015, and 8 percent thereafter, for any other retirement plan listed in section 356.30, subdivision 3, per year, expressed monthly, between the date the contribution amount would have been paid to the date of actual payment. The employer payment must be made within 30 days of the payment under paragraph (a).

Sec. 15. Minnesota Statutes 2014, section 356.551, subdivision 2, is amended to read:

Subd. 2. **Determination.** (a) Unless the minimum purchase amount set forth in paragraph (c) applies, the prior service credit purchase amount is an amount equal to the actuarial present value, on the date of payment, as calculated by the chief administrative officer of the pension plan and reviewed by the actuary retained under section 356.214, of the amount of the additional retirement annuity obtained by the acquisition of the additional service credit in this section.

(b) Calculation of this amount must be made using the preretirement interest rate applicable to the public pension plan specified in section 356.215, subdivision 8, and the mortality table adopted for the public pension plan. The calculation must assume continuous future service in the public pension plan until, and retirement at, the age at which the minimum requirements of the fund for normal retirement or retirement with an annuity unreduced for retirement at an early age, including section 356.30, are met with the additional service credit purchased. The calculation must also assume a full-time equivalent salary, or actual salary, whichever is greater, and a future salary history that includes annual salary increases at the applicable salary increase rate for the plan specified in section 356.215, subdivision 4d.

(c) The prior service credit purchase amount may not be less than the amount determined by applying, for each year or fraction of a year being purchased, the sum of the employee contribution rate, the employer contribution rate, and the additional employer contribution rate, if any, applicable during that period, to the person's annual salary during that period, or fractional portion of a year's salary, if applicable, plus interest at the annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually from the end of the year in which contributions would otherwise have been made to the date on which the payment is received.

(d) Unless otherwise provided by statutes governing a specific plan, payment must be made in one lump sum within one year of the prior service credit authorization or prior to the member's effective date of retirement, whichever is earlier. Payment of the amount calculated under this section must be made by the applicable eligible person.

(e) However, the current employer or the prior employer may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect during the period or periods of prior service applied to the actual salary rates in effect during the period or periods of prior service, plus interest at the rate of 8.5 percent a year compounded annually from the date on which the contributions would otherwise have been made to the date on which the payment is made. If the employer agrees to payments under this subdivision, the purchaser must make the employee payments required under this subdivision within 90 days of the prior service credit authorization. If that employee payment is made, the employer payment under this subdivision must be remitted to the chief administrative officer of the public pension plan within 60 days of receipt by the chief administrative officer of the employee payments specified under this subdivision.

Sec. 16. Minnesota Statutes 2014, section 490.121, subdivision 4, is amended to read:

Subd. 4. **Allowable service.** (a) "Allowable service" means any calendar month, subject to the service credit limit in subdivision 22, served as a judge at any time, during which the judge received compensation for that service from the state, municipality, or county, whichever applies, and for which the judge made any required member contribution. It also includes any month served as a referee in probate for all referees in probate who were in office before January 1, 1974.

(b) "Allowable service" also means a period of authorized leave of absence for which the judge has made a payment in lieu of contributions, not in an amount in excess of the service credit limit under subdivision 22. To obtain the service credit, the judge shall pay an amount equal to the normal cost of the judges retirement plan on the date of return from the leave of absence, as determined in the most recent actuarial report for the plan filed with the Legislative Commission on Pensions and Retirement, multiplied by the judge's average monthly salary rate during the authorized leave of absence and multiplied by the number of months of the authorized leave of absence, plus annual compound interest at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter from the date of the termination of the leave to the date on which payment is made. The payment must be made within one year of the date on which the authorized leave of absence terminated. Service credit for an authorized leave of absence is in addition to a uniformed service leave under section 490.1211.

(c) "Allowable service" does not mean service as a retired judge.

Sec. 17. Minnesota Statutes 2014, section 490.1211, is amended to read:

490.1211 UNIFORMED SERVICE.

(a) A judge who is absent from employment by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), and who returns to state employment as a judge upon discharge from service in the uniformed service within the time frame required in United States Code, title 38, section 4312(e), may obtain service credit for the period of the uniformed service, provided that the judge did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions.

(b) The judge may obtain credit by paying into the fund equivalent member contribution based on the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary during the purchase period that the judge would have received if the judge had continued to provide employment services to the state rather than to provide uniformed service, or if the determination of that rate is not reasonably certain, the annual salary rate is the judge's average salary rate during the 12-month period of judicial employment rendered immediately preceding the purchase period.

(c) The equivalent employer contribution and, if applicable, the equivalent employer additional contribution, must be paid by the employing unit, using the employer and employer additional contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent member contribution.

(d) If the member equivalent contributions provided for in this section are not paid in full, the judge's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total member contributions received by the total member contributions otherwise required under this section.

(e) To receive allowable service credit under this section, the contributions specified in this section and section 490.121 must be transmitted to the fund during the period which begins with the date on which the individual returns to judicial employment and which has a duration of three times the length of the uniformed service period, but not to exceed five years. If the determined payment period is calculated to be less than one year, the contributions required under this section to receive service credit may be within one year from the discharge date.

(f) The amount of allowable service credit obtainable under this section and section 490.121 may not exceed five years, unless a longer purchase period is required under United States Code, title 38, section 4312.

(g) The state court administrator shall pay interest on all equivalent member and employer contribution amounts payable under this section. Interest must be computed at a the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received.

Sec. 18. **EFFECTIVE DATE.**

Unless otherwise specified, this article is effective July 1, 2015.

ARTICLE 4

POSTRETIREMENT ADJUSTMENT FINANCIAL SUSTAINABILITY TRIGGER MODIFICATIONS

Section 1. Minnesota Statutes 2014, section 354A.29, subdivision 7, is amended to read:

Subd. 7. **Eligibility for payment of postretirement adjustments.** (a) Annually, after June 30, the board of trustees of the St. Paul Teachers Retirement Fund Association must determine the amount of any postretirement adjustment using the procedures in this subdivision and subdivision 8 or 9, whichever is applicable.

(b) On January 1, each ~~eligible~~ person who has been receiving an annuity or benefit under the articles of incorporation, the bylaws, or this chapter ~~for at least three calendar months as of the end of the last day of the previous calendar year, whose effective date of benefit commencement occurred on or before July 1 of the calendar year immediately before the adjustment,~~ is eligible to receive a postretirement increase as specified in subdivision 8 or 9.

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 2. Minnesota Statutes 2014, section 354A.29, subdivision 8, is amended to read:

Subd. 8. **Calculation of postretirement adjustments; ~~transitional provision percentage based.~~** (a) For purposes of computing postretirement adjustments for eligible benefit recipients of the St. Paul Teachers Retirement Fund Association, the accrued liability funding ratio based on the actuarial value of assets of the plan as determined by the two most recent actuarial valuations prepared under sections 356.214 and 356.215 determines the postretirement increase, as follows:

Funding ratio	Postretirement increase
Less than 80 percent	1 percent
At least 80 percent but less than 90 percent	2 percent

(b) The amount determined under paragraph (a) is the full postretirement increase to be applied as a permanent increase to the regular payment of each eligible member on January 1 of the next calendar year. For any eligible member whose effective date of benefit commencement occurred during after January 1 of the calendar year immediately before the postretirement increase is applied, the ~~full increase~~ amount determined under paragraph (a) must be ~~prorated on the basis of whole calendar quarters in benefit payment status in the calendar year prior to the January 1 on which the postretirement increase is applied, calculated to the third decimal place~~ reduced by 50 percent.

(c) If the accrued liability funding ratio based on the actuarial value of assets is at least 90 percent in two consecutive actuarial valuations, ~~this subdivision expires and~~ subsequent postretirement increases must be paid as specified in subdivision 9.

(d) If, following a postretirement increase under paragraph (a), the accrued liability funding ratio, based on the actuarial value of assets, falls below 80 percent for two consecutive actuarial valuations, the applicable postretirement increase must be reduced to one percent until January 1 of the calendar year next following the date on which the requirements for an increase under paragraph (a) are again satisfied.

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 3. Minnesota Statutes 2014, section 354A.29, subdivision 9, is amended to read:

Subd. 9. **Calculation of postretirement adjustments.** (a) This subdivision applies if the requirements of subdivision 8 has expired, paragraph (c), have been satisfied.

(b) A percentage adjustment must be ~~computed and~~ paid under this subdivision to eligible persons under subdivision 7. ~~This adjustment is determined by reference to the Consumer Price Index for urban wage earners and clerical workers all items index as reported by the Bureau of Labor Statistics within the United States Department of Labor each year as part of the determination of annual cost-of-living adjustments to recipients of federal old age, survivors, and disability insurance. For calculations of postretirement adjustments under paragraph (c), the term "average third quarter Consumer Price Index value" means the sum of the monthly index values as initially reported by the Bureau of Labor Statistics for the months of July, August, and September, divided by three.~~

~~(c) Before January 1 of each year, the executive director must calculate the amount of the postretirement adjustment by dividing the most recent average third quarter index value by the same average third quarter index value from the previous year, subtract one from the resulting quotient, and express the result as a percentage amount, which must be rounded to the nearest one tenth of one percent.~~

~~(d) (c) The amount calculated under paragraph (e) of 2.5 percent is the full postretirement adjustment to be applied as a permanent increase to the regular payment of each eligible member on January 1 of the next calendar year. For any eligible member whose effective date of benefit commencement occurred during the after January 1 of the calendar year immediately before the postretirement adjustment is applied, the full increase postretirement adjustment amount must be prorated on the basis of whole calendar quarters in benefit payment status in the calendar year prior to the January 1 on which the postretirement adjustment is applied, calculated to the third decimal place reduced by 50 percent.~~

~~(e) The adjustment must not be less than zero nor greater than five percent.~~

(d) In the event the accrued liability funding ratio based on the actuarial value of assets falls below 90 percent for two consecutive actuarial valuations, the applicable postretirement increase must be determined under subdivision 8 until January 1 of the calendar year next following the date on which the requirements of subdivision 8, paragraph (c), are again satisfied.

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 4. Minnesota Statutes 2014, section 356.415, subdivision 1, is amended to read:

Subdivision 1. **Annual postretirement adjustments; generally.** (a) Except as otherwise provided in subdivision 1a, 1b, 1c, 1d, 1e, or 1f, retirement annuity, disability benefit, or survivor benefit recipients of a covered retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months ~~prior to the January 1 increase~~ as of the current June 30; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit amount for at least one full month, but less than 12 full months as of the current June 30, an annual postretirement increase of 1/12 of 2.5 percent for each month that the person has been receiving an annuity or benefit must be applied, ~~effective on January 1 following the calendar year in which the person has been retired for less than 12 months.~~

(b) The increases provided by this subdivision commence on January 1, 2010.

(c) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the covered retirement plan requesting that the increase not be made.

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 5. Minnesota Statutes 2014, section 356.415, subdivision 1a, is amended to read:

Subd. 1a. **Annual postretirement adjustments; Minnesota State Retirement System plans other than State Patrol retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the legislators retirement plans, including constitutional officers as specified in chapter 3A, the general state employees retirement plan, the correctional state employees retirement plan, and the unclassified state employees retirement program, ~~and the judges retirement plan~~ are entitled to a postretirement adjustment annually on January 1, as follows:

(1) for each successive January 1, if the definition of funding stability under paragraph (b) has not been met as of the prior July 1 for or with respect to the applicable retirement plan, a postretirement increase of two percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 18 full months ~~before the January 1 increase as of the current June 30~~; and

(2) for each successive January 1, if the definition of funding stability under paragraph (b) has not been met as of the prior July 1 for or with respect to the applicable retirement plan, for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~six~~ one full month, but less than 12 full months as of the current June 30, an annual postretirement increase of 1/12 of two percent for each month that the person has been receiving an annuity or benefit must be applied, ~~effective January 1, following the calendar year in which the person has been retired for at least six months, but has been retired for less than 18 months.~~

(b) ~~The increases provided by this subdivision commence on January 1, 2011.~~ Increases under this subdivision for the general state employees retirement plan, or the correctional state employees retirement plan, ~~or the judges retirement plan~~ terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date. Increases under this subdivision for the legislators retirement plan ~~or the elected state officers retirement plan~~, including the constitutional officers, and for the unclassified state employees retirement program, terminate on December 31 of the calendar year in which ~~the two prior consecutive actuarial valuation valuations~~ prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the general state employees retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date.

(c) After having met the definition of funding stability under paragraph (b), the increase provided in paragraph (a), clauses (1) and (2), rather than an increase under subdivision 1, for the general state employees retirement plan or the correctional state employees retirement plan, is again to be applied in a subsequent year or years if the market value of assets of the applicable plan equals or is less than:

(1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive actuarial valuations; or

(2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent actuarial valuation.

(d) After having met the definition of funding stability under paragraph (b), the increase provided in paragraph (a), clauses (1) and (2), rather than an increase under subdivision 1, for the legislators retirement plan, including the constitutional officers, and for the unclassified state employees retirement program, is again to be applied in a subsequent year or years if the market value of assets of the general state employees retirement plan equals or is less than:

(1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive actuarial valuations; or

(2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent actuarial valuation.

~~(e)~~ (e) An increase in annuity or benefit payments under this subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the applicable covered retirement plan requesting that the increase not be made.

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 6. Minnesota Statutes 2014, section 356.415, subdivision 1c, is amended to read:

Subd. 1c. **Annual postretirement adjustments; PERA-police and fire.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the public employees police and fire retirement plan are entitled to a postretirement adjustment annually on January 1, ~~with~~ if the definition of funding stability is restored under paragraph (c) has not been met, as follows:

(1) for each annuitant or benefit recipient whose annuity or benefit effective date is on or before June 1, 2014, who has been receiving the annuity or benefit for at least 12 full months as of the immediate preceding June 30, an amount equal to one percent in each year; or

(2) for each annuitant or benefit recipient whose annuity or benefit effective date is on or before June 1, 2014, who has been receiving the annuity or benefit for at least one full month, but ~~not~~ less than 12 months, as of the immediate preceding June 30, an amount equal to 1/12 of one percent for each month of annuity or benefit receipt; and

(3) for each annuitant or benefit recipient whose annuity or benefit effective date is after June 1, 2014, unless Laws 2014, chapter 296, article 13, section 27, applies, who will have been receiving an annuity or benefit for at least 36 full months as of the immediate preceding June 30, an amount equal to one percent; or

(4) for each annuitant or benefit recipient whose annuity or benefit effective date is after June 1, 2014, unless Laws 2014, chapter 296, article 13, section 27, applies, who has been receiving the annuity or benefit for at least 25 full months, but less than 36 months as of the immediate preceding June 30, an amount equal to 1/12 of one percent for each full month of annuity or benefit receipt during the fiscal year in which the annuity or benefit was effective.

(b) Retirement annuity, disability benefit, or survivor benefit recipients of the public employees police and fire retirement plan are entitled to a postretirement adjustment annually on each January 1 following the restoration of funding stability as defined under paragraph (c) and during the continuation of funding stability as defined under paragraph (c), as follows:

(1) for each annuitant or benefit recipient who has been receiving the annuity or benefit for at least 36 full months as of the immediate preceding June 30, an amount equal to ~~the percentage increase in the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor between the immediate preceding June 30 and the June 30 occurring 12 months previous, but not to exceed~~ 2.5 percent; and

(2) for each annuitant or benefit recipient who has been receiving the annuity or benefit for at least 25 full months, but less than 36 full months, as of the immediate preceding June 30, an amount equal to 1/12 of ~~the percentage increase in the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor between the immediate preceding June 30 and the June 30 occurring 12 months previous for each full month of annuity or benefit receipt during the fiscal year in which the annuity or benefit was effective, but not to exceed 1/12 of 2.5 percent for each full month of annuity or benefit receipt during the fiscal year in which the annuity or benefit was effective.~~

(c) Funding stability is restored when the market value of assets of the public employees police and fire retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the applicable plan in the two most recent consecutive actuarial valuations prepared under section 356.215 and under the standards for actuarial work of the Legislative Commission on Pensions and Retirement by the approved actuary retained by the Public Employees Retirement Association under section 356.214.

(d) After having met the definition of funding stability under paragraph (c), a full or prorated increase, as provided in paragraph (a), clause (1), (2), (3), or (4), whichever applies, rather than adjustments under paragraph (b), is again applied in a subsequent year or years if the market value of assets of the public employees police and fire retirement plan equals or is less than:

- (1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive actuarial valuations; or
- (2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent actuarial valuation.

(e) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the Public Employees Retirement Association requesting that the increase not be made.

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 7. Minnesota Statutes 2014, section 356.415, subdivision 1d, is amended to read:

Subd. 1d. **Teachers Retirement Association annual postretirement adjustments.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the Teachers Retirement Association are entitled to a postretirement adjustment annually on January 1, as follows:

- ~~(1) for January 1, 2011, and January 1, 2012, no postretirement increase is payable;~~
- ~~(2) (1) for January 1, 2013, and~~ each successive January 1 until funding stability is restored, a postretirement increase of two percent must be applied each year, effective on January 1, to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~48~~ 12 full months ~~prior to the January 1 increase as of the current June 30;~~
- ~~(3) (2) for January 1, 2013, and~~ each successive January 1 until funding stability is restored, for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~six~~ one full month, but less than 12 full months ~~before the January 1 increase as of the current June 30,~~ an annual postretirement increase of 1/12 of two percent for each month the person has been receiving an annuity or benefit must be applied, ~~effective January 1, for which the person has been retired for at least six months but less than 18 months;~~
- ~~(4) (3) for each January 1 following the restoration of funding stability,~~ a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~48~~ 12 full months ~~prior to the January 1 increase as of the current June 30;~~ and

~~(5)~~ (4) for each January 1 following the restoration of funding stability, for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~six~~ one month, but less than 12 full months ~~before the January 1 increase as of the current June 30~~, an annual postretirement increase of 1/12 of 2.5 percent for each month the person has been receiving an annuity or benefit must be applied, ~~effective January 1, for which the person has been retired for at least six months but less than 18 months.~~

(b) Funding stability is restored when the market value of assets of the Teachers Retirement Association equals or exceeds 90 percent of the actuarial accrued liabilities of the Teachers Retirement Association in the two most recent prior actuarial valuations prepared under section 356.215 and the standards for actuarial work by the approved actuary retained by the Teachers Retirement Association under section 356.214.

(c) After having met the definition of funding stability under paragraph (b), the increase provided in paragraph (a), clauses (1) and (2), rather than an increase under subdivision 1, or the increase under paragraph (a), clauses (3) and (4), is again to be applied in a subsequent year or years if the market value of assets of the plan equals or is less than:

(1) 85 percent of the actuarial accrued liabilities of the plan for two consecutive actuarial valuations; or

(2) 80 percent of the actuarial accrued liabilities of the plan for the most recent actuarial valuation.

~~(e)~~ (d) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the Teachers Retirement Association requesting that the increase not be made.

~~(d)~~ (e) The retirement annuity payable to a person who retires before becoming eligible for Social Security benefits and who has elected the optional payment as provided in section 354.35 must be treated as the sum of a period-certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period-certain retirement annuity plus the life retirement annuity must be the annuity amount payable until age 62, 65, or normal retirement age, as selected by the member at retirement, for an annuity amount payable under section 354.35. A postretirement adjustment granted on the period-certain retirement annuity must terminate when the period-certain retirement annuity terminates.

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 8. Minnesota Statutes 2014, section 356.415, subdivision 1e, is amended to read:

Subd. 1e. **Annual postretirement adjustments; State Patrol retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol retirement plan are entitled to a postretirement adjustment annually on January 1 if the definition of funding stability under paragraph (b) has not been met, as follows:

(1) a postretirement increase of one percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~18~~ 12 full months ~~before the January 1 increase as of the current June 30~~; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~six~~ one full month, but less than 12 full months as of the current June 30, an annual postretirement increase of 1/12 of one percent for each month that the person has been receiving an annuity or benefit must be applied, ~~effective January 1, following the calendar year in which the person has been retired for at least six months, but has been retired for less than 18 months.~~

(b) ~~The increases provided by this subdivision commence on January 1, 2014.~~ Increases under paragraph (a) for the State Patrol retirement plan terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations for the plan prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the retirement plan equals or exceeds 85 percent of the actuarial accrued liability of the retirement plan. Thereafter, increases under paragraph (a) become effective again on the December 31 of the calendar year in which the actuarial valuation, or prior consecutive actuarial valuations for the plan prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of the assets of the retirement plan equals or is less than 80 percent of the actuarial accrued liability of the retirement plan for two years, or equals or is less than 75 percent of the actuarial accrued liability of the retirement plan for one year and increases under paragraph (c) recommence commence after that date.

(c) Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of 1.5 percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~48~~ 12 full months before the January 1 increase as of the current June 30; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~six one full month, but less than 12 full months as of the current June 30~~, an annual postretirement increase of 1/12 of 1.5 percent for each month that the person has been receiving an annuity or benefit must be applied, ~~effective January 1, following the calendar year in which the person has been retired for at least six months, but has been retired for less than 18 months.~~

(d) Increases under paragraph (c) for the State Patrol retirement plan terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date.

(e) An increase in annuity or benefit payments under this subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the applicable covered retirement plan requesting that the increase not be made.

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 9. Minnesota Statutes 2014, section 356.415, subdivision 1f, is amended to read:

Subd. 1f. **Annual postretirement adjustments; Minnesota State Retirement System judges retirement plan.** (a) The increases provided under this subdivision begin on January 1, 2014, and are in lieu of increases under subdivision 1 or 1a for retirement annuity, disability benefit, or survivor benefit recipients of the judges retirement plan.

(b) Retirement annuity, disability benefit, or survivor benefit recipients of the judges retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of 1.75 percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~48~~ 12 full months before the January 1 increase as of the current June 30; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~six one full month, but less than 12 full months as of the current June 30,~~ an annual postretirement increase of 1/12 of 1.75 percent for each month that the person has been receiving an annuity or benefit must be applied, ~~effective January 1, following the calendar year in which the person has been retired for at least six months, but has been retired for less than 18 months.~~

(c) Increases under this subdivision terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the judges retirement plan equals or exceeds 70 percent of the actuarial accrued liability of the retirement plan. Increases under subdivision 1 or 1a, whichever is applicable, begin on the January 1 next following that date.

(d) An increase in annuity or benefit payments under this subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the applicable covered retirement plan requesting that the increase not be made.

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 10. **REPEALER.**

Minnesota Statutes 2014, section 354A.42, is repealed.

EFFECTIVE DATE. This section is effective June 30, 2015.

ARTICLE 5 CONTRIBUTION STABILIZER PROVISION MODIFICATIONS

Section 1. Minnesota Statutes 2014, section 352.045, is amended to read:

352.045 PROCEDURE FOR REVISING EMPLOYEE AND EMPLOYER CONTRIBUTIONS IN CERTAIN INSTANCES.

Subdivision 1. **Application.** This section applies to the general state employees retirement plan ~~and to established under this chapter,~~ the correctional state employees retirement plan established under this chapter, ~~and to the state patrol retirement plan established under chapter 352B.~~

Subd. 2. **Determination.** For purposes of this section, a contribution sufficiency exists if, for ~~purposes of the~~ applicable plan, the total of the employee contributions, the employer contributions, and any additional employer contributions, if applicable, exceeds the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the approved actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement. For purposes of this section, a contribution deficiency exists if, for the applicable plan, the total employee contributions, employer contributions, and any additional employer contributions are less than the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the approved actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

Subd. 3a. **Contribution rate revision; general state employees retirement plan.** (a) Notwithstanding the contribution rates ~~stated in plan law as specified in law governing the applicable retirement plan,~~ the board of directors of the Minnesota State Retirement System may adjust the employee and employer contribution rates for the general state employees retirement plan ~~must be adjusted:~~

~~(1) if the regular actuarial valuation of the plan prepared under section 356.215 indicates that there is a contribution sufficiency greater than one percent of covered payroll and that the sufficiency has existed for at least two consecutive years, the employee and employer contribution rates must be decreased as determined under paragraph (b) to a level such that the sufficiency is no greater than one percent of covered payroll based on the most recent actuarial valuation; or~~

~~(2) if the regular actuarial valuation of the plan under section 356.215 indicates that there is a contribution deficiency under subdivision 2 equal to or greater than 0.5 one-half of one percent of covered payroll and that the deficiency has existed for at least two consecutive years, the employee and employer contribution rates must be increased as determined under paragraph (c) to a level such that no deficiency exists based on the most recent actuarial valuation.~~

(b) If the actuarially ~~required~~ determined contribution of the plan is less than the total support provided by the combined employee and employer contribution rates by more than one percent of covered payroll, the plan employee and employer contribution rates ~~must~~ may be decreased incrementally over one or more years ~~by no more than 0.25 percent of pay each for employee and employer contribution rates~~ to a level such that there remains a contribution sufficiency of at least one percent of covered payroll. ~~No contribution rate~~ Any decrease may be made until at least two years have elapsed since any adjustment under this paragraph has been fully implemented in employee and employer contribution rates must not result in total contributions that are less than the sum of the normal cost and administrative expenses of the retirement plan.

(c) If the actuarially required contribution exceeds the total support provided by the employee and employer contribution rates, the board of directors may increase the employee and employer contribution rates ~~must be increased~~ equally to eliminate that contribution deficiency. ~~If the contribution deficiency is:~~

~~(1) less than two percent, the incremental increase may be up to 0.25 percent each for the employee and employer contribution rates;~~

~~(2) greater than 1.99 percent and less than 4.01 percent, the incremental increase may be up to 0.5 percent each for the employee and employer contribution rates; or~~

~~(3) greater than four percent, the incremental increase may be up to 0.75 percent each for the employee and employer contribution.~~

(d) To determine if an adjustment is to be made, the board of directors shall consult with the approved actuary retained under section 356.214 and shall take into consideration factors that include, but are not limited to, the contribution rates calculated based on the actuarial value of assets and calculated based on the market value of assets; the funded ratio calculated based on the actuarial value of assets; the funded ratio calculated based on the market value of assets; the remaining number of years to the amortization target date; the recent experience of the investment markets; and the results of the 30-year funding, disbursements, and contribution projections prepared every other year as required under the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

(e) Any ~~recommended~~ adjustment to the contribution rates must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement by January 15 following receipt of the most recent annual actuarial valuation prepared under section 356.215. The report must include draft legislation to revise the employee and employer contributions stated in plan law. If the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, the ~~recommended~~ adjustment becomes effective on the first day of the first full payroll period in the fiscal year following receipt of the most recent actuarial valuation that gave rise to the adjustment.

(e) (f) A contribution sufficiency of up to one percent of covered payroll must be held in reserve to be used to offset any future actuarially ~~required~~ determined contributions that are more than the total combined employee and employer contributions.

(f) (g) Before any reduction in contributions to eliminate a sufficiency in excess of one percent of covered pay may be ~~recommended~~ made, the executive director must review any need for a change in actuarial assumptions, as recommended by the approved actuary retained under section 356.214 in the most recent experience study of the general employees retirement plan prepared under section 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement that may result in an increase in the actuarially ~~required~~ determined contribution and must report to the Legislative Commission on Pensions and Retirement any ~~recommendation~~ decision by the board to use the sufficiency exceeding one percent of covered payroll to offset the impact of an actuarial assumption change recommended by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the commission under section 356.214, subdivision 4.

(g) (h) No contribution sufficiency in excess of one percent of covered pay may be proposed to be used to increase benefits, and no benefit increase may be proposed that would initiate an ~~automatic~~ adjustment to increase contributions under this subdivision. Any proposed benefit improvement must include a recommendation, prepared by the approved actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the Legislative Commission on Pensions and Retirement as provided under section 356.214, subdivision 4, on how the benefit modification will be funded.

Subd. 3b. **Contribution rate revision; correctional state employees retirement plan and State Patrol retirement plan.** (a) Subdivision 3a applies to the correctional state employees retirement plan under this chapter and to the State Patrol retirement plan established under chapter 352B, except as ~~stated in this subdivision~~ specified in paragraph (b) or (c).

(b) Any limitations on the amount of contribution rate changes stated in subdivision 3a apply only to the amount of the employee contribution revision. The employer contribution for the correctional state employees retirement plan or the State Patrol retirement plan, whichever is applicable, must be adjusted so that the employer contribution is equal to 60 percent of the sum of employee plus employer contributions.

(c) For the State Patrol retirement plan, a contribution sufficiency of up to two percent of covered payroll, rather than one percent, may be held in reserves without taking action to reduce employee and employer contributions.

Sec. 2. Minnesota Statutes 2014, section 353.27, subdivision 3b, is amended to read:

Subd. 3b. **Change in employee and employer contributions in certain instances.** (a) For purposes of this section:

(1) a contribution sufficiency exists if the total of the employee contribution under subdivision 2, the employer contribution under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision exceeds the total of the normal cost, the administrative expenses, and the amortization contribution of the general employees retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement; and

(2) a contribution deficiency exists if the total of the employee contributions under subdivision 2, the employer contributions under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision is less than the total of the normal cost, the administrative expenses, and the amortization contribution of the general employees retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

(b) Notwithstanding the contribution rate provision specified under subdivisions 2, 3, and 3a, the board of trustees of the Public Employees Retirement Association may adjust the employee and employer contributions to the general employees retirement plan under subdivisions 2 and 3 ~~must be adjusted~~:

~~(1) if the regular actuarial valuation of the general employees retirement plan of the Public Employees Retirement Association prepared under section 356.215 indicates that there is a contribution sufficiency under paragraph (a) greater than one percent of covered payroll and that the sufficiency has existed for at least two consecutive years, the coordinated program employee and employer contribution rates must be decreased as determined under paragraph (c) to a level such that the sufficiency is no greater than one percent of covered payroll based on the most recent actuarial valuation; or~~

~~(2) if the regular actuarial valuation of the general employees retirement plan of the Public Employees Retirement Association under section 356.215 indicates that there is a contribution deficiency under paragraph (a) equal to or greater than 0.5 one-half of one percent of covered payroll and that the deficiency has existed for at least two consecutive years, the coordinated program employee and employer contribution rates must be increased as determined under paragraph (d) to a level such that no deficiency exists based on the most recent actuarial valuation.~~

(c) If the actuarially ~~required~~ determined contribution of the general employees retirement plan is less than the total support provided by the combined employee and employer contribution rates under subdivisions 2, 3, and 3a, by more than one percent of covered payroll, the general employees retirement plan coordinated program employee and employer contribution rates under subdivisions 2 and 3 ~~must may~~ be decreased ~~incrementally~~ over one or more years ~~by no more than 0.25 percent of pay each for employee and employer matching contribution rates~~ to a level such that there remains a contribution sufficiency of at least one percent of covered payroll. ~~No contribution rate decrease may be made until at least two years have elapsed since any adjustment under this subdivision has been fully implemented. Any decrease in employee and employer contribution rates must not result in total contributions that are less than the total of the normal cost of the retirement plan and the administrative expenses of the retirement plan.~~

(d) If the actuarially ~~required~~ determined contribution exceeds the total support provided by the combined employee and employer contribution rates under subdivisions 2, 3, and 3a, the board of trustees may increase the employee and matching employer contribution rates ~~must be increased equally~~ to eliminate that contribution deficiency. ~~If the contribution deficiency is:~~

~~(1) less than two percent, the incremental increase may be up to 0.25 percent for the general employees retirement plan employee and matching employer contribution rates;~~

~~(2) greater than 1.99 percent and less than 4.01 percent, the incremental increase may be up to 0.5 percent for the employee and matching employer contribution rates; or~~

~~(3) greater than four percent, the incremental increase may be up to 0.75 percent for the employee and matching employer contribution.~~

(e) ~~The general employees retirement plan contribution sufficiency or deficiency determination under paragraphs (a) to (d) must be made without the inclusion of the contributions to, the funded condition of, or the actuarial funding requirements of the MERF division. To determine if an adjustment is to be made, the board of trustees shall consult with the approved actuary retained under section 356.214 and shall take into consideration factors that include, but are not limited to, the contribution rates based on actuarial value of assets and contribution rates based on the market value of assets; the funded ratio based on the actuarial value of assets and based on the market value of assets; the number of years remaining to the amortization target date; the recent experience of the investment markets; and the results of the 30-year funding, disbursements, and contributions projections prepared every other year as required under the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.~~

(f) Any ~~recommended~~ adjustment to the contribution rates must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement by January 15 following the receipt of the most recent annual actuarial valuation prepared under section 356.215. If the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, the recommended adjustment becomes effective for any salary paid on or after the January 1 next following the legislative session in which the Legislative Commission on Pensions and Retirement did not take any action to disapprove or modify the Public Employees Retirement Association Board of Trustees' ~~recommendation to adjust adjustment to~~ the employee and employer rates.

(g) A contribution sufficiency of up to one percent of covered payroll must be held in reserve to be used to offset any future actuarially ~~required~~ determined contributions that are more than the total combined employee and employer contributions under subdivisions 2, 3, and 3a.

(h) Before any reduction in contributions to eliminate a sufficiency in excess of one percent of covered pay may be ~~recommended~~ made, the executive director must review any need for a change in actuarial assumptions, as recommended by the actuary retained under section 356.214 in the most recent experience study of the general employees retirement plan prepared under section 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement that may result in an increase in the actuarially ~~required~~ determined contribution and must report to the Legislative Commission on Pensions and Retirement any ~~recommendation~~ decision by the board to use the sufficiency exceeding one percent of covered payroll to offset the impact of an actuarial assumption change recommended by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the commission under section 356.214, subdivision 4.

(i) No contribution sufficiency in excess of one percent of covered pay may be proposed to be used to increase benefits, and no benefit increase may be proposed that would initiate an ~~automatic~~ adjustment to increase contributions under this subdivision. Any proposed benefit improvement must include a recommendation, prepared by the approved actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the Legislative Commission on Pensions and Retirement as provided under section 356.214, subdivision 4, on how the benefit modification will be funded.

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

Sec. 3. Minnesota Statutes 2014, section 354.42, subdivision 4b, is amended to read:

Subd. 4b. **Contribution rate revision.** (a) Notwithstanding the contribution rate provisions under subdivisions 2 and 3, the Board of Trustees of the Teachers Retirement Association may adjust the employee and employer contribution rates may be adjusted as follows:

~~(1) if, after June 30, 2015, the regular actuarial valuation of the plan under section 356.215 indicates that there is a contribution sufficiency under subdivision 4a equal to or greater than one percent of covered payroll and the sufficiency has existed for at least two consecutive years, the employee and employer contribution rates for the plan may each be decreased to a level such that the sufficiency equals no more than one percent of covered payroll based on the most recent actuarial valuation; or~~

~~(2) if, after June 30, 2015, the regular valuation of the plan under section 356.215 indicates that there is a deficiency equal to or greater than 0.25 one-half of one percent of covered payroll and the deficiency has existed for at least two consecutive years, the employee and employer contribution rates for the applicable plan may each be increased by:~~

~~(i) 0.25 percent if the deficiency is less than two percent of covered payroll;~~

~~(ii) 0.5 percent if the deficiency is equal to or greater than two percent of covered payroll and less than or equal to four percent; and~~

~~(iii) 0.75 percent if the deficiency is greater than four percent. Any decrease in employee and employer contribution rates must not result in the total of contribution rates that is less than the total of normal cost and administrative expenses.~~

(b) To determine if an adjustment is to be made, the board of trustees shall consult with the approved actuary retained under section 356.214 and shall take into consideration factors that include, but are not limited to, the contribution rates based on actuarial value of assets and contribution rates based on the market value of assets; the funded ratio based on the actuarial value of assets and based on the market value of assets; the number of years remaining to the amortization target date; the recent experience of the investment markets; and the results of the 30-year funding, disbursements, and contributions projections prepared every other year as required under the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

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

Sec. 4. Minnesota Statutes 2014, section 354.42, subdivision 4d, is amended to read:

Subd. 4d. **Reporting; commission review.** A contribution rate increase or decrease made under subdivision 4b, ~~as determined by the executive director of the Teachers Retirement Association,~~ must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement on or before the next February 1 and, if the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, is effective on the next July 1 following the determination ~~by the executive director~~ that a contribution deficiency or sufficiency exists based on the most recent actuarial valuation under section 356.215.

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

ARTICLE 6 POLICE AND FIREFIGHTER RETIREMENT SUPPLEMENTAL STATE AID

Section 1. Minnesota Statutes 2014, section 423A.022, subdivision 5, is amended to read:

Subd. 5. **Aid termination.** (a) The aid program under this section subdivision 2, paragraph (a), clauses (1) and (3), ends on the December 1 next following the actuarial valuation date on which the assets of the retirement plan on a market value basis equals or exceeds 90 percent of the total actuarial accrued liabilities of the retirement plan as disclosed in an actuarial valuation prepared under section 356.215 and the Standards for Actuarial Work promulgated by the Legislative Commission on Pensions and Retirement, for the State Patrol retirement plan or the public employees police and fire retirement plan, whichever occurs last.

(b) The aid under subdivision 2, paragraph (a), clause (2), does not terminate.

ARTICLE 7 STATEWIDE VOLUNTEER FIREFIGHTER RETIREMENT PLAN LUMP SUM RETIREMENT DIVISION MODIFICATIONS

Section 1. Minnesota Statutes 2014, section 353G.09, subdivision 3, is amended to read:

Subd. 3. **Alternative pension eligibility and computation.** (a) An active member of the retirement plan is entitled to an alternative lump-sum service pension from the retirement plan if the person:

(1) has separated from active service with the fire department for at least 30 days;

(2) has attained the age of at least 50 years or the age for receipt of a service pension under the benefit plan of the applicable former volunteer firefighters relief association as of the date immediately ~~prior to~~ before the election of the retirement coverage change, whichever is later;

(3) has completed at least five years of active service with the fire department and at least five years in total as a member of the applicable former volunteer firefighters relief association or of the retirement plan, but has not rendered at least five years of good time service credit as a member of the retirement plan; and

(4) applies in a manner prescribed by the executive director for the service pension.

(b) If retirement coverage ~~prior to~~ before statewide retirement plan coverage was provided by a defined benefit plan volunteer firefighters relief association, the alternative lump-sum service pension is the service pension amount specified in the bylaws of the applicable former volunteer firefighters relief association either as of the date immediately ~~prior to~~ before the election of the retirement coverage change or as of the date immediately before the termination of firefighting services, whichever is earlier, multiplied by the total number of years of service as a member of that volunteer firefighters relief association and as a member of the retirement plan. If retirement coverage ~~prior to~~ before statewide retirement plan coverage was provided by a defined contribution plan volunteer firefighters relief association, the alternative lump-sum service pension is an amount equal to that portion of the person's account balance that the person was vested for as of the date immediately ~~prior to~~ before the date on which statewide retirement plan coverage was first provided to the person plus six percent annual compound interest from that date until the date immediately ~~prior to~~ before the date of retirement.

Sec. 2. Minnesota Statutes 2014, section 353G.11, subdivision 1, is amended to read:

Subdivision 1. **Service pension levels.** Except as provided in subdivision 1a, the retirement plan provides the following levels of service pension amounts per full year of good time service credit to be selected at the election of coverage, or, if fully funded, thereafter:

Level A	\$500 per year of good time service credit
Level B	\$600 per year of good time service credit
Level C	\$700 per year of good time service credit
Level D	\$800 per year of good time service credit
Level E	\$900 per year of good time service credit
Level F	\$1,000 per year of good time service credit
Level G	\$1,250 per year of good time service credit
Level H	\$1,500 per year of good time service credit
Level I	\$2,000 per year of good time service credit
Level J	\$2,500 per year of good time service credit
Level K	\$3,000 per year of good time service credit
Level L	\$3,500 per year of good time service credit
Level M	\$4,000 per year of good time service credit
Level N	\$4,500 per year of good time service credit
Level O	\$5,000 per year of good time service credit
Level P	\$5,500 per year of good time service credit
Level Q	\$6,000 per year of good time service credit
Level R	\$6,500 per year of good time service credit
Level S	\$7,000 per year of good time service credit
Level T	\$7,500 per year of good time service credit

- (1) a minimum service pension level of \$500 per year;
- (2) a maximum service pension level of \$7,500 per year; and
- (3) 69 service pension levels between the minimum level and the maximum level in \$100 increments.

Sec. 3. Minnesota Statutes 2014, section 353G.11, subdivision 1a, is amended to read:

Subd. 1a. **Continuation of prior service pension levels.** (a) If a municipality or independent nonprofit firefighting corporation elects to be covered by the retirement plan prior to before January 1, 2010, and selects the \$750 per year of good time service credit service pension amount effective for January 1, 2010, that level continues for the volunteer firefighters of that municipality or independent nonprofit firefighting corporation until a different service pension amount is selected under subdivision 2 after January 1, 2010.

(b) If a municipality or independent nonprofit firefighting corporation elected to be covered by the retirement plan before January 1, 2015, and selected a service pension level under subdivision 1, other than a good time service credit service pension amount under subdivision 1, that level continues for the volunteer firefighters of the municipality or independent nonprofit firefighting corporation until a different service pension amount is selected under subdivision 2 after January 1, 2014.

Sec. 4. Minnesota Statutes 2014, section 353G.11, subdivision 2, is amended to read:

Subd. 2. **Level selection.** ~~At the time of~~ After the election to transfer of retirement coverage, or on April 30 thereafter to the retirement plan, the governing body or bodies of the entity or entities operating the fire department whose firefighters are covered by the retirement plan may request a cost estimate from the executive director of an increase in the service pension level applicable to the active firefighters of the fire department. Within ~~90~~ 120 days of the receipt of the cost estimate prepared by the executive director using a procedure certified as accurate by the approved actuary retained by the Public Employees Retirement Association, the governing body or bodies may approve the service pension level change, effective for January 1 of the following calendar year unless the governing body or bodies specify in the approved document an effective date as the January 1 of the second year following the level increase approval. If the approval occurs after April 30, the required municipal contribution for the following calendar year must be recalculated and the results reported to the municipality or municipalities. If not approved in a timely fashion, the service pension level change is considered to have been disapproved.

Sec. 5. Minnesota Statutes 2014, section 353G.11, subdivision 4, is amended to read:

Subd. 4. **Ancillary benefits.** Except as provided under section 353G.115, no disability, death, funeral, or other ancillary benefit beyond a service pension or a survivor benefit is payable from the retirement plan.

Sec. 6. Minnesota Statutes 2014, section 353G.13, subdivision 1, is amended to read:

Subdivision 1. **Eligibility.** An active firefighter who is a member of the retirement plan who also renders firefighting service and has good time service credit in the retirement plan from another fire department, if the number of years of good time service credit in the plan from a combination of nonconcurrent periods totals at least five years, is eligible, upon complying with the other requirements of section 353G.09, to receive a service pension upon filing an application in the manner prescribed by the executive director, computed as provided in subdivision 2.

Sec. 7. Minnesota Statutes 2014, section 353G.13, subdivision 2, is amended to read:

Subd. 2. **Combined service pension computation.** The service pension payable to a firefighter who qualifies under subdivision 1 is the per year of good time service credit service pension amount in effect for each account in which the firefighter has one or more years of good time service credit as of the date on which the firefighter

terminated active service with the fire department associated with the applicable account, multiplied by the number of years of good time service credit that the firefighter has in the applicable account and adjusted for the vesting percentage based on the total number of years of good time service covered in the applicable accounts.

Sec. 8. **EFFECTIVE DATE.**

Unless otherwise specified, this article is effective July 1, 2015.

ARTICLE 8
STATEWIDE VOLUNTEER FIREFIGHTER RETIREMENT PLAN MONTHLY BENEFIT RETIREMENT
DIVISION CREATION

Section 1. Minnesota Statutes 2014, section 11A.17, subdivision 2, is amended to read:

Subd. 2. **Assets.** (a) The assets of the supplemental investment fund consist of the money certified and transmitted to the state board from the participating public retirement plans and funds and from the voluntary statewide ~~lump-sum~~ volunteer firefighter retirement plan under section 353G.08.

(b) With the exception of the assets of the voluntary statewide ~~lump-sum~~ volunteer firefighter retirement fund, the assets must be used to purchase investment shares in the investment accounts as specified by the plan or fund. The assets of the voluntary statewide ~~lump-sum~~ volunteer firefighter retirement fund must be invested in the volunteer firefighter account.

(c) These accounts must be valued at least on a monthly basis but may be valued more frequently as determined by the State Board of Investment.

Sec. 2. Minnesota Statutes 2014, section 353G.01, subdivision 6, is amended to read:

Subd. 6. **Fund.** "Fund" means the voluntary statewide ~~lump-sum~~ volunteer firefighter retirement fund established under section 353G.02, subdivision 3.

Sec. 3. Minnesota Statutes 2014, section 353G.01, subdivision 7, is amended to read:

Subd. 7. **Good time service credit.** "Good time service credit" means the length of service credit for an active firefighter that is reported by the applicable fire chief based on the minimum firefighter activity standards of the fire department. The credit may be ~~recognized~~ reported on an annual or monthly basis.

Sec. 4. Minnesota Statutes 2014, section 353G.01, is amended by adding a subdivision to read:

Subd. 7a. **Lump-sum account.** "Lump-sum account" means that portion of the retirement fund that contains the assets applicable to the lump-sum retirement division.

Sec. 5. Minnesota Statutes 2014, section 353G.01, is amended by adding a subdivision to read:

Subd. 7b. **Lump-sum retirement division.** "Lump-sum retirement division" means the division of the plan governed by section 353G.11.

Sec. 6. Minnesota Statutes 2014, section 353G.01, is amended by adding a subdivision to read:

Subd. 8a. **Monthly benefit account.** "Monthly benefit account" means that portion of the retirement fund that contains the assets applicable to the monthly benefit retirement division.

Sec. 7. Minnesota Statutes 2014, section 353G.01, is amended by adding a subdivision to read:

Subd. 8b. **Monthly benefit retirement division.** "Monthly benefit retirement division" means the division of the plan governed by section 353G.113.

Sec. 8. Minnesota Statutes 2014, section 353G.01, is amended by adding a subdivision to read:

Subd. 10a. **Retirement benefit plan document.** "Retirement benefit plan document", for an account in the monthly benefit retirement division, means the articles of incorporation and bylaws of the prior former volunteer firefighters relief association in effect on the day before the date on which the retirement coverage transfer under section 353G.05 occurred or as provided in the most recent modification under section 353G.121.

Sec. 9. Minnesota Statutes 2014, section 353G.01, subdivision 11, is amended to read:

Subd. 11. **Retirement fund.** "Retirement fund" means the voluntary statewide ~~lump-sum~~ volunteer firefighter retirement fund established under section 353G.02, subdivision 3.

Sec. 10. Minnesota Statutes 2014, section 353G.01, subdivision 12, is amended to read:

Subd. 12. **Retirement plan.** "Retirement plan" means the retirement plan, either the lump-sum retirement division or the monthly benefit retirement division, established by this chapter.

Sec. 11. Minnesota Statutes 2014, section 353G.02, is amended to read:

353G.02 PLAN AND FUND CREATION.

Subdivision 1. **Retirement plan.** The voluntary statewide ~~lump-sum~~ volunteer firefighter retirement plan, consisting of a lump-sum retirement division and a monthly benefit retirement division, is created.

Subd. 2. **Administration.** The policy-making, management, and administrative functions related to the voluntary statewide ~~lump-sum~~ volunteer firefighter retirement plan and fund are vested in the board of trustees and the executive director of the Public Employees Retirement Association. Their duties, authority, and responsibilities are as provided in section 353.03. Fiduciary activities of the plan and fund must be undertaken in a manner consistent with chapter 356A.

Subd. 3. **Retirement fund.** (a) The voluntary statewide ~~lump-sum~~ volunteer firefighter retirement fund, consisting of a lump-sum account and a monthly benefit account, is created. The fund contains the assets attributable to the voluntary statewide ~~lump-sum~~ volunteer firefighter retirement plan.

(b) The State Board of Investment shall invest those portions of the retirement fund not required for immediate purposes in the voluntary statewide lump-sum volunteer firefighter retirement plan in the statewide ~~lump-sum~~ volunteer firefighter account of the Minnesota supplemental investment fund under section 11A.17.

(c) The commissioner of management and budget is the ex officio treasurer of the voluntary statewide ~~lump-sum~~ volunteer firefighter retirement fund. The commissioner of management and budget's general bond to the state covers all liability for actions taken as the treasurer of the retirement fund.

(d) The revenues of the retirement plan beyond investment returns are governed by section 353G.08 and must be deposited in the retirement fund. The disbursements of the retirement plan are governed by section 353G.08. The commissioner of management and budget shall transmit a detailed statement showing all credits to and disbursements from the retirement fund to the executive director monthly.

Subd. 4. **Audit; actuarial valuation.** (a) The legislative auditor shall periodically audit the voluntary statewide ~~lump-sum~~ volunteer firefighter retirement fund.

(b) An actuarial valuation of the ~~lump-sum retirement division of the~~ voluntary statewide ~~lump-sum~~ volunteer firefighter retirement plan may be performed periodically as determined to be appropriate or useful by the board. An actuarial valuation of the monthly benefit retirement division of the voluntary statewide volunteer firefighter retirement plan must be performed as frequently as required by government sector generally accepted accounting standards. An actuarial valuation must be performed by the approved actuary retained under section 356.214 and must conform with section 356.215 and the standards for actuarial work. An actuarial valuation must contain sufficient detail for each participating employing entity to ascertain the actuarial condition of its account in the fund and the contribution requirement towards its account.

Subd. 5. **Legal advisor; attorney general.** (a) The legal advisor of the board and the executive director with respect to the voluntary statewide ~~lump-sum~~ volunteer firefighter retirement plan is the attorney general.

(b) The board may sue, petition, be sued, or be petitioned under this chapter with respect to the plan or the fund in the name of the board.

(c) The attorney general shall represent the board in all actions by the board or against the board with respect to the plan or the fund.

(d) Venue of all actions related to the plan or fund is in the court for the first judicial district unless the action is an appeal to the Court of Appeals under section 356.96.

Subd. 6. **Initial administrative expenses of the monthly benefit retirement division; allocation of reimbursement.** (a) The administration expenses incurred by the Public Employees Retirement Association in the establishment of the monthly benefit retirement division of the voluntary statewide volunteer firefighters retirement plan, including any computer programming expenses and any actuarial consultant expenses, are payable from the assets of the initial monthly benefit volunteer firefighter relief association that elects to transfer its administration to the voluntary statewide volunteer firefighter retirement plan, following the transfer of assets.

(b) The administrative expenses in excess of \$33,600 paid under paragraph (a) must be reimbursed by the next nine monthly benefit volunteer firefighter relief associations that transfer plan administration to the voluntary statewide volunteer firefighters retirement plan. The reimbursement charge for each of the nine is three-tenths of one percent of the market value of assets of the volunteer firefighter relief association as of December 31, 2012. The reimbursement amounts, up to the amount of administrative expenses actually incurred under paragraph (a) in excess of \$33,600, must be credited to the account of the fire department associated with the former monthly benefit volunteer firefighter relief association that first transferred plan administration to the volunteer firefighter retirement plan.

Sec. 12. Minnesota Statutes 2014, section 353G.03, is amended to read:

353G.03 VOLUNTARY STATEWIDE ~~LUMP-SUM~~ VOLUNTEER FIREFIGHTER RETIREMENT PLAN ADVISORY BOARD.

Subdivision 1. **Establishment.** A Voluntary Statewide ~~Lump-Sum~~ Volunteer Firefighter Retirement Plan Advisory Board is created.

Subd. 2. **Function; purpose.** The advisory board shall meet periodically to provide advice to the board of trustees of the Public Employees Retirement Association about the retirement coverage needs of volunteer firefighters who are members of the retirement plan and about the legislative and administrative changes that would assist the retirement plan in accommodating volunteer firefighters who are not members of the retirement plan.

Subd. 3. **Composition.** (a) The advisory board consists of ~~seven~~ eight members.

(b) The advisory board members are:

(1) one representative of Minnesota townships, appointed by the Minnesota Association of Townships;

(2) two representatives of Minnesota cities, appointed by the League of Minnesota Cities;

(3) one representative of Minnesota fire chiefs, who is a fire chief, appointed by the Minnesota State Fire Chiefs Association;

(4) two representatives of Minnesota volunteer firefighters, all who are active volunteer firefighters, one of whom is covered by the lump-sum retirement division and one of whom is covered by the monthly benefit retirement division, appointed by the Minnesota State Fire Chiefs Association;

(5) one representative of Minnesota volunteer firefighters who is covered by the lump-sum retirement division, appointed by the Minnesota State Fire Departments Association; and

~~(5)~~ (6) one representative of the Office of the State Auditor, designated by the state auditor.

Subd. 4. **Term.** (a) ~~The initial terms on the advisory board for the Minnesota townships representative and the Minnesota fire chiefs representative are one year. The initial terms on the advisory board for one of the Minnesota cities representatives and one of the Minnesota active volunteer firefighter representatives are two years. The initial terms on the advisory board for the other Minnesota cities representative and the other Minnesota active volunteer firefighter representative are three years.~~ The term for the Office of the State Auditor representative is determined by the state auditor.

(b) ~~Subsequent~~ Terms on the advisory board other than the Office of the State Auditor representative are three years.

Subd. 5. **Compensation of advisory board.** The compensation of members of the advisory board, other than the Office of the State Auditor representative, is governed by section 15.0575, subdivision 3.

EFFECTIVE DATE. Subdivisions 1, 2, 4, and 5 are effective July 1, 2015. Subdivision 3 is effective the July 1 next following the day on which one or more volunteer firefighter relief associations providing monthly service pensions in whole or in part transfer administration of the retirement plan to the Public Employees Retirement Association under Minnesota Statutes, chapter 353G.

Sec. 13. Minnesota Statutes 2014, section 353G.04, is amended to read:

353G.04 INFORMATION FROM MUNICIPALITIES AND FIRE DEPARTMENTS.

The chief executive officers of municipalities and fire departments with volunteer firefighters covered by the voluntary ~~lump-sum~~ statewide volunteer firefighter retirement plan shall provide all relevant information and records requested by the board, the executive director, and the State Board of Investment as required to perform their duties.

Sec. 14. Minnesota Statutes 2014, section 353G.05, is amended to read:

353G.05 PLAN COVERAGE ELECTION.

Subdivision 1. **Coverage.** Any municipality or independent nonprofit firefighting corporation may elect to have its volunteer firefighters covered by the lump-sum retirement division or the monthly benefit retirement division of the retirement plan, whichever applies.

Subd. 2. **Election of coverage; lump sum.** (a) The process for electing coverage of volunteer firefighters by the lump-sum retirement plan division is initiated by a request to the executive director for a cost analysis of the prospective retirement coverage under the lump-sum retirement division.

(b) If the volunteer firefighters are currently covered by a lump-sum volunteer firefighters relief association or a defined contribution volunteer firefighters' relief association governed by chapter 424A, the cost analysis of the prospective retirement coverage must be requested jointly by the secretary of the volunteer firefighters relief association, following approval of the request by the board of the volunteer firefighters relief association, and the chief administrative officer of the entity associated with the relief association, following approval of the request by the governing body of the entity associated with the relief association. If the relief association is associated with more than one entity, the chief administrative officer of each associated entity must execute the request. If the volunteer firefighters are not currently covered by a volunteer firefighters relief association, the cost analysis of the prospective retirement coverage must be requested by the chief administrative officer of the entity operating the fire department. The request must be made in writing and must be made on a form prescribed by the executive director.

(c) The cost analysis of the prospective retirement coverage by the lump-sum retirement division of the statewide retirement plan must be based on the service pension amount under section 353G.11 closest to the service pension amount provided by the volunteer firefighters relief association if the relief association is a lump-sum defined benefit plan, or the amount equal to 95 percent of the most current average account balance per relief association member if the relief association is a defined contribution plan, or to the lowest service pension amount under section 353G.11 if there is no volunteer firefighters relief association, rounded up, and any other service pension amount designated by the requester or requesters. The cost analysis must be prepared using a mathematical procedure certified as accurate by an approved actuary retained by the Public Employees Retirement Association.

(d) If a cost analysis is requested and a volunteer firefighters' relief association exists that has filed the information required under section 69.051 in a timely fashion, upon request by the executive director, the state auditor shall provide the most recent data available on the financial condition of the volunteer firefighters relief association, the most recent firefighter demographic data available, and a copy of the current relief association bylaws. If a cost analysis is requested, but no volunteer firefighters relief association exists, the chief administrative officer of the entity operating the fire department shall provide the demographic information on the volunteer firefighters serving as members of the fire department requested by the executive director.

~~(e) If a cost analysis is requested, the executive director of the State Board of Investment shall review the investment portfolio of the relief association, if applicable, for compliance with the applicable provisions of chapter 11A and for appropriateness for retention under the established investment objectives and investment policies of the State Board of Investment. If the prospective retirement coverage change is approved under paragraph (f), the State Board of Investment may require that the relief association liquidate any investment security or other asset which the executive director of the State Board of Investment has determined to be an ineligible or inappropriate investment for retention by the State Board of Investment. The security or asset liquidation must occur before the effective date of the transfer of retirement plan coverage. If requested to do so by the chief administrative officer of the relief association, the executive director of the State Board of Investment shall provide advice about the best means to conduct the liquidation.~~

~~(f) Upon receipt of the cost analysis, the governing body of the municipality or independent nonprofit firefighting corporation associated with the fire department shall either approve or disapprove the retirement coverage change within 120 days. If the retirement coverage change is not acted upon within 120 days, it is deemed to be disapproved. If the retirement coverage change is approved by the applicable governing body, coverage by the voluntary statewide lump sum volunteer firefighter retirement plan is effective on the next following January 1.~~

Subd. 3. **Election of coverage; monthly benefit.** (a) The process for electing coverage of volunteer firefighters by the monthly retirement division is initiated by a request to the executive director for an actuarial cost analysis of the prospective retirement coverage under the monthly benefit retirement division. This request must be made by the secretary of the volunteer firefighters relief association and the chief administrative officer of the entity associated with the relief association, both of which must first obtain approval of the request from their respective municipal governing body or independent nonprofit firefighting corporation. The request must be made in writing and must be made on a form prescribed by the executive director.

(b) Coverage by the monthly benefit retirement division may only be elected if the volunteer firefighters are covered by a monthly benefit volunteer firefighters relief association governed by chapter 424A.

(c) The cost analysis under paragraph (a) must be prepared by the approved actuary retained by the Public Employees Retirement Association. The cost analysis must be based on:

(1) the service pension and other retirement benefit types and amounts in effect for the volunteer firefighters relief association as of the date of the request and any other amount or amounts designated by the requesters, as disclosed in a special actuarial valuation prepared under sections 356.215 and 356.216; and

(2) the standards for actuarial work, and the actuarial assumptions utilized in the most recent prior actuarial valuation, except that the applicable interest rate actuarial assumption is six percent.

(d) The secretary of the volunteer firefighters relief association making the request must supply the demographic and financial data necessary for the cost analysis to be prepared.

Subd. 4. **Invested assets review.** If a cost analysis is requested under subdivision 2 or 3, the executive director of the State Board of Investment shall review the investment portfolio of the relief association, if applicable, for compliance with the applicable provisions of chapter 11A and for appropriateness for retention under the established investment objectives and investment policies of the State Board of Investment. If the prospective retirement coverage change is approved under subdivision 5, the State Board of Investment may require that the relief association liquidate any investment security or other asset which the executive director of the State Board of Investment has determined to be an ineligible or inappropriate investment for retention by the State Board of Investment. The security or asset liquidation must occur before the effective date of the transfer of retirement plan coverage. If requested to do so by the chief administrative officer of the relief association, the executive director of the State Board of Investment shall provide advice about the best means to conduct the liquidation.

Subd. 5. **Finalization; coverage transfer.** Upon receipt of the cost analysis requested under subdivision 2 or 3, the governing body of the municipality or independent nonprofit firefighting corporation associated with the fire department shall either approve or disapprove the retirement coverage change within 120 days. If the retirement coverage change is not acted upon within 120 days, it is deemed to be disapproved. If the retirement coverage change is approved by the applicable governing body, coverage by the voluntary statewide volunteer firefighter retirement plan is effective on the January 1 next following the approval date.

Sec. 15. Minnesota Statutes 2014, section 353G.06, is amended to read:

353G.06 DISESTABLISHMENT OF PRIOR VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION SPECIAL FUND UPON RETIREMENT COVERAGE CHANGE.

Subdivision 1. **Special fund disestablishment.** On the ~~date~~ December 31 immediately prior to the effective date of the coverage change, the special fund of the applicable volunteer firefighters relief association, if one exists, ceases to exist as a pension fund of the association and legal title to the assets of the special fund transfers to the State Board of Investment, with the undivided beneficial title to the assets of the special fund remaining in the applicable volunteer firefighters as a group.

Subd. 2. **Other relief association changes.** In addition to the transfer and disestablishment of the special fund under subdivision 1, notwithstanding any provisions of chapter 424A or 424B to the contrary, upon the effective date of the change in volunteer firefighter retirement coverage, if the relief association membership elects to retain the relief association as a fraternal organization after the benefit coverage election, the following changes must be implemented with respect to the applicable volunteer firefighters relief association:

(1) the relief association board of trustees membership is reduced to five, comprised of the fire chief of the fire department and four trustees elected by and from the relief association membership;

(2) the relief association may only maintain a general fund, which continues to be governed by section 424A.06;

(3) the relief association is not authorized to receive the proceeds of any state aid or to receive any municipal funds; and

(4) the relief association may not pay any service pension or benefit that was not authorized as a general fund disbursement under the articles of incorporation or bylaws of the relief association in effect immediately prior to the plan coverage election process.

Subd. 3. **Successor in interest.** Upon the disestablishment of the special fund of the volunteer firefighters relief association under this section, the voluntary statewide ~~lump-sum~~ volunteer firefighter retirement plan is the successor in interest of the special fund of the volunteer firefighters relief association for all claims against the special fund other than a claim against the special fund, the volunteer firefighters relief association, the municipality, the fire department, or any person connected with the volunteer firefighters relief association in a fiduciary capacity under chapter 356A or common law that was based on any act or acts which were not performed in good faith and which constituted a breach of a fiduciary obligation. As the successor in interest of the special fund of the volunteer firefighters relief association, the voluntary statewide ~~lump-sum~~ volunteer firefighter retirement plan may assert any applicable defense in any judicial proceeding which the board of trustees of the volunteer firefighters relief association or the municipality would have been entitled to assert.

Sec. 16. Minnesota Statutes 2014, section 353G.07, is amended to read:

353G.07 CERTIFICATION OF GOOD TIME SERVICE CREDIT.

(a) Annually, by March 31, the fire chief of the fire department with firefighters who are active members of either the lump-sum retirement plan division or the monthly benefit retirement division shall certify to the executive director the good time service credit for the previous calendar year of each firefighter rendering active service with the fire department.

(b) The fire chief shall provide to each firefighter rendering active service with the fire department notification of the amount of good time service credit rendered by the firefighter for the calendar year. The good time service credit notification must be provided to the firefighter 60 days before its certification to the executive director of the

Public Employees Retirement Association, along with an indication of the process for the firefighter to challenge the fire chief's determination of good time service credit. If the good time service credit amount is challenged in a timely fashion, the fire chief shall hold a hearing on the challenge, accept and consider any additional pertinent information, and make a final determination of good time service credit. The final determination of good time service credit by the fire chief is not reviewable by the executive director of the Public Employees Retirement Association or by the board of trustees of the Public Employees Retirement Association.

(c) The good time service credit certification is an official public document. If a false good time service credit certification is filed or if false information regarding good time service credits is provided, section 353.19 applies.

(d) The good time service credit certification must be expressed as a percentage of a full year of service during which an active firefighter rendered at least the minimum level and quantity of fire suppression, emergency response, fire prevention, or fire education duties required by the fire department under the rules and regulations applicable to the fire department. No more than one year of good time service credit may be certified for a calendar year.

(e) If a firefighter covered by the retirement plan leaves active firefighting service to render active military service that is required to be ~~covered~~ governed by the federal Uniformed Services Employment and Reemployment Rights Act, as amended, the person must be certified as providing a full year of good time service credit in each year of the military service, up to the applicable limit of the federal Uniformed Services Employment and Reemployment Rights Act. If the firefighter does not return from the military service in compliance with the federal Uniformed Services Employment and Reemployment Rights Act, the good time service credits applicable to that military service credit period are forfeited and cancel at the end of the calendar year in which the federal law time limit occurs.

Sec. 17. Minnesota Statutes 2014, section 353G.08, is amended to read:

353G.08 RETIREMENT PLAN FUNDING; DISBURSEMENTS.

Subdivision 1. **Annual funding requirements; lump-sum retirement division.** (a) Annually, the executive director shall determine the funding requirements of each account in the lump-sum retirement division of the voluntary statewide ~~lump-sum~~ volunteer firefighter retirement plan on or before August 1. The funding requirements ~~as directed~~ computed under this ~~section~~, subdivision must be determined using a mathematical procedure developed and certified as accurate by ~~an~~ the approved actuary retained by the Public Employees Retirement Association and must be based on present value factors using a six percent interest rate, without any decrement assumptions. The funding requirements must be certified to the entity or entities associated with the fire department whose active firefighters are covered by the retirement plan.

(b) The overall funding balance of each lump-sum account for the current calendar year must be determined in the following manner:

(1) The total accrued liability for all active and deferred members of the account as of December 31 of the current year must be calculated based on the good time service credit of active and deferred members as of that date.

(2) The total present assets of the account projected to December 31 of the current year, including receipts by and disbursements from the account anticipated to occur on or before December 31, must be calculated. To the extent possible, the market value of assets must be utilized in making this calculation.

(3) The amount of the total present assets calculated under clause (2) must be subtracted from the amount of the total accrued liability calculated under clause (1). If the amount of total present assets exceeds the amount of the total accrued liability, then the account is considered to have a surplus over full funding. If the amount of the total

present assets is less than the amount of the total accrued liability, then the account is considered to have a deficit from full funding. If the amount of total present assets is equal to the amount of the total accrued liability, then the special fund is considered to be fully funded.

(c) The financial requirements of each lump-sum account for the following calendar year must be determined in the following manner:

(1) The total accrued liability for all active and deferred members of the account as of December 31 of the calendar year next following the current calendar year must be calculated based on the good time service used in the calculation under paragraph (b), clause (1), increased by one year.

(2) The increase in the total accrued liability of the account for the following calendar year over the total accrued liability of the account for the current year must be calculated.

(3) The amount of anticipated future administrative expenses of the account must be calculated by multiplying the dollar amount of the administrative expenses for the most recent prior calendar year by the factor of 1.035.

(4) If the account is fully funded, the financial requirement of the account for the following calendar year is the total of the amounts calculated under clauses (2) and (3).

(5) If the account has a deficit from full funding, the financial requirement of the account for the following calendar year is the total of the amounts calculated under clauses (2) and (3) plus an amount equal to one-tenth of the amount of the deficit from full funding of the account.

(6) If the account has a surplus over full funding, the financial requirement of the account for the following calendar year is the financial requirement of the account calculated as though the account was fully funded under clause (4) and, if the account has also had a surplus over full funding during the prior two years, additionally reduced by an amount equal to one-tenth of the amount of the surplus over full funding of the account.

(d) The required contribution of the entity or entities associated with the fire department whose active firefighters are covered by the lump-sum retirement ~~plan~~ division is the annual financial requirements of the lump-sum account of the retirement plan under paragraph (c) reduced by the amount of any fire state aid payable under sections 69.011 to 69.051 or police and firefighter retirement supplemental state aid payable under section 423A.022 that is reasonably anticipated to be received by the retirement plan attributable to the entity or entities during the following calendar year, and an amount of interest on the assets projected to be received during the following calendar year calculated at the rate of six percent per annum. The required contribution must be allocated between the entities if more than one entity is involved. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

(e) The required contribution calculated in paragraph (d) must be paid to the retirement plan on or before December 31 of the year for which it was calculated. If the contribution is not received by the retirement plan by December 31, it is payable with interest at an annual compound rate of six percent from the date due until the date payment is received by the retirement plan. If the entity does not pay the full amount of the required contribution, the executive director shall collect the unpaid amount under section 353.28, subdivision 6.

Subd. 1a. **Annual funding requirements; monthly benefit retirement division.** (a) Annually, the executive director shall determine the funding requirements of each monthly benefit account in the voluntary statewide volunteer firefighter retirement plan on or before August 1.

(b) The executive director must determine the funding requirements of a monthly benefit account under this subdivision from:

(1) the most recent actuarial valuation normal cost, administrative expense, including the cost of a regular actuarial valuation, and amortization results for the account determined by the approved actuary retained by the retirement association under sections 356.215 and 356.216; and

(2) the standards for actuarial work, utilizing a six percent interest rate actuarial assumption and other actuarial assumptions approved under section 356.215, subdivision 18:

(i) with that portion of any unfunded actuarial accrued liability attributable to a benefit increase to be amortized over a period of 20 years from the date of the benefit change;

(ii) with that portion of any unfunded actuarial accrued liability attributable to an assumption change or an actuarial method change to be amortized over a period of 20 years from the date of the assumption or method change;

(iii) with that portion of any unfunded actuarial accrued liability attributable to an investment loss to be amortized over a period of ten years from the date of investment loss; and

(iv) with the balance of any net unfunded actuarial accrued liability to be amortized over a period of five years from the date of the actuarial valuation.

(c) The required contributions of the entity or entities associated with the fire department whose active firefighters are covered by the monthly benefit retirement division are the annual financial requirements of the monthly benefit account of the retirement plan under paragraph (b) reduced by the amount of any fire state aid payable under sections 69.011 to 69.051, or any police and firefighter retirement supplemental state aid payable under section 423A.022, that is reasonably anticipated to be received by the retirement plan attributable to the entity or entities during the following calendar year. The required contribution must be allocated between the entities if more than one entity is involved. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

(d) The required contribution calculated in paragraph (c) must be paid to the retirement plan on or before December 31 of the year for which it was calculated. If the contribution is not received by the retirement plan by December 31, it is payable with interest at an annual compound rate of six percent from the date due until the date payment is received by the retirement plan. If the entity does not pay the full amount of the required contribution, the executive director shall collect the unpaid amount under section 353.28, subdivision 6.

Subd. 2. Cash flow funding requirement. If the executive director determines that ~~an~~ a lump-sum retirement or a monthly benefit retirement account in the voluntary statewide ~~lump-sum~~ volunteer firefighter retirement plan has insufficient assets to meet the service pensions ~~determined~~ expected to be payable from the account over the succeeding two years, the executive director shall certify the amount of the potential service pension shortfall to the municipality or municipalities and the municipality or municipalities shall make an additional employer contribution to the account within ten days of the certification. If more than one municipality is associated with the account, unless the municipalities agree to and implement a different allocation, the municipalities shall allocate the additional employer contribution one-half in proportion to the population of each municipality and one-half in proportion to the estimated market value of the property of each municipality.

Subd. 2a. Additional municipal contributions authorized. (a) At the discretion of the municipality or the independent nonprofit firefighting corporation associated with a fire department covered by a voluntary statewide ~~lump-sum~~ volunteer firefighter retirement plan account, the municipality or the corporation may make additional contributions to the applicable account.

(b) The executive director of the Public Employees Retirement Association may specify requirements as to the form, timing, and accompanying information for contributions made under this subdivision.

(c) Any contributions made under this subdivision must be included as total present assets of the account for the calculation of any subsequent annual funding requirements for the account under subdivision 1 or 1a or for the calculation of any cash flow funding requirement under subdivision 2.

Subd. 3. **Authorized account disbursements.** The assets of a lump-sum retirement account or of a monthly benefit retirement account of the retirement fund may only be disbursed for:

- (1) the administrative expenses of the retirement plan;
- (2) the investment expenses of the retirement fund;
- (3) the service pensions payable under section 353G.10, 353G.11, 353G.14, or 353G.15;
- (4) the survivor benefits payable under section 353G.12; and
- (5) the disability benefit coverage insurance premiums under section 353G.115.

Sec. 18. Minnesota Statutes 2014, section 353G.09, is amended to read:

353G.09 RETIREMENT BENEFIT ELIGIBILITY.

Subdivision 1. **Entitlement.** Except as provided in subdivision 3, an active member of the retirement plan is entitled to a ~~lump-sum~~ service pension from the retirement plan if the person:

- (1) has separated from active service with the fire department for at least 30 days;
- (2) has attained the age of at least 50 years;
- (3) has completed at least five years of good time service credit as a member of the retirement plan if the person is a member of the lump-sum retirement division or has completed at least the minimum number of years of good time service credit as a member of the retirement plan specified in the retirement benefit plan document attributable to the applicable fire department if the person is a member of the monthly benefit retirement division; and
- (4) applies in a manner prescribed by the executive director for the service pension.

Subd. 2. **Vesting schedule; nonforfeitable portion of service pension.** (a) If an active member of the lump-sum retirement division has completed less than 20 years of good time service credit as a member of the lump-sum retirement division of the plan, the person's entitlement to a service pension is equal to the nonforfeitable percentage of the applicable service pension amount, as follows:

Completed years of good time service credit	Nonforfeitable percentage of the service pension
5	40 percent
6	44 percent
7	48 percent
8	52 percent
9	56 percent
10	60 percent

11	64 percent
12	68 percent
13	72 percent
14	76 percent
15	80 percent
16	84 percent
17	88 percent
18	92 percent
19	96 percent
20 and thereafter	100 percent

(b) If an active member of the monthly benefit retirement division has completed less than 20 years of good time service credit as a member of the monthly benefit retirement division of the plan, the person's entitlement to a service pension must be governed by the retirement benefit plan document attributable to the applicable fire department.

Subd. 3. **Alternative lump-sum pension eligibility and computation.** (a) An active member of the lump-sum retirement division of the retirement plan is entitled to an alternative lump-sum service pension from the retirement plan if the person:

(1) has separated from active service with the fire department for at least 30 days;

(2) has attained the age of at least 50 years or the age for receipt of a service pension under the benefit plan of the applicable former volunteer firefighters relief association as of the date immediately prior to the election of the retirement coverage change, whichever is later;

(3) has completed at least five years of active service with the fire department and at least five years in total as a member of the applicable former volunteer firefighters relief association or of the lump-sum retirement division of the retirement plan, but has not rendered at least five years of good time service credit as a member of the lump-sum retirement division of the plan; and

(4) applies in a manner prescribed by the executive director for the service pension.

(b) If retirement coverage prior to statewide retirement plan coverage was provided by a defined benefit lump-sum retirement plan volunteer firefighters relief association, the alternative lump-sum service pension is the service pension amount specified in the bylaws of the applicable former volunteer firefighters relief association either as of the date immediately ~~prior to~~ before the election of the retirement coverage change or as of the date immediately before the termination of firefighting services, whichever is earlier, multiplied by the total number of years of service as a member of that volunteer firefighters relief association and as a member of the retirement plan. If retirement coverage ~~prior to~~ before statewide retirement plan coverage was provided by a defined contribution plan volunteer firefighters relief association, the alternative lump-sum service pension is an amount equal to the person's account balance as of the date immediately ~~prior to~~ before the date on which statewide retirement plan coverage was first provided to the person plus six percent annual compound interest from that date until the date immediately ~~prior to~~ before the date of retirement.

Sec. 19. Minnesota Statutes 2014, section 353G.10, is amended to read:

353G.10 DEFERRED SERVICE PENSION AMOUNT.

A person who was an active member of a fire department covered by either the lump-sum retirement division or the monthly benefit retirement division of the retirement plan who has separated from active firefighting service for at least 30 days and who has completed at least five years of good time service credit, but has not attained the age of

50 years, is entitled to a deferred service pension on or after attaining the age of 50 years and applying in a manner specified by the executive director for the service pension. The service pension payable is the nonforfeitable percentage of the service pension under section 353G.09, subdivision 2, and is payable without any interest on or increase in the service pension over the period of deferral.

Sec. 20. Minnesota Statutes 2014, section 353G.11, is amended to read:

353G.11 LUMP-SUM RETIREMENT DIVISION SERVICE PENSION LEVELS.

Subdivision 1. **Levels; lump-sum retirement division.** The lump-sum retirement division of the retirement plan provides the following levels of service pension amounts to be selected at the election of coverage, or, if fully funded, thereafter:

Level A	\$500 per year of good time service credit
Level B	\$600 per year of good time service credit
Level C	\$700 per year of good time service credit
Level D	\$800 per year of good time service credit
Level E	\$900 per year of good time service credit
Level F	\$1,000 per year of good time service credit
Level G	\$1,250 per year of good time service credit
Level H	\$1,500 per year of good time service credit
Level I	\$2,000 per year of good time service credit
Level J	\$2,500 per year of good time service credit
Level K	\$3,000 per year of good time service credit
Level L	\$3,500 per year of good time service credit
Level M	\$4,000 per year of good time service credit
Level N	\$4,500 per year of good time service credit
Level O	\$5,000 per year of good time service credit
Level P	\$5,500 per year of good time service credit
Level Q	\$6,000 per year of good time service credit
Level R	\$6,500 per year of good time service credit
Level S	\$7,000 per year of good time service credit
Level T	\$7,500 per year of good time service credit

Subd. 1a. **Continuation of prior lump-sum service pension levels.** If a municipality or independent nonprofit firefighting corporation ~~elects~~ elects to be covered by the lump-sum retirement division of the retirement plan ~~prior to before~~ before January 1, 2010, and ~~selects~~ selects the \$750 per year of good time service credit service pension amount effective for January 1, 2010, that level continues for the volunteer firefighters of that municipality or independent nonprofit firefighting corporation until a different service pension amount is selected under subdivision 2 after January 1, 2010.

Subd. 2. **Lump-sum retirement division level selection.** At the time of the election to transfer retirement coverage ~~to the~~ to the lump-sum retirement division of the retirement plan, or on April 30 thereafter, the governing body or bodies of the entity or entities operating the fire department whose firefighters are covered by the retirement plan may request a cost estimate from the executive director of an increase in the service pension level applicable to the active firefighters of the fire department. Within 90 days of the receipt of the cost estimate prepared by the executive director using a procedure certified as accurate by the approved actuary retained by the Public Employees Retirement Association, the governing body or bodies may approve the service pension level change, effective for the following calendar year. If not approved in a timely fashion, the service pension level change is considered to have been disapproved.

Subd. 3. **Supplemental benefit.** The lump-sum retirement account of the retirement plan also shall pay a supplemental benefit as provided for in section 424A.10.

Subd. 4. **Ancillary benefits.** Except as provided in section 353G.115 or 353G.12, no disability, death, funeral, or other ancillary benefit beyond a service pension or a survivor benefit is payable from the lump-sum retirement account of the retirement plan.

Sec. 21. **[353G.112] MONTHLY BENEFIT RETIREMENT DIVISION SERVICE PENSION LEVELS.**

The service pension amount for the firefighters of a fire department covered by the monthly benefit retirement division of the retirement plan is the amount specified in the retirement benefit plan document applicable to the fire department.

Sec. 22. Minnesota Statutes 2014, section 353G.115, is amended to read:

353G.115 DISABILITY BENEFIT COVERAGE; AUTHORITY FOR CASUALTY INSURANCE.

(a) Except as provided in paragraph (b) or (c), no disability benefit is payable from the statewide retirement plan.

(b) If the board approves the arrangement, disability coverage for the lump-sum retirement division of the statewide retirement plan members may be provided through a group disability insurance policy obtained from an insurance company licensed to do business in this state. The lump-sum retirement account of the voluntary statewide ~~lump-sum~~ volunteer firefighter retirement plan is authorized to pay the premium for the disability insurance authorized by this paragraph. The proportional amount of the total annual disability insurance premium must be added to the required contribution amount determined under section 353G.08.

(c) The disability benefit coverage for the monthly benefit retirement division is the disability service pension amount specified in the retirement benefit plan document applicable to the fire department, applicable former volunteer firefighters relief association in effect as of the last day before the date on which retirement coverage transferred to the voluntary statewide volunteer firefighter retirement plan, subject to all conditions and limitations in the disability service pension specified therein.

Sec. 23. Minnesota Statutes 2014, section 353G.12, subdivision 2, is amended to read:

Subd. 2. **Lump-sum retirement plan; survivor benefit amount.** The amount of the survivor benefit for the lump-sum retirement division is the amount of the lump-sum service pension that would have been payable to the member of the lump-sum retirement plan division on the date of death if the member had been age 50 or older on that date.

Sec. 24. Minnesota Statutes 2014, section 353G.12, is amended by adding a subdivision to read:

Subd. 3. **Monthly benefit retirement plan; survivor benefit amount.** The amount of the survivor benefit for the monthly benefit retirement division is the survivor service pension amount specified in the retirement benefit plan document applicable to the fire department, subject to all conditions and limitations for the benefit specified therein.

Sec. 25. **[353G.121] MONTHLY BENEFIT RETIREMENT DIVISION; POST-TRANSFER BENEFIT PLAN DOCUMENT MODIFICATIONS.**

(a) The fire chief of a fire department that has an active membership who are covered by the monthly benefit retirement division of the statewide retirement plan may initiate the process of modifying the retirement benefit plan document under this section.

(b) The modification procedure is initiated when the applicable fire chief files with the executive director of the Public Employees Retirement Association a written summary of the desired benefit plan document modification, the proposed benefit plan document modification language, a written request for the preparation of an actuarial cost estimate for the proposed benefit plan document modification, and payment of the estimated cost of the actuarial cost estimate.

(c) Upon receipt of the modification request and related documents, the executive director shall review the language of the proposed benefit plan document modification and, if a clarification is needed in the submitted language, shall inform the fire chief of the necessary clarification. Once the proposed benefit plan document modification language has been clarified by the fire chief and resubmitted to the executive director, the executive director shall arrange for the approved actuary retained by the Public Employees Retirement Association to prepare a benefit plan document modification cost estimate under the applicable provisions of section 356.215 and of the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement. Upon completion of the benefit plan document modification cost estimate, the executive director shall forward the estimate to the fire chief who requested it and to the chief financial officer of the municipality or entity with which the fire department is primarily associated.

(d) The fire chief, upon receipt of the cost estimate, shall circulate the cost estimate with the active firefighters in the fire department and shall take reasonable steps to provide the estimate results to any affected retired members of the fire department and their beneficiaries. The chief financial officer of the municipality or entity associated with the fire department shall present the proposed modification language and the cost estimate to the governing body of the municipality or entity for its consideration at a public hearing held for that purpose.

(e) If the governing body of the municipality or entity approves the modification language, the chief administrative officer of the municipality or entity shall notify the executive director of the Public Employees Retirement Association of that approval. The benefit plan document modification is effective on the January 1 next following the date of filing the approval with the Public Employees Retirement Association and the state auditor.

Sec. 26. Minnesota Statutes 2014, section 353G.13, is amended to read:

353G.13 LUMP-SUM RETIREMENT DIVISION; PORTABILITY.

Subdivision 1. **Eligibility.** An active firefighter who is a member of the lump-sum retirement division of the retirement plan who also renders firefighting service and has good time service credit in the lump-sum retirement division of the retirement plan from another fire department, if the good time service credit in the plan from a combination of periods totals at least five years, is eligible, upon complying with the other requirements of section 353G.09, to receive a lump-sum service pension upon filing an application in the manner prescribed by the executive director, computed as provided in subdivision 2.

Subd. 2. **Combined service pension computation.** The lump-sum service pension payable to a firefighter who qualifies under subdivision 1 is the per year of good time lump-sum service credit service pension amount in effect for each lump-sum retirement account in which the firefighter has good time service credit as of the date on which the firefighter terminated active service with the fire department associated with the applicable account, multiplied by the number of years of good time service credit that the firefighter has in the applicable account.

Subd. 3. **Payment.** A lump-sum service pension under this section must be paid in a single payment, with the applicable portion of the total lump-sum service pension payment amount deducted from each lump-sum retirement account.

Sec. 27. Minnesota Statutes 2014, section 353G.14, is amended to read:

353G.14 PURCHASE OF ANNUITY CONTRACTS.

The executive director may purchase an annuity contract on behalf of a retiring firefighter retiring from the lump-sum retirement division of the statewide retirement plan with a total premium payment in an amount equal to the lump-sum service pension payable under section 353G.09 if the purchase was requested by the retiring firefighter in a manner prescribed by the executive director. The annuity contract must be purchased from an insurance carrier that is licensed to do business in this state. If purchased, the annuity contract is in lieu of any service pension or other benefit from the lump-sum retirement plan of the retirement plan. The annuity contract may be purchased at any time after the volunteer firefighter discontinues active service, but the annuity contract must stipulate that no annuity amounts are payable before the former volunteer firefighter attains the age of 50.

Sec. 28. Minnesota Statutes 2014, section 353G.15, is amended to read:

353G.15 INDIVIDUAL RETIREMENT ACCOUNT TRANSFER.

Upon receipt of a determination that the voluntary statewide volunteer firefighter retirement plan is a qualified pension plan under section 401(a) of the Internal Revenue Code, as amended, the executive director, upon request, shall transfer ~~the~~ a lump-sum service pension amount under sections 353G.08 and 353G.11 of a former volunteer firefighter who has terminated active firefighting services covered by the lump-sum retirement division of the statewide plan and who has attained the age of at least 50 years to the person's individual retirement account under section 408(a) of the federal Internal Revenue Code, as amended. The transfer request must be in a manner prescribed by the executive director and must be filed by the former volunteer firefighter who has sufficient service credit to be entitled to a service pension or, following the death of a participating active firefighter, must be filed by the deceased firefighter's surviving spouse.

Sec. 29. Minnesota Statutes 2014, section 353G.16, is amended to read:

353G.16 EXEMPTION FROM PROCESS.

The provisions of section 356.401 apply to the voluntary statewide volunteer firefighter retirement plan.

Sec. 30. Minnesota Statutes 2014, section 356.215, subdivision 8, is amended to read:

Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use the applicable following interest assumption:

(1) select and ultimate interest rate assumption

plan	ultimate interest rate assumption
general state employees retirement plan	8.5%
correctional state employees retirement plan	8.5
State Patrol retirement plan	8.5
legislators retirement plan, and for the constitutional	0

officers calculation of total plan liabilities	
judges retirement plan	8.5
general public employees retirement plan	8.5
public employees police and fire retirement plan	8.5
local government correctional service retirement plan	8.5
teachers retirement plan	8.5
St. Paul teachers retirement plan	8.5

Except for the legislators retirement plan and the constitutional officers calculation of total plan liabilities, the select preretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, is 8 percent.

(2) single rate interest rate assumption

plan	interest rate assumption
Bloomington Fire Department Relief Association	6
local monthly benefit volunteer firefighters relief associations	5
<u>monthly benefit retirement plans in the statewide volunteer firefighter retirement plan</u>	<u>6</u>

(b)(1) If funding stability has been attained, the valuation must use a postretirement adjustment rate actuarial assumption equal to the postretirement adjustment rate specified in section 354A.27, subdivision 7; 354A.29, subdivision 9; or 356.415, subdivision 1, whichever applies.

(2) If funding stability has not been attained, the valuation must use a select postretirement adjustment rate actuarial assumption equal to the postretirement adjustment rate specified in section 354A.27, subdivision 6a; 354A.29, subdivision 8; or 356.415, subdivision 1a, 1b, 1c, 1d, 1e, or 1f, whichever applies, for a period ending when the approved actuary estimates that the plan will attain the defined funding stability measure, and thereafter an ultimate postretirement adjustment rate actuarial assumption equal to the postretirement adjustment rate under section 354A.27, subdivision 7; 354A.29, subdivision 9; or 356.415, subdivision 1, for the applicable period or periods beginning when funding stability is projected to be attained.

(c) The actuarial valuation must use the applicable following single rate future salary increase assumption, the applicable following modified single rate future salary increase assumption, or the applicable following graded rate future salary increase assumption:

(1) single rate future salary increase assumption

plan	future salary increase assumption
legislators retirement plan	5%
judges retirement plan	3
Bloomington Fire Department Relief Association	4

(2) age-related future salary increase age-related select and ultimate future salary increase assumption or graded rate future salary increase assumption

plan	future salary increase assumption
local government correctional service retirement plan	assumption B
St. Paul teachers retirement plan	assumption A

For plans other than the St. Paul teachers retirement plan and the local government correctional service retirement plan, the select calculation is: during the designated select period, a designated percentage rate is multiplied by the result of the designated integer minus T, where T is the number of completed years of service, and is added to the applicable future salary increase assumption. The designated select period is ten years and the designated integer is ten for the local government correctional service retirement plan and 15 for the St. Paul Teachers Retirement Fund Association. The designated percentage rate is 0.2 percent for the St. Paul Teachers Retirement Fund Association.

The ultimate future salary increase assumption is:

age	A	B
16	5.9%	9%
17	5.9	9
18	5.9	9
19	5.9	9
20	5.9	9
21	5.9	8.75
22	5.9	8.5
23	5.85	8.25
24	5.8	8
25	5.75	7.75
26	5.7	7.5
27	5.65	7.25
28	5.6	7
29	5.55	6.75
30	5.5	6.75
31	5.45	6.5
32	5.4	6.5
33	5.35	6.5
34	5.3	6.25
35	5.25	6.25
36	5.2	6
37	5.15	6
38	5.1	6
39	5.05	5.75
40	5	5.75
41	4.95	5.75
42	4.9	5.5
43	4.85	5.25
44	4.8	5.25
45	4.75	5
46	4.7	5
47	4.65	5
48	4.6	5
49	4.55	5
50	4.5	5

51	4.45	5
52	4.4	5
53	4.35	5
54	4.3	5
55	4.25	4.75
56	4.2	4.75
57	4.15	4.5
58	4.1	4.25
59	4.05	4.25
60	4	4.25
61	4	4.25
62	4	4.25
63	4	4.25
64	4	4.25
65	4	4
66	4	4
67	4	4
68	4	4
69	4	4
70	4	4

(3) service-related ultimate future salary increase assumption

general state employees retirement plan of the Minnesota State Retirement System	assumption A
general employees retirement plan of the Public Employees Retirement Association	assumption B
Teachers Retirement Association	assumption C
public employees police and fire retirement plan	assumption D
State Patrol retirement plan	assumption E
correctional state employees retirement plan of the Minnesota State Retirement System	assumption F

service length	A	B	C	D	E	F
1	10.5%	12.03%	12%	13%	8%	6%
2	8.1	8.9	9	11	7.5	5.85
3	6.9	7.46	8	9	7	5.7
4	6.2	6.58	7.5	8	6.75	5.55
5	5.7	5.97	7.25	6.5	6.5	5.4
6	5.3	5.52	7	6.1	6.25	5.25
7	5	5.16	6.85	5.8	6	5.1
8	4.7	4.87	6.7	5.6	5.85	4.95
9	4.5	4.63	6.55	5.4	5.7	4.8
10	4.4	4.42	6.4	5.3	5.55	4.65
11	4.2	4.24	6.25	5.2	5.4	4.55
12	4.1	4.08	6	5.1	5.25	4.45
13	4	3.94	5.75	5	5.1	4.35
14	3.8	3.82	5.5	4.9	4.95	4.25
15	3.7	3.7	5.25	4.8	4.8	4.15
16	3.6	3.6	5	4.8	4.65	4.05
17	3.5	3.51	4.75	4.8	4.5	3.95
18	3.5	3.5	4.5	4.8	4.35	3.85

19	3.5	3.5	4.25	4.8	4.2	3.75
20	3.5	3.5	4	4.8	4.05	3.75
21	3.5	3.5	3.9	4.7	4	3.75
22	3.5	3.5	3.8	4.6	4	3.75
23	3.5	3.5	3.7	4.5	4	3.75
24	3.5	3.5	3.6	4.5	4	3.75
25	3.5	3.5	3.5	4.5	4	3.75
26	3.5	3.5	3.5	4.5	4	3.75
27	3.5	3.5	3.5	4.5	4	3.75
28	3.5	3.5	3.5	4.5	4	3.75
29	3.5	3.5	3.5	4.5	4	3.75
30 or more	3.5	3.5	3.5	4.5	4	3.75

(d) The actuarial valuation must use the applicable following payroll growth assumption for calculating the amortization requirement for the unfunded actuarial accrued liability where the amortization retirement is calculated as a level percentage of an increasing payroll:

plan	payroll growth assumption
general state employees retirement plan of the Minnesota State Retirement System	3.75%
correctional state employees retirement plan	3.75
State Patrol retirement plan	3.75
judges retirement plan	3
general employees retirement plan of the Public Employees Retirement Association	3.75
public employees police and fire retirement plan	3.75
local government correctional service retirement plan	3.75
teachers retirement plan	3.75
St. Paul teachers retirement plan	4

(e) The assumptions set forth in paragraphs (c) and (d) continue to apply, unless a different salary assumption or a different payroll increase assumption:

(1) has been proposed by the governing board of the applicable retirement plan;

(2) is accompanied by the concurring recommendation of the actuary retained under section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the most recent actuarial valuation report if section 356.214 does not apply; and

(3) has been approved or deemed approved under subdivision 18.

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 31. **EFFECTIVE DATE.**

Unless otherwise specified, this article is effective July 1, 2015.

ARTICLE 9

VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION WORKING GROUP RECOMMENDATIONS

Section 1. Minnesota Statutes 2014, section 69.051, subdivision 1a, is amended to read:

Subd. 1a. **Financial statement.** (a) The board of each volunteer firefighters relief association, as defined in section 424A.001, subdivision 4, that is not required to file a financial report and audit under subdivision 1 must prepare a detailed statement of the financial affairs for the preceding fiscal year of the relief association's special and general funds in the style and form prescribed by the state auditor. The detailed statement must show:

- (1) the sources and amounts of all money received;
- (2) all disbursements, accounts payable and accounts receivable;
- (3) the amount of money remaining in the treasury;
- (4) total assets, including a listing of all investments;
- (5) the accrued liabilities; and

(6) all other items necessary to show accurately the revenues and expenditures and financial position of the relief association.

(b) The detailed financial statement of the special and general funds required under paragraph (a) must be certified by a certified public accountant or by the state auditor. ~~In addition to certifying the financial condition of the special and general funds of the relief association, the accountant or auditor conducting the examination shall give an opinion as to the condition of the special and general funds of the relief association, and shall comment upon any exceptions to the report in accordance with agreed-upon procedures and forms prescribed by the state auditor.~~ The accountant must have at least five years of public accounting, auditing, or similar experience, and must not be an active, inactive, or retired member of the relief association or the fire department.

(c) The detailed financial statement required under paragraph (a) must be countersigned by:

(1) the municipal clerk or clerk-treasurer of the municipality; or

(2) where applicable, by the municipal clerk or clerk-treasurer of the largest municipality in population which contracts with the independent nonprofit firefighting corporation if the relief association is a subsidiary of an independent nonprofit firefighting corporation and by the secretary of the independent nonprofit firefighting corporation; or

(3) by the chief financial official of the county in which the volunteer firefighter relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

(d) The volunteer firefighters' relief association board must file the detailed financial statement required under paragraph (a) in the relief association office for public inspection and present it to the governing body of the municipality within 45 days after the close of the fiscal year, and must submit a copy of the certified detailed financial statement to the state auditor within 90 days of the close of the fiscal year.

(e) A certified public accountant or auditor who performs the agreed-upon procedures under paragraph (b) is subject to the reporting requirements of section 6.67.

EFFECTIVE DATE. This section is effective July 1, 2015, and applies to financial statements prepared for calendar year 2015 and thereafter.

Sec. 2. Minnesota Statutes 2014, section 69.80, is amended to read:

69.80 AUTHORIZED ADMINISTRATIVE EXPENSES.

(a) Notwithstanding any provision of law to the contrary, the payment of the following necessary, reasonable and direct expenses of maintaining, protecting and administering the special fund, when provided for in the bylaws of the association and approved by the board of trustees, constitutes authorized administrative expenses of a volunteer firefighters' relief association organized under any law of this state or the Bloomington Fire Department Relief Association:

(1) office expense, including, but not limited to, rent, utilities, equipment, supplies, postage, periodical subscriptions, furniture, fixtures, and salaries of administrative personnel;

(2) salaries of the officers of the association, or their designees, and salaries of the members of the board of trustees of the association if the salary amounts are approved by the governing body of the entity that is responsible for meeting any minimum obligation under section 424A.092 or 424A.093, or Laws 2013, chapter 111, article 5, sections 31 to 42, and the itemized expenses of relief association officers and board members that are incurred as a result of fulfilling their responsibilities as administrators of the special fund;

(3) tuition, registration fees, organizational dues, and other authorized expenses of the officers or members of the board of trustees incurred in attending educational conferences, seminars, or classes relating to the administration of the relief association;

(4) audit, and audit-related services, accounting and accounting-related services, and actuarial, medical, legal, and investment and performance evaluation expenses;

(5) filing and application fees payable by the relief association to federal or other governmental entities;

(6) reimbursement to the officers and members of the board of trustees, or their designees, for reasonable and necessary expenses actually paid and incurred in the performance of their duties as officers or members of the board; and

(7) premiums on fiduciary liability insurance and official bonds for the officers, members of the board of trustees, and employees of the relief association.

(b) Any other expenses of the relief association must be paid from the general fund of the association, if one exists. If a relief association has only one fund, that fund is the special fund for purposes of this section. If a relief association has a special fund and a general fund, and any expense of the relief association that is directly related to the purposes for which both funds were established, the payment of that expense must be apportioned between the two funds on the basis of the benefits derived by each fund.

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

Sec. 3. Minnesota Statutes 2014, section 424A.001, is amended by adding a subdivision to read:

Subd. 12. Membership start date. Membership in a volunteer firefighters relief association begins upon the date of hire by a municipality, a joint powers board, or an independent nonprofit firefighting corporation with which the relief association is directly associated, unless otherwise specified in the relief association bylaws.

EFFECTIVE DATE. This section is effective January 1, 2016.

Sec. 4. Minnesota Statutes 2014, section 424A.002, subdivision 1, is amended to read:

Subdivision 1. **Authorization.** A municipal fire department or an independent nonprofit firefighting corporation, with approval by the applicable municipality or municipalities, may establish a new volunteer firefighters relief association or may retain an existing volunteer firefighters relief association. A municipal fire department or an independent nonprofit firefighting corporation may be associated with only one volunteer firefighters relief association at one time.

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

Sec. 5. Minnesota Statutes 2014, section 424A.016, subdivision 4, is amended to read:

Subd. 4. **Individual accounts.** (a) An individual account must be established for each firefighter who is a member of the relief association.

(b) To each individual active member account must be credited an equal share of:

(1) any amounts of fire state aid and police and firefighter retirement supplemental state aid received by the relief association;

(2) any amounts of municipal contributions to the relief association raised from levies on real estate or from other available municipal revenue sources exclusive of fire state aid; and

(3) any amounts equal to the share of the assets of the special fund to the credit of:

(i) any former member who terminated active service with the fire department to which the relief association is associated before meeting the minimum service requirement provided for in subdivision 2, paragraph (b), and has not returned to active service with the fire department for a period no shorter than five years; or

(ii) any retired member who retired before obtaining a full nonforfeitable interest in the amounts credited to the individual member account under subdivision 2, paragraph (b), and any applicable provision of the bylaws of the relief association. In addition, any investment return on the assets of the special fund must be credited in proportion to the share of the assets of the special fund to the credit of each individual active member account. Administrative expenses of the relief association payable from the special fund may be deducted from individual accounts in a manner specified in the bylaws of the relief association.

(c) If the bylaws so permit and as the bylaws define, the relief association may credit any investment return on the assets of the special fund to the accounts of inactive members.

(d) Amounts to be credited to individual accounts must be allocated uniformly for all years of active service and allocations must be made for all years of service, except for caps on service credit if so provided in the bylaws of the relief association. Amounts forfeited under paragraph (b), clause (3), before a resumption of active service and membership under section 424A.01, subdivision 6, remain forfeited and may not be reinstated upon the resumption of active service and membership. The allocation method may utilize monthly proration for fractional years of service, as the bylaws or articles of incorporation of the relief association so provide. The bylaws or articles of incorporation may define a "month," but the definition must require a calendar month to have at least 16 days of active service. If the bylaws or articles of incorporation do not define a "month," a "month" is a completed calendar month of active service measured from the member's date of entry to the same date in the subsequent month.

(e) At the time of retirement under subdivision 2 and any applicable provision of the bylaws of the relief association, a retiring member is entitled to that portion of the assets of the special fund to the credit of the member in the individual member account which is nonforfeitable under subdivision 3 and any applicable provision of the bylaws of the relief association based on the number of years of service to the credit of the retiring member.

(f) Annually, the secretary of the relief association shall certify the individual account allocations to the state auditor at the same time that the annual financial statement or financial report and audit of the relief association, whichever applies, is due under section 69.051.

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

Sec. 6. Minnesota Statutes 2014, section 424A.02, subdivision 3, is amended to read:

Subd. 3. **Flexible service pension maximums.** (a) Annually on or before August 1 as part of the certification of the financial requirements and minimum municipal obligation determined under section 424A.092, subdivision 4, or 424A.093, subdivision 5, as applicable, the secretary or some other official of the relief association designated in the bylaws of each defined benefit relief association shall calculate and certify to the governing body of the applicable municipality the average amount of available financing per active covered firefighter for the most recent three-year period. The amount of available financing includes any amounts of fire state aid and police and firefighter retirement supplemental state aid received or receivable by the relief association, any amounts of municipal contributions to the relief association raised from levies on real estate or from other available revenue sources exclusive of fire state aid, and one-tenth of the amount of assets in excess of the accrued liabilities of the relief association calculated under section 424A.092, subdivision 2; 424A.093, subdivisions 2 and 4; or 424A.094, subdivision 2, if any.

(b) The maximum service pension which the defined benefit relief association has authority to provide for in its bylaws for payment to a member retiring after the calculation date when the minimum age and service requirements specified in subdivision 1 are met must be determined using the table in paragraph (c) or (d), whichever applies.

(c) For a defined benefit relief association where the governing bylaws provide for a monthly service pension to a retiring member, the maximum monthly service pension amount per month for each year of service credited that may be provided for in the bylaws is the greater of the service pension amount provided for in the bylaws on the date of the calculation of the average amount of the available financing per active covered firefighter or the maximum service pension figure corresponding to the average amount of available financing per active covered firefighter:

Minimum Average Amount of Available Financing per Firefighter	Maximum Service Pension Amount Payable per Month for Each Year of Service
\$...	\$.25
41	.50
81	1.00
122	1.50
162	2.00
203	2.50
243	3.00
284	3.50
324	4.00
365	4.50
405	5.00
486	6.00
567	7.00
648	8.00
729	9.00
810	10.00
891	11.00

972	12.00
1053	13.00
1134	14.00
1215	15.00
1296	16.00
1377	17.00
1458	18.00
1539	19.00
1620	20.00
1701	21.00
1782	22.00
1823	22.50
1863	23.00
1944	24.00
2025	25.00
2106	26.00
2187	27.00
2268	28.00
2349	29.00
2430	30.00
2511	31.00
2592	32.00
2673	33.00
2754	34.00
2834	35.00
2916	36.00
2997	37.00
3078	38.00
3159	39.00
3240	40.00
3321	41.00
3402	42.00
3483	43.00
3564	44.00
3645	45.00
3726	46.00
3807	47.00
3888	48.00
3969	49.00
4050	50.00
4131	51.00
4212	52.00
4293	53.00
4374	54.00
4455	55.00
4536	56.00
4617	57.00
4698	58.00
4779	59.00
4860	60.00
4941	61.00

5022	62.00
5103	63.00
5184	64.00
5265	65.00
5346	66.00
5427	67.00
5508	68.00
5589	69.00
5670	70.00
5751	71.00
5832	72.00
5913	73.00
5994	74.00
6075	75.00
6156	76.00
6237	77.00
6318	78.00
6399	79.00
6480	80.00
6561	81.00
6642	82.00
6723	83.00
6804	84.00
6885	85.00
6966	86.00
7047	87.00
7128	88.00
7209	89.00
7290	90.00
7371	91.00
7452	92.00
7533	93.00
7614	94.00
7695	95.00
7776	96.00
7857	97.00
7938	98.00
8019	99.00
8100	100.00
any amount in excess of 8100	100.00

(d) For a defined benefit relief association in which the governing bylaws provide for a lump-sum service pension to a retiring member, the maximum lump-sum service pension amount for each year of service credited that may be provided for in the bylaws is the greater of the service pension amount provided for in the bylaws on the date of the calculation of the average amount of the available financing per active covered firefighter or the maximum service pension figure corresponding to the average amount of available financing per active covered firefighter for the applicable specified period:

Minimum Average Amount of Available Financing per Firefighter	Maximum Lump-Sum Service Pension Amount Payable for Each Year of Service
\$...	\$10
11	20
16	30
23	40
27	50
32	60
43	80
54	100
65	120
77	140
86	160
97	180
108	200
131	240
151	280
173	320
194	360
216	400
239	440
259	480
281	520
302	560
324	600
347	640
367	680
389	720
410	760
432	800
486	900
540	1000
594	1100
648	1200
702	1300
756	1400
810	1500
864	1600
918	1700
972	1800
1026	1900
1080	2000
1134	2100
1188	2200
1242	2300
1296	2400
1350	2500
1404	2600
1458	2700
1512	2800

1566	2900
1620	3000
1672	3100
1726	3200
1753	3250
1780	3300
1820	3375
1834	3400
1888	3500
1942	3600
1996	3700
2023	3750
2050	3800
2104	3900
2158	4000
2212	4100
2265	4200
2319	4300
2373	4400
2427	4500
2481	4600
2535	4700
2589	4800
2643	4900
2697	5000
2751	5100
2805	5200
2859	5300
2913	5400
2967	5500
3021	5600
3075	5700
3129	5800
3183	5900
3237	6000
3291	6100
3345	6200
3399	6300
3453	6400
3507	6500
3561	6600
3615	6700
3669	6800
3723	6900
3777	7000
3831	7100
3885	7200
3939	7300
3993	7400
4047	7500
4101	7600

4155	7700
4209	7800
4263	7900
4317	8000
4371	8100
4425	8200
4479	8300
4533	8400
4587	8500
4641	8600
4695	8700
4749	8800
4803	8900
4857	9000
4911	9100
4965	9200
5019	9300
5073	9400
5127	9500
5181	9600
5235	9700
5289	9800
5343	9900
5397	10,000
any amount in excess of 5397	10,000

(e) For a defined benefit relief association in which the governing bylaws provide for a monthly benefit service pension as an alternative form of service pension payment to a lump-sum service pension, the maximum service pension amount for each pension payment type must be determined using the applicable table contained in this subdivision.

(f) If a defined benefit relief association establishes a service pension in compliance with the applicable maximum contained in paragraph (c) or (d) and the minimum average amount of available financing per active covered firefighter is subsequently reduced because of a reduction in fire state aid or because of an increase in the number of active firefighters, the relief association may continue to provide the prior service pension amount specified in its bylaws, but may not increase the service pension amount until the minimum average amount of available financing per firefighter under the table in paragraph (c) or (d), whichever applies, permits.

(g) No defined benefit relief association is authorized to provide a service pension in an amount greater than the largest applicable flexible service pension maximum amount even if the amount of available financing per firefighter is greater than the financing amount associated with the largest applicable flexible service pension maximum.

(h) The method of calculating service pensions must be applied uniformly for all years of active service. Credit must be given for all years of active service except for caps on service credit if so provided in the bylaws of the relief association.

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

Sec. 7. Minnesota Statutes 2014, section 424A.02, subdivision 3a, is amended to read:

Subd. 3a. **Penalty for paying pension greater than applicable maximum.** (a) If a defined benefit relief association pays a service pension greater than the maximum service pension associated with the applicable average amount of available financing per active covered firefighter under the table in subdivision 3, paragraph (c) or (d), whichever applies, the maximum service pension under subdivision 3, paragraph (f), or the applicable maximum service pension amount specified in subdivision 3, paragraph (g), whichever is less, the state auditor shall:

(1) disqualify the municipality or the nonprofit firefighting corporation associated with the relief association from receiving fire state aid by making the appropriate notification to the municipality and the commissioner of revenue, with the disqualification applicable for the next apportionment and payment of fire state aid; and

(2) order the treasurer of the applicable relief association to recover the amount of the overpaid service pension or pensions from any retired firefighter who received an overpayment.

(b) Fire state aid amounts from disqualified municipalities for the period of disqualifications under paragraph (a), clause (1), must be credited to the amount of fire insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(c) The amount of any overpaid service pension recovered under paragraph (a), clause (2), must be credited to the amount of fire insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(d) The determination of the state auditor that a relief association has paid a service pension greater than the applicable maximum must be made on the basis of the information filed by the relief association and the municipality with the state auditor under sections 69.011, subdivision 2, and 69.051, subdivision 1 or 1a, whichever applies, and any other relevant information that comes to the attention of the state auditor. The determination of the state auditor is final. An aggrieved municipality, relief association, or person may appeal the determination under section 480A.06.

(e) The state auditor may certify, upon learning that a relief association overpaid a service pension based on an error in the maximum service pension calculation, the municipality or nonprofit firefighting corporation associated with the relief association for fire state aid if (1) there is evidence that the error occurred in good faith, and (2) the relief association has initiated recovery of any overpayment amount. Notwithstanding paragraph (c), all overpayments recovered under this paragraph must be credited to the relief association's special fund.

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

Sec. 8. Minnesota Statutes 2014, section 424A.02, subdivision 9a, is amended to read:

Subd. 9a. **Postretirement increases.** Notwithstanding any provision of general or special law to the contrary, a defined benefit relief association paying a monthly service pension may provide a postretirement increase to retired members and ancillary benefit recipients of the relief association if (1) the relief association adopts an appropriate bylaw amendment; and (2) the bylaw amendment is approved by the municipality pursuant to subdivision 10 and section 424A.093, subdivision 6. The postretirement increase is applicable only to retired members and ancillary benefit recipients receiving a monthly service pension or monthly ancillary benefit as of the effective date of the bylaw amendment. The authority to provide a postretirement increase to retired members and ancillary benefit recipients of a relief association contained in this subdivision supersedes any prior special law authorization relating to the provision of postretirement increases.

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

Sec. 9. Minnesota Statutes 2014, section 424A.05, subdivision 2, is amended to read:

Subd. 2. **Special fund assets and revenues.** The special fund must be credited with all fire state aid ~~moneys~~ and police and firefighter retirement supplemental state aid received under sections 69.011 to 69.051 and 423A.022, all taxes levied by or other revenues received from the municipality under sections 424A.091 to 424A.096 or any applicable special law requiring municipal support for the relief association, any ~~moneys~~ funds or property donated, given, granted or devised by any person which is specified for use for the support of the special fund and any interest or investment return earned upon the assets of the special fund. The treasurer of the relief association is the custodian of the assets of the special fund and must be the recipient on behalf of the special fund of all revenues payable to the special fund. The treasurer shall maintain adequate records documenting any transaction involving the assets or the revenues of the special fund. These records and the bylaws of the relief association are public and must be open for inspection by any member of the relief association, any officer or employee of the state or of the municipality, or any member of the public, at reasonable times and places.

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

Sec. 10. Minnesota Statutes 2014, section 424A.05, subdivision 3, is amended to read:

Subd. 3. **Authorized disbursements from special fund.** (a) Disbursements from the special fund may not be made for any purpose other than one of the following:

(1) for the payment of service pensions to retired members of the relief association if authorized and paid under law and the bylaws governing the relief association;

(2) for the purchase of an annuity for the applicable person under section 424A.015, subdivision 3, for the transfer of service pension or benefit amounts to the applicable person's individual retirement account under section 424A.015, subdivision 4, or to the applicable person's account in the Minnesota deferred compensation plan under section 424A.015, subdivision 5;

(3) for the payment of temporary or permanent disability benefits to disabled members of the relief association if authorized and paid under law and specified in amount in the bylaws governing the relief association;

(4) for the payment of survivor benefits or for the payment of a death benefit to the estate of the deceased active or deferred firefighter, if authorized and paid under law and specified in amount in the bylaws governing the relief association;

(5) for the payment of the fees, dues and assessments to the Minnesota State Fire Department Association and to the Minnesota State Fire Chiefs Association in order to entitle relief association members to membership in and the benefits of these associations or organizations;

(6) for the payment of insurance premiums to the state Volunteer Firefighters Benefit Association, or an insurance company licensed by the state of Minnesota offering casualty insurance, in order to entitle relief association members to membership in and the benefits of the association or organization; and

(7) for the payment of administrative expenses of the relief association as authorized under section 69.80.

(b) Checks or authorizations for electronic fund transfers for disbursements authorized by this section must be signed by the relief association treasurer and at least one other elected trustee who has been designated by the board of trustees to sign the checks or authorizations. A relief association may make disbursements authorized by this subdivision by electronic funds transfers only if the specific method of payment and internal control policies and procedures regarding the method are approved by the board of trustees.

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

Sec. 11. Minnesota Statutes 2014, section 424A.092, subdivision 3, is amended to read:

Subd. 3. **Financial requirements of relief association; minimum obligation of municipality.** (a) During the month of July, the officers of the relief association shall determine the overall funding balance of the special fund for the current calendar year, the financial requirements of the special fund for the following calendar year and the minimum obligation of the municipality with respect to the special fund for the following calendar year in accordance with the requirements of this subdivision.

(b) The overall funding balance of the special fund for the current calendar year must be determined in the following manner:

(1) The total accrued liability of the special fund for all active and deferred members of the relief association as of December 31 of the current year must be calculated under subdivisions 2 and 2a, if applicable.

(2) The total present assets of the special fund projected to December 31 of the current year, including receipts by and disbursements from the special fund anticipated to occur on or before December 31, must be calculated. To the extent possible, for those assets for which a market value is readily ascertainable, the current market value as of the date of the calculation for those assets must be utilized in making this calculation. For any asset for which no market value is readily ascertainable, the cost value or the book value, whichever is applicable, must be utilized in making this calculation.

(3) The amount of the total present assets of the special fund calculated under clause (2) must be subtracted from the amount of the total accrued liability of the special fund calculated under clause (1). If the amount of total present assets exceeds the amount of the total accrued liability, then the special fund is considered to have a surplus over full funding. If the amount of the total present assets is less than the amount of the total accrued liability, then the special fund is considered to have a deficit from full funding. If the amount of total present assets is equal to the amount of the total accrued liability, then the special fund is considered to be fully funded.

(c) The financial requirements of the special fund for the following calendar year must be determined in the following manner:

(1) The total accrued liability of the special fund for all active and deferred members of the relief association as of December 31 of the calendar year next following the current calendar year must be calculated under subdivisions 2 and 2a, if applicable.

(2) The increase in the total accrued liability of the special fund for the following calendar year over the total accrued liability of the special fund for the current year must be calculated.

(3) The amount of anticipated future administrative expenses of the special fund must be calculated by multiplying the dollar amount of the administrative expenses of the special fund for the most recent prior calendar year by the factor of 1.035.

(4) If the special fund is fully funded, the financial requirements of the special fund for the following calendar year are the total of the amounts calculated under clauses (2) and (3).

(5) If the special fund has a deficit from full funding, the financial requirements of the special fund for the following calendar year are the financial requirements of the special fund calculated as though the special fund were fully funded under clause (4) plus an amount equal to one-tenth of the original amount of the deficit from full funding of the special fund as determined under clause (2) resulting either from an increase in the amount of the service pension occurring in the last ten years or from a net annual investment loss occurring during the last ten years until each increase in the deficit from full funding is fully retired. The annual amortization contribution under this clause may not exceed the amount of the deficit from full funding.

(6) If the special fund has a surplus over full funding, the financial requirements of the special fund for the following calendar year are the financial requirements of the special fund calculated as though the special fund were fully funded under clause (4) reduced by an amount equal to one-tenth of the amount of the surplus over full funding of the special fund.

(d) The minimum obligation of the municipality with respect to the special fund is the financial requirements of the special fund reduced by the amount of any fire state aid and police and firefighter retirement supplemental state aid payable under sections 69.011 to 69.051 and 423A.022 reasonably anticipated to be received by the municipality for transmittal to the special fund during the following calendar year, an amount of interest on the assets of the special fund projected to the beginning of the following calendar year calculated at the rate of five percent per annum, and the amount of any contributions to the special fund required by the relief association bylaws from the active members of the relief association reasonably anticipated to be received during the following calendar year. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

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

Sec. 12. Minnesota Statutes 2014, section 424A.092, subdivision 6, is amended to read:

Subd. 6. **Municipal ratification for plan amendments.** If the special fund of the relief association does not have a surplus over full funding under subdivision 3, paragraph (c), clause (5), and if the municipality is required to provide financial support to the special fund of the relief association under this section, the adoption of or any amendment to the articles of incorporation or bylaws of a relief association which increases or otherwise affects the retirement coverage provided by or the service pensions or retirement benefits payable from the special fund of any relief association to which this section applies is not effective until it is ratified by the governing body of the municipality served by the fire department to which the relief association is directly associated or by the independent nonprofit firefighting corporation, as applicable, and the officers of a relief association shall not seek municipal ratification prior to preparing and certifying an estimate of the expected increase in the accrued liability and annual accruing liability of the relief association attributable to the amendment. If the special fund of the relief association has a surplus over full funding under subdivision 3, paragraph (c), clause (5), and if the municipality is not required to provide financial support to the special fund of the relief association under this section, the relief association may adopt or amend its articles of incorporation or bylaws which increase or otherwise affect the retirement coverage provided by or the service pensions or retirement benefits payable from the special fund of the relief association which are effective without municipal ratification so long as this does not cause the amount of the resulting increase in the accrued liability of the special fund of the relief association to exceed 90 percent of the amount of the surplus over full funding reported in the prior year and this does not result in the financial requirements of the special fund of the relief association exceeding the expected amount of the future fire state aid and police and firefighter retirement supplemental state aid to be received by the relief association as determined by the board of trustees following the preparation of an estimate of the expected increase in the accrued liability and annual accruing liability of the relief association attributable to the change. If a relief association adopts or amends its articles of incorporation or bylaws without municipal ratification under this subdivision, and, subsequent to the amendment or adoption, the financial requirements of the special fund of the relief association under this section are such so as to require financial support from the municipality, the provision which was implemented without municipal ratification is no longer effective without municipal ratification and any service pensions or retirement benefits payable after that date may be paid only in accordance with the articles of incorporation or bylaws as amended or adopted with municipal ratification.

Sec. 13. Minnesota Statutes 2014, section 424A.093, subdivision 5, is amended to read:

Subd. 5. **Minimum municipal obligation.** (a) The officers of the relief association shall determine the minimum obligation of the municipality with respect to the special fund of the relief association for the following calendar year on or before August 1 of each year in accordance with the requirements of this subdivision.

(b) The minimum obligation of the municipality with respect to the special fund is an amount equal to the financial requirements of the special fund of the relief association determined under subdivision 4, reduced by the estimated amount of any fire state aid and police and firefighter retirement supplemental state aid payable under sections 69.011 to 69.051 and 423A.022 reasonably anticipated to be received by the municipality for transmittal to the special fund of the relief association during the following year and the amount of any anticipated contributions to the special fund required by the relief association bylaws from the active members of the relief association reasonably anticipated to be received during the following calendar year. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

(c) The officers of the relief association shall certify the financial requirements of the special fund of the relief association and the minimum obligation of the municipality with respect to the special fund of the relief association as determined under subdivision 4 and this subdivision by August 1 of each year. The certification must be made to the entity that is responsible for satisfying the minimum obligation with respect to the special fund of the relief association. If the responsible entity is a joint powers entity, the certification must be made in the manner specified in the joint powers agreement, or if the joint powers agreement is silent on this point, the certification must be made to the chair of the joint powers board.

(d) The financial requirements of the relief association and the minimum municipal obligation must be included in the financial report or financial statement under section 69.051.

(e) The municipality shall provide for at least the minimum obligation of the municipality with respect to the special fund of the relief association by tax levy or from any other source of public revenue. The municipality may levy taxes for the payment of the minimum municipal obligation without any limitation as to rate or amount and irrespective of any limitations imposed by other provisions of law or charter upon the rate or amount of taxation until the balance of the special fund or any fund of the relief association has attained a specified level. In addition, any taxes levied under this section must not cause the amount or rate of any other taxes levied in that year or to be levied in a subsequent year by the municipality which are subject to a limitation as to rate or amount to be reduced.

(f) If the municipality does not include the full amount of the minimum municipal obligation in its levy for any year, the officers of the relief association shall certify that amount to the county auditor, who shall spread a levy in the amount of the minimum municipal obligation on the taxable property of the municipality.

(g) If the state auditor determines that a municipal contribution actually made in a plan year was insufficient under section 424A.091, subdivision 3, paragraph (c), clause (5), the state auditor may request from the relief association or from the city a copy of the certifications under this subdivision. The relief association or the city, whichever applies, must provide the certifications within 14 days of the date of the request from the state auditor.

Sec. 14. Minnesota Statutes 2014, section 424A.093, subdivision 6, is amended to read:

Subd. 6. **Municipal ratification for plan amendments.** If the special fund of the relief association does not have a surplus over full funding under subdivision 4, and if the municipality is required to provide financial support to the special fund of the relief association under this section, the adoption of or any amendment to the articles of incorporation or bylaws of a relief association which increases or otherwise affects the retirement coverage provided by or the service pensions or retirement benefits payable from the special fund of any relief association to which this

section applies is not effective until it is ratified by the governing body of the municipality served by the fire department to which the relief association is directly associated or by the independent nonprofit firefighting corporation, as applicable. If the special fund of the relief association has a surplus over full funding under subdivision 4, and if the municipality is not required to provide financial support to the special fund of the relief association under this section, the relief association may adopt or amend its articles of incorporation or bylaws which increase or otherwise affect the retirement coverage provided by or the service pensions or retirement benefits payable from the special fund of the relief association which are effective without municipal ratification so long as this does not cause the amount of the resulting increase in the accrued liability of the special fund of the relief association to exceed 90 percent of the amount of the surplus over full funding reported in the prior year and this does not result in the financial requirements of the special fund of the relief association exceeding the expected amount of the future fire state aid and police and firefighter retirement supplemental state aid to be received by the relief association as determined by the board of trustees following the preparation of an updated actuarial valuation including the proposed change or an estimate of the expected actuarial impact of the proposed change prepared by the actuary of the relief association. If a relief association adopts or amends its articles of incorporation or bylaws without municipal ratification pursuant to this subdivision, and, subsequent to the amendment or adoption, the financial requirements of the special fund of the relief association under this section are such so as to require financial support from the municipality, the provision which was implemented without municipal ratification is no longer effective without municipal ratification and any service pensions or retirement benefits payable after that date may be paid only in accordance with the articles of incorporation or bylaws as amended or adopted with municipal ratification.

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

ARTICLE 10

PARTICULAR VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION CHANGES

Section 1. **ROSEVILLE VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION; GOVERNANCE AND ADMINISTRATION.**

Subdivision 1. **Retiree board of trustees representation.** (a) Notwithstanding any provision of Minnesota Statutes, section 424A.04, subdivision 1, to the contrary the membership of the board of trustees of the Roseville Volunteer Firefighters Relief Association (RVFRA) is as provided in paragraph (b), with the additional membership of the chief of the fire department, one elected Roseville municipal official, and one elected or appointed Roseville municipal official appointed by the Roseville City Council if:

(1) all service pensions and survivor benefits have not been annuitized as provided under Minnesota Statutes, section 424A.015, subdivision 3; and

(2) the RVFRA is administered by a governing board.

(b)(1) Beginning the day following the effective date of this section, the RVFRA board of trustees shall consist of three active Roseville firefighters elected from the membership of the RVFRA and three retired members of the RVFRA elected from the membership of the relief association.

(2) Beginning on the January 1 next following the date on which the number of active Roseville firefighters who are members of the RVFRA totals 25 or less, the RVFRA board of trustees shall consist of two active firefighters elected from the membership of the RVFRA, and four retired members of the RVFRA elected from the membership of the RVFRA.

(3) Beginning on the January 1 next following the date on which the number of active Roseville firefighters who are members of the RVFRA totals ten or less, the RVFRA board of trustees shall consist of one active firefighter elected from the membership of the RVFRA, and five retired members of the RVFRA elected from the membership of the RVFRA.

(4) Beginning on the January 1 next following the date on which there are no active Roseville firefighters who are members of the RVFRA, the RVFRA board of trustees shall consist of six retired members of the RVFRA elected from the membership of the RVFRA.

Subd. 2. **Disposition of remaining assets when obligations are paid.** Upon the death of the last benefit recipient and the last potential surviving spouse of the last benefit recipient, the remaining assets of the RVFRA or the former RVFRA cancel to the city treasury of the city of Roseville.

EFFECTIVE DATE; LOCAL APPROVAL. This section is effective the day after the city council of Roseville and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 2. **CENTENNIAL VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION; LINO LAKES FIREFIGHTER TRANSFERS.**

(a) Notwithstanding any provisions of Minnesota Statutes, chapters 424A and 424B, to the contrary, if between May 1, 2015, and December 31, 2017, a Centennial Fire District firefighter elects to become an emergency on-call firefighter employed by a city or nonprofit firefighting corporation adjoining or within the service area of the Centennial Fire District as it existed on March 1, 2015, the firefighter may elect to transfer past retirement coverage for prior firefighting service with the Centennial Fire District as provided in paragraph (b) and to have prospective firefighting service treated as a continuation of past firefighting service for vesting and benefit computation purposes by the volunteer firefighter relief association of the applicable city or nonprofit firefighting corporation if the bylaws of that relief association so permit or by the voluntary statewide volunteer firefighter retirement plan if that plan provides retirement coverage to the applicable fire department.

(b) If a change in fire department service described in paragraph (a) is made in a timely fashion, upon notification by the fire chief of the fire department of the municipality or nonprofit firefighting corporation described in paragraph (a) to the secretary of the applicable volunteer firefighter relief association or to the executive director of the Public Employees Retirement Association, good time service credit, accrued liability associated with the good time service credit, a proportional share of relief association assets on an institution-to-institution basis, and a proportional share of any net accounts payable or receivable must be transferred from the Centennial Volunteer Firefighters Relief Association to the applicable account in the voluntary statewide volunteer firefighter retirement plan or to the applicable volunteer firefighter relief association retirement plan. The transferring good time service credit must be the years and months of credit indicated in the firefighter's records in the Centennial Volunteer Firefighters Relief Association on the date of transfer. The transferred accrued liability must be the liability for the transferred good time service credit at the service pension level under Minnesota Statutes, section 424A.092 or 424A.093, whichever applies, or under Minnesota Statutes, section 353G.11, subdivision 1, whatever is applicable to the fire department successively employing the firefighter. The transferred assets amount must be that portion of the market value of the assets of the Centennial Volunteer Firefighters Relief Association as of the December 31 preceding the transfer date determined by expressing the total length of good time service credit multiplied by the applicable multiple of the applicable liability table factor in Minnesota Statutes, section 424A.092, subdivision 2, of all active and deferred members of the Centennial Volunteer Firefighters Relief Association, adjusted for any deferred member deferral period interest, and applying that percentage to the asset market value. If there are any accounts payable or accounts receivable as of the December 31 preceding the transfer date, the same percentage as applicable to the asset transfer must be applied to the net accounts payable/receivable amount, with the result deducted from or added to the ultimate transfer amount. Any dispute about these transfer amounts must be referred for resolution by the volunteer firefighter relief association to the Office of Administrative Hearings for resolution under Minnesota Statutes, chapter 14.

(c) The transfer dates under this section are January 1, 2016, January 1, 2017, or January 1, 2018.

(d) The asset transfer under paragraph (b) must be made in cash unless the secretary of the successor of the volunteer firefighter relief association or the executive director of the State Board of Investment, whichever applies, determines that the transfer may be made on an investment security basis, and if so determined, must be in the investment security portfolio mix specified by the secretary of the successor of the volunteer firefighter relief association or the executive director of the State Board of Investment.

(e) The transfer of good time service credit and accrued liability constitutes a forfeiture of any claim by the transferring firefighter to any service pension or ancillary benefit payment from the Centennial Volunteer Firefighters Relief Association as of the transfer date and must be so reflected in any financial reporting of the Centennial Volunteer Firefighters Relief Association as of the December 31 preceding the transfer date.

(f) With respect to any transferred firefighter under this section, the successor volunteer firefighter relief association or the account of the voluntary statewide volunteer firefighter retirement plan applicable to the successor fire department is the successor in interest to the Centennial Volunteer Firefighters Relief Association and has and may assert any applicable defense that the Centennial Volunteer Firefighters Relief Association could have asserted if the transfer did not occur unless the act or acts constituting the cause of action were not undertaken by the Centennial Volunteer Firefighters Relief Association in good faith and in compliance with applicable state law.

EFFECTIVE DATE; LOCAL APPROVAL REQUIREMENT. This section is effective the day after the latest date on which the governing bodies and the chief clerical officers of the cities of Centerville, Circle Pines, and Lino Lakes timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 11 SMALL GROUP RETIREMENT CHANGES

Section 1. Minnesota Statutes 2014, section 352.01, subdivision 2a, is amended to read:

Subd. 2a. **Included employees.** (a) "State employee" includes:

- (1) employees of the Minnesota Historical Society;
- (2) employees of the State Horticultural Society;
- (3) employees of the Minnesota Crop Improvement Association;
- (4) employees of the adjutant general whose salaries are paid from federal funds and who are not covered by any federal civilian employees retirement system;
- (5) employees of the Minnesota State Colleges and Universities who are employed under the university or college activities program;
- (6) currently contributing employees covered by the system who are temporarily employed by the legislature during a legislative session or any currently contributing employee employed for any special service as defined in subdivision 2b, clause ~~(8)~~ (6);
- (7) employees of the legislature who are appointed without a limit on the duration of their employment ~~and persons employed or designated by the legislature or by a legislative committee or commission or other competent authority to conduct a special inquiry, investigation, examination, or installation;~~

(8) trainees who are employed on a full-time established training program performing the duties of the classified position for which they will be eligible to receive immediate appointment at the completion of the training period;

(9) employees of the Minnesota Safety Council;

(10) any employees who are on authorized leave of absence from the Transit Operating Division of the former Metropolitan Transit Commission and who are employed by the labor organization which is the exclusive bargaining agent representing employees of the Transit Operating Division;

(11) employees of the Metropolitan Council, Metropolitan Parks and Open Space Commission, Metropolitan Sports Facilities Commission, or Metropolitan Mosquito Control Commission unless excluded under subdivision 2b or are covered by another public pension fund or plan under section 473.415, subdivision 3;

(12) judges of the Tax Court;

(13) personnel who were employed on June 30, 1992, by the University of Minnesota in the management, operation, or maintenance of its heating plant facilities, whose employment transfers to an employer assuming operation of the heating plant facilities, so long as the person is employed at the University of Minnesota heating plant by that employer or by its successor organization;

(14) personnel who are employed as seasonal employees in the classified or unclassified service;

(15) persons who are employed by the Department of Commerce as a peace officer in the Commerce Fraud Bureau under section 45.0135 who have attained the mandatory retirement age specified in section 43A.34, subdivision 4;

(16) employees of the University of Minnesota unless excluded under subdivision 2b, clause (3);

(17) employees of the Middle Management Association whose employment began after July 1, 2007, and to whom section 352.029 does not apply;

(18) employees of the Minnesota Government Engineers Council to whom section 352.029 does not apply;

(19) employees of the Minnesota Sports Facilities Authority;

(20) employees of the Minnesota Association of Professional Employees;

(21) employees of the Minnesota State Retirement System;

(22) employees of the State Agricultural Society;

(23) employees of the Gillette Children's Hospital Board who were employed in the state unclassified service at the former Gillette Children's Hospital on March 28, 1974; and

(24) if approved for coverage by the Board of Directors of Conservation Corps Minnesota, employees of Conservation Corps Minnesota so employed on June 30, 2003.

(b) Employees specified in paragraph (a), clause (13), are included employees under paragraph (a) if employer and employee contributions are made in a timely manner in the amounts required by section 352.04. Employee contributions must be deducted from salary. Employer contributions are the sole obligation of the employer assuming operation of the University of Minnesota heating plant facilities or any successor organizations to that employer.

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

Sec. 2. Minnesota Statutes 2014, section 352D.02, subdivision 1, is amended to read:

Subdivision 1. **Coverage.** (a) Employees enumerated in paragraph (c), clauses (2), (3), (4), (6) to (14), and (16) to (18), if they are in the unclassified service of the state or Metropolitan Council and are eligible for coverage under the general state employees retirement plan under chapter 352, are participants in the unclassified program under this chapter unless the employee gives notice to the executive director of the Minnesota State Retirement System within one year following the commencement of employment in the unclassified service that the employee desires coverage under the general state employees retirement plan. For the purposes of this chapter, an employee who does not file notice with the executive director is deemed to have exercised the option to participate in the unclassified program.

(b) Persons referenced in paragraph (c), clause (5), are participants in the unclassified program under this chapter unless the person was eligible to elect different coverage under section 3A.07 and elected retirement coverage by the applicable alternative retirement plan. Persons referenced in paragraph (c), clause (15), are participants in the unclassified program under this chapter for judicial employment in excess of the service credit limit in section 490.121, subdivision 22.

(c) Enumerated employees and referenced persons are:

- (1) the governor, the lieutenant governor, the secretary of state, the state auditor, and the attorney general;
- (2) an employee in the Office of the Governor, Lieutenant Governor, Secretary of State, State Auditor, Attorney General;
- (3) an employee of the State Board of Investment;
- (4) the head of a department, division, or agency created by statute in the unclassified service, an acting department head subsequently appointed to the position, or an employee enumerated in section 15A.0815 or 15A.083, subdivision 4;
- (5) a member of the legislature;
- (6) ~~a full-time~~ an unclassified employee of the legislature or a commission or agency of the legislature who is appointed without a limit on the duration of the employment or a temporary legislative employee having shares in the supplemental retirement fund as a result of former employment covered by this chapter, whether or not eligible for coverage under the Minnesota State Retirement System;
- (7) a person who is employed in a position established under section 43A.08, subdivision 1, clause (3), or in a position authorized under a statute creating or establishing a department or agency of the state, which is at the deputy or assistant head of department or agency or director level;

(8) the regional administrator, or executive director of the Metropolitan Council, general counsel, division directors, operations managers, and other positions as designated by the council, all of which may not exceed 27 positions at the council and the chair;

(9) the commissioner, deputy commissioner, and not to exceed nine positions of the Minnesota Office of Higher Education in the unclassified service, as designated by the Minnesota Office of Higher Education before January 1, 1992, or subsequently redesignated with the approval of the board of directors of the Minnesota State Retirement System, unless the person has elected coverage by the individual retirement account plan under chapter 354B;

(10) the clerk of the appellate courts appointed under article VI, section 2, of the Constitution of the state of Minnesota, the state court administrator and judicial district administrators;

(11) the chief executive officers of correctional facilities operated by the Department of Corrections and of hospitals and nursing homes operated by the Department of Human Services;

(12) an employee whose principal employment is at the state ceremonial house;

(13) an employee of the Agricultural Utilization Research Institute;

(14) an employee of the State Lottery who is covered by the managerial plan established under section 43A.18, subdivision 3;

(15) a judge who has exceeded the service credit limit in section 490.121, subdivision 22;

(16) an employee of Enterprise Minnesota, Inc.;

(17) a person employed by the Minnesota State Colleges and Universities as faculty or in an eligible unclassified administrative position as defined in section 354B.20, subdivision 6, who was employed by the former state university or the former community college system before May 1, 1995, and elected unclassified program coverage prior to May 1, 1995; and

(18) a person employed by the Minnesota State Colleges and Universities who was employed in state service before July 1, 1995, who subsequently is employed in an eligible unclassified administrative position as defined in section 354B.20, subdivision 6, and who elects coverage by the unclassified program.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to any legislative employee who had that status as of that date.

Sec. 3. Minnesota Statutes 2014, section 353.01, subdivision 2a, is amended to read:

Subd. 2a. **Included employees; mandatory membership.** (a) Public employees whose annual salary from one governmental subdivision is stipulated in advance to exceed \$5,100 if the person is not a school year employee or \$3,800 if the person is a school year employee and who are not specifically excluded under subdivision 2b or who have not been provided an option to participate under subdivision 2d, whether individually or by action of the governmental subdivision, must participate as members of the association with retirement coverage by the general employees retirement plan under this chapter, the public employees police and fire retirement plan under this chapter, or the local government correctional employees retirement plan under chapter 353E, whichever applies. Membership commences as a condition of their employment on the first day of their employment or on the first day that the eligibility criteria are met, whichever is later. Public employees include but are not limited to:

(1) persons whose salary meets the threshold in this paragraph from employment in one or more positions within one governmental subdivision;

(2) elected county sheriffs;

(3) persons who are appointed, employed, or contracted to perform governmental functions that by law or local ordinance are required of a public officer, including, but not limited to:

(i) town and city clerk or treasurer;

(ii) county auditor, treasurer, or recorder;

(iii) city manager as defined in section 353.028 who does not exercise the option provided under subdivision 2d; or

(iv) emergency management director, as provided under section 12.25;

(4) physicians under section 353D.01, subdivision 2, who do not elect public employees defined contribution plan coverage under section 353D.02, subdivision 2;

(5) full-time employees of the Dakota County Agricultural Society;

(6) employees of the Red Wing Port Authority who were first employed by the Red Wing Port Authority before May 1, 2011, and who are not excluded employees under subdivision 2b;

(7) employees of the Seaway Port Authority of Duluth who are not excluded employees under subdivision 2b;

(8) employees of the Stevens County Housing and Redevelopment Authority who were first employed by the Stevens County Housing and Redevelopment Authority before May 1, 2014, and who are not excluded employees under subdivision 2b; ~~and~~

(9) employees of the Minnesota River Area Agency on Aging who were first employed by a Regional Development Commission before January 1, 2016, and who are not excluded employees under subdivision 2b; and

~~(9)~~ (10) employees of the Public Employees Retirement Association.

(b) A public employee or elected official who was a member of the association on June 30, 2002, based on employment that qualified for membership coverage by the public employees retirement plan or the public employees police and fire plan under this chapter, or the local government correctional employees retirement plan under chapter 353E as of June 30, 2002, retains that membership for the duration of the person's employment in that position or incumbency in elected office. Except as provided in subdivision 28, the person shall participate as a member until the employee or elected official terminates public employment under subdivision 11a or terminates membership under subdivision 11b.

(c) If in any subsequent year the annual salary of an included public employee is less than the minimum salary threshold specified in this subdivision, the member retains membership eligibility.

(d) For the purpose of participation in the MERF division of the general employees retirement plan, public employees include employees who were members of the former Minneapolis Employees Retirement Fund on June 29, 2010, and who participate as members of the MERF division of the association.

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

Sec. 4. Minnesota Statutes 2014, section 353.01, subdivision 2b, is amended to read:

Subd. 2b. **Excluded employees.** (a) The following public employees are not eligible to participate as members of the association with retirement coverage by the general employees retirement plan, the local government correctional employees retirement plan under chapter 353E, or the public employees police and fire retirement plan:

(1) persons whose annual salary from one governmental subdivision never exceeds an amount, stipulated in writing in advance, of \$5,100 if the person is not a school district employee or \$3,800 if the person is a school year employee. If annual compensation from one governmental subdivision to an employee exceeds the stipulated amount in a calendar year or a school year, whichever applies, after being stipulated in advance not to exceed the applicable amount, the stipulation is no longer valid and contributions must be made on behalf of the employee under section 353.27, subdivision 12, from the first month in which the employee received salary exceeding \$425 in a month;

(2) public officers who are elected to a governing body, city mayors, or persons who are appointed to fill a vacancy in an elective office of a governing body, whose term of office commences on or after July 1, 2002, for the service to be rendered in that elective position;

(3) election judges and persons employed solely to administer elections;

(4) patient and inmate personnel who perform services for a governmental subdivision;

(5) except as otherwise specified in subdivision 12a, employees who are employed solely in a temporary position as defined under subdivision 12a, and employees who resign from a nontemporary position and accept a temporary position within 30 days of that resignation in the same governmental subdivision;

(6) employees who are employed by reason of work emergency caused by fire, flood, storm, or similar disaster, but if the person becomes a probationary or provisional employee within the same pay period, other than on a temporary basis, the person is a "public employee" retroactively to the beginning of the pay period;

(7) employees who by virtue of their employment in one governmental subdivision are required by law to be a member of and to contribute to any of the plans or funds administered by the Minnesota State Retirement System, the Teachers Retirement Association, or the St. Paul Teachers Retirement Fund Association, but this exclusion must not be construed to prevent a person from being a member of and contributing to the Public Employees Retirement Association and also belonging to and contributing to another public pension plan or fund for other service occurring during the same period of time, and a person who meets the definition of "public employee" in subdivision 2 by virtue of other service occurring during the same period of time becomes a member of the association unless contributions are made to another public retirement plan on the salary based on the other service or to the Teachers Retirement Association by a teacher as defined in section 354.05, subdivision 2;

(8) persons who are members of a religious order and are excluded from coverage under the federal Old Age, Survivors, Disability, and Health Insurance Program for the performance of service as specified in United States Code, title 42, section 410(a)(8)(A), as amended, if no irrevocable election of coverage has been made under section 3121(r) of the Internal Revenue Code of 1954, as amended;

(9) persons who are:

(i) employed by a governmental subdivision who have not reached the age of 23 and who are enrolled on a full-time basis to attend or are attending classes on a full-time basis at an accredited school, college, or university in an undergraduate, graduate, or professional-technical program, or at a public or charter high school;

(ii) employed as resident physicians, medical interns, pharmacist residents, or pharmacist interns and are serving in a degree or residency program in a public hospital or in a public clinic; or

(iii) students who are serving for a period not to exceed five years in an internship or a residency program that is sponsored by a governmental subdivision, including an accredited educational institution;

(10) persons who hold a part-time adult supplementary technical college license who render part-time teaching service in a technical college;

(11) except for employees of Hennepin County or employees of Hennepin Healthcare System, Inc., foreign citizens who are employed by a governmental subdivision under a work permit or under an H-1b visa initially issued or extended for a combined period of less than three years of employment but upon extension of the employment of the visa beyond the three-year period, the foreign citizen must be reported for membership beginning on the first of the month following the extension if the monthly earnings threshold as provided under subdivision 2a is met;

(12) public hospital employees who elected not to participate as members of the association before 1972 and who did not elect to participate from July 1, 1988, to October 1, 1988;

(13) except as provided in section 353.86, volunteer ambulance service personnel, as defined in subdivision 35, but persons who serve as volunteer ambulance service personnel may still qualify as public employees under subdivision 2 and may be members of the Public Employees Retirement Association and participants in the general employees retirement plan or the public employees police and fire plan, whichever applies, on the basis of compensation received from public employment service other than service as volunteer ambulance service personnel;

(14) except as provided in section 353.87, volunteer firefighters, as defined in subdivision 36, engaging in activities undertaken as part of volunteer firefighter duties, but a person who is a volunteer firefighter may still qualify as a public employee under subdivision 2 and may be a member of the Public Employees Retirement Association and a participant in the general employees retirement plan or the public employees police and fire plan, whichever applies, on the basis of compensation received from public employment activities other than those as a volunteer firefighter;

(15) pipefitters and associated trades personnel employed by Independent School District No. 625, St. Paul, with coverage under a collective bargaining agreement by the pipefitters local 455 pension plan who were either first employed after May 1, 1997, or, if first employed before May 2, 1997, elected to be excluded under Laws 1997, chapter 241, article 2, section 12;

(16) electrical workers, plumbers, carpenters, and associated trades personnel who are employed by Independent School District No. 625, St. Paul, or the city of St. Paul, who have retirement coverage under a collective bargaining agreement by the Electrical Workers Local 110 pension plan, the United Association Plumbers Local 34 pension plan, or the pension plan applicable to Carpenters Local 322 who were either first employed after May 1, 2000, or, if first employed before May 2, 2000, elected to be excluded under Laws 2000, chapter 461, article 7, section 5;

(17) bricklayers, allied craftworkers, cement masons, glaziers, glassworkers, painters, allied tradesworkers, and plasterers who are employed by the city of St. Paul or Independent School District No. 625, St. Paul, with coverage under a collective bargaining agreement by the Bricklayers and Allied Craftworkers Local 1 pension plan, the Cement Masons Local 633 pension plan, the Glaziers and Glassworkers Local L-1324 pension plan, the Painters and Allied Trades Local 61 pension plan, or the Twin Cities Plasterers Local 265 pension plan who were either first employed after May 1, 2001, or if first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

(18) plumbers who are employed by the Metropolitan Airports Commission, with coverage under a collective bargaining agreement by the Plumbers Local 34 pension plan, who either were first employed after May 1, 2001, or if first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

(19) employees who are hired after June 30, 2002, solely to fill seasonal positions under subdivision 12b which are limited in duration by the employer to 185 consecutive calendar days or less in each year of employment with the governmental subdivision;

(20) persons who are provided supported employment or work-study positions by a governmental subdivision and who participate in an employment or industries program maintained for the benefit of these persons where the governmental subdivision limits the position's duration to up to five years, including persons participating in a federal or state subsidized on-the-job training, work experience, senior citizen, youth, or unemployment relief program where the training or work experience is not provided as a part of, or for, future permanent public employment;

(21) independent contractors and the employees of independent contractors;

(22) reemployed annuitants of the association during the course of that reemployment;

(23) persons appointed to serve on a board or commission of a governmental subdivision or an instrumentality thereof; ~~and~~

(24) persons employed as full-time fixed-route bus drivers by the St. Cloud Metropolitan Transit Commission who are members of the International Brotherhood of Teamsters Local 638 and who are, by virtue of that employment, members of the International Brotherhood of Teamsters Central States pension plan; ~~and~~

(25) electricians or pipefitters employed by the Minneapolis Park and Recreation Board, with coverage under a collective bargaining agreement by the IBEW local 292, or pipefitters local 539 pension plan, who were first employed before May 2, 2015, and who elected to be excluded under section 5.

(b) Any person performing the duties of a public officer in a position defined in subdivision 2a, paragraph (a), clause (3), is not an independent contractor and is not an employee of an independent contractor.

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

Sec. 5. **PUBLIC PENSION COVERAGE EXCLUSION FOR CERTAIN TRADES PERSONNEL.**

An electrician or pipefitter who is employed by the Minneapolis Park and Recreation Board on the effective date of this section and who has pension coverage under a collective bargaining agreement by the IBEW local 292, or pipefitters local 539, may elect to be excluded from pension coverage by the Public Employees Retirement Association. The exclusion election must be made in writing on a form prescribed by the executive director of the Public Employees Retirement Association and must be filed with the executive director. The exclusion election is irrevocable. Authority to make the coverage exclusion expires on January 1, 2016.

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

Sec. 6. MSRS-GENERAL; EXCLUDED SEASONAL REVENUE DEPARTMENT EMPLOYMENT SERVICE CREDIT PURCHASE.

(a) An eligible person described in paragraph (b) is eligible to make a service credit purchase described in paragraph (c) for the period of service indicated in paragraph (d) if made by the expiration date specified in paragraph (e).

(b) An eligible person is a person who:

(1) was born on May 7, 1963;

(2) was a seasonal employee of the Department of Revenue in fiscal years 1988, 1989, 1990, 1991, 1992, 1993, and 1994 and was excluded from general state employees retirement plan coverage under Minnesota Statutes 1988, section 352.01, subdivision 2b, clause (20);

(3) became a full-time employee of the Department of Revenue on October 12, 1993; and

(4) was not eligible to purchase this period of service credit under Laws 1997, chapter 241, article 8, section 7.

(c) The service credit purchase must be made as provided in Minnesota Statutes, section 356.551, except that, because of delays admitted to by the Minnesota State Retirement System in providing necessary information to permit an eligible person to pursue special legislation in a timely fashion during the 2014 legislative session, the amount payable by an eligible person, if paid before August 1, 2015, is the full actuarial value amount calculated as if the payment was to be made on June 1, 2014, with the balance of the liability accruing to the general state employees retirement plan of the Minnesota State Retirement System.

(d) The period of employment available for an allowable service credit purchase under this section is the period or periods of actual seasonal employment by the Department of Revenue occurring in fiscal years 1988 to 1994 that was not already credited as allowable service by a retirement plan listed in Minnesota Statutes, section 356.30, subdivision 3.

(e) The service credit purchase must be made before July 1, 2017, or before the person's retirement date, whichever is earlier.

(f) Service credit for the seasonal Department of Revenue employment must be granted by the general state employees retirement plan upon the receipt by the executive director of the Minnesota State Retirement System of the purchase payment amount under paragraph (c).

(g) The eligible person shall provide the executive director of the Minnesota State Retirement System with any relevant information pertaining to this purchase that the director requests.

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

Sec. 7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION-GENERAL; ST. PAUL PUBLIC SCHOOL EMPLOYEES WITH ERRONEOUSLY REPORTED EMPLOYMENT TERMINATIONS.

(a) An eligible person described in paragraph (b) is entitled to purchase allowable service credit from the general employees retirement plan of the Public Employees Retirement Association (PERA) for the period specified in paragraph (c) upon making the prior service credit purchase payment indicated in paragraph (d).

(b) An eligible person is a person who:

(1) was born on June 18, 1952;

(2) was initially employed by Independent School District No. 625, St. Paul, in 1987, in a nonteaching employment position;

(3) was initially covered by the general employees retirement plan of PERA;

(4) was erroneously reported to PERA by Independent School District No. 625, St. Paul, as having terminated employment in August 1993;

(5) did not have member contributions deducted for the general employees retirement plan of PERA for the period of August 1, 1993, through January 3, 1997; and

(6) had the error discovered in 1998 and received PERA general plan allowable service credit for the period of July 1, 1994, through January 3, 1997.

(c) The period authorized for a purchase of prior allowable service credit is August 1, 1993, through June 30, 1994.

(d) To purchase the prior allowable service credit in paragraph (c), the eligible person shall make the member contributions that would have been deducted from the person's salary if the eligible person had been included in PERA general plan retirement coverage during the period of August 1, 1993, through June 30, 1994, without compound interest because Independent School District No. 625, St. Paul, admitted to failing to timely and fully inform an eligible person in 1998 of its reporting error to PERA that caused an allowable service credit loss and agreed additionally to pay the interest charge on the equivalent member contribution amount.

(e) If an eligible person makes the payment specified under paragraph (d), Independent School District No. 625, St. Paul, shall pay the balance of the full actuarial value prior service credit payment amount provided for in Minnesota Statutes, section 356.551, within 60 days of the date on which the executive director of PERA certifies that the eligible person's payment was received by PERA. If Independent School District No. 625, St. Paul, does not make the payment required by this paragraph in a timely manner, the executive director of PERA shall certify: (1) that payment was not timely; (2) the amount of the unpaid employer obligation under this paragraph; and (3) interest at a monthly rate of 0.71 percent from the date on which the eligible person made the payment under paragraph (d) until the first day of the first month next following the certification to the commissioner of education, who shall withhold that amount from any state aid payable to Independent School District No. 625, St. Paul.

(f) Upon receipt of the payment under paragraph (d), PERA shall grant allowable service credit under Minnesota Statutes, section 353.01, subdivision 16, to the eligible person.

(g) This section expires on December 31, 2016.

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

Sec. 8. PERA-GENERAL; SERVICE CREDIT PURCHASE FOR OMITTED CONTRIBUTION PERIOD; NASHVILLE TOWNSHIP EMPLOYEE.

(a) Notwithstanding any provision to the contrary, an eligible person described in paragraph (b) is entitled to purchase from the general employees retirement plan of the Public Employees Retirement Association (PERA) allowable service credit under Minnesota Statutes, section 353.01, subdivision 16, for the period of omitted member deductions in paragraph (c).

(b) An eligible person is a person who:

(1) was born on August 8, 1938;

(2) was first employed by Nashville Township on April 1, 1994;

(3) was eligible for retirement coverage by and membership in the general employees retirement plan of PERA on July 1, 1998; and

(4) had omitted deductions paid for allowable service for Nashville Township back to July 1, 2010.

(c) The period of prior service credit available for purchase is the period from July 1, 1998, to June 30, 2010, during which no member contributions for the general employees retirement plan of PERA were deducted from the eligible person's salary by Nashville Township, and which could not be corrected through the PERA omitted contribution provision due to the three-year time limit in the provision.

(d) The purchase payment amount payable by the eligible person is the employee contributions that should have been made, plus 8.5 percent interest compounded annually from the date each deduction should have occurred, until the date paid to PERA. The purchase payment amount payable by Nashville Township is the balance of the full actuarial value prior service credit purchase payment amount determined under Minnesota Statutes, section 356.551, as of the first day of the month next following the receipt of the eligible person's payment that is remaining after deducting the purchase payment amount payable by the eligible person.

(e) The payment amount due from Nashville Township under paragraph (d) must be made on or before the 15th of the month next following the receipt of the eligible person's payment under paragraph (d). If the Nashville Township purchase payment amount is not paid in a timely fashion, the amount due accrues compound monthly interest at the rate of 0.71 percent per month from the first day of the month next following the receipt of the eligible person's payment until the Nashville Township purchase payment amount is received by PERA. If Nashville Township fails to pay its portion of the purchase payment amount to PERA 90 days after the receipt of the eligible person's payment, the executive director shall collect the unpaid amount under Minnesota Statutes, section 353.28, subdivision 6, paragraph (a).

(f) The eligible person must provide the executive director of PERA with any relevant requested information pertaining to this service credit purchase.

(g) Authority to make a service credit purchase under this section expires on June 30, 2015, or upon the eligible person's termination of employment under Minnesota Statutes, section 353.01, subdivision 11a, whichever occurs earlier.

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

ARTICLE 12 MSRS, PERA, AND TRA ADMINISTRATIVE PROVISIONS

Section 1. Minnesota Statutes 2014, section 352.91, subdivision 3e, is amended to read:

Subd. 3e. **Minnesota Specialty Health System-Cambridge.** (a) "Covered correctional service" means service by a state employee in one of the employment positions with the Minnesota Specialty Health System-Cambridge specified in paragraph (b) if at least 75 percent of the employee's working time is spent in direct contact with patients who are in the Minnesota Specialty Health System-Cambridge and if service in such a position is certified to the executive director by the commissioner of human services.

(b) The employment positions are:

- (1) behavior analyst 1;
- (2) behavior analyst 2;
- (3) behavior analyst 3;
- (4) group supervisor;
- (5) group supervisor assistant;
- (6) human services support specialist;
- (7) residential program lead;
- (8) psychologist 2;
- (9) recreation program assistant;
- (10) recreation therapist senior;
- (11) registered nurse senior;
- (12) skills development specialist;
- (13) social worker senior;
- (14) social worker specialist; and
- (15) speech pathology specialist.

(c) A Department of Human Services employee who was employed at the Minnesota Specialty Health System-Cambridge immediately preceding the 2014 conversion to the community-based homes and was in covered correctional service at the time of the transition shall continue to be covered by the correctional employees retirement plan while employed by and without a break in service with the Department of Human Services in the direct care and treatment ~~services administration~~ of patients.

EFFECTIVE DATE. This section is effective retroactively from August 1, 2014.

Sec. 2. Minnesota Statutes 2014, section 352B.10, subdivision 5, is amended to read:

Subd. 5. **Optional annuity.** A disabilitant may elect, in lieu of spousal survivorship coverage under section 352B.11, subdivision 2b, the normal disability benefit or an optional annuity as provided in section 352B.08, subdivision 3. The choice of an optional annuity must be made in writing, on a form prescribed by the executive director, and ~~must~~ may be made before the commencement of the payment of the disability benefit, ~~or.~~ If the disabilitant did not select an optional annuity at the time of application, the disabilitant may select an optional annuity under this section within 90 days before reaching age 55 or within 90 days before reaching the five-year anniversary of the effective date of the disability benefit, whichever is later. The optional annuity is effective on the date on which the disability benefit begins to accrue, or the month following the attainment of age 55 or following the five-year anniversary of the effective date of the disability benefit, whichever is later.

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

Sec. 3. Minnesota Statutes 2014, section 352B.105, is amended to read:

352B.105 TERMINATION OF DISABILITY BENEFITS.

Subdivision 1. Termination. Disability benefits payable under section 352B.10 must terminate on the ~~transfer date;~~ on which the disabilitant transfers status as a disabilitant to status as a retirement annuitant.

Subd. 2. Pre-July 1, 2015, disabilitants. The transfer date for a person whose disability benefits began to accrue before July 1, 2015, and who is still disabled is the end of the month in which the disabilitant becomes 65 years old or the five-year anniversary of the effective date of the disability benefit, whichever is later. ~~If the disabilitant is still disabled on the transfer date, the disabilitant must be deemed to be a retired member and, if the disabilitant had chosen an optional annuity under section 352B.10, subdivision 5, must receive an annuity under the terms of the optional annuity previously chosen. If the disabilitant had not chosen an optional annuity under section 352B.10, subdivision 5, the disabilitant may then choose to receive either a normal retirement annuity computed under section 352B.08, subdivision 2, or an optional annuity as provided in section 352B.08, subdivision 3. An optional annuity must be chosen within 90 days of attaining the transfer date. If an optional annuity is chosen, the optional annuity accrues on the first of the month next following the transfer date.~~

Subd. 3. Post-June 30, 2015, disabilitants. The transfer date for a person whose disability benefits began to accrue after June 30, 2015, and who is still disabled is the end of the month in which the disabilitant becomes 55 years old or the five-year anniversary of the effective date of the disability benefit, whichever is later.

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

Sec. 4. Minnesota Statutes 2014, section 353.01, subdivision 10, is amended to read:

Subd. 10. **Salary.** (a) Subject to the limitations of section 356.611, "salary" means:

(1) the wages or periodic compensation payable to a public employee by the employing governmental subdivision before:

(i) employee retirement deductions that are designated as picked-up contributions under section 356.62;

(ii) any employee-elected deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs that would have otherwise been available as a cash payment to the employee; and

(iii) employee deductions for contributions to a supplemental plan or to a governmental trust established under section 356.24, subdivision 1, clause (7), to save for postretirement health care expenses, unless otherwise excluded under paragraph (b);

(2) for a public employee who is covered by a supplemental retirement plan under section 356.24, subdivision 1, clause (8), (9), (10), or (12), the employer contributions to the applicable supplemental retirement plan when an agreement between the parties establishes that the contributions will either result in a mandatory reduction of employees' wages through payroll withholdings, or be made in lieu of an amount that would otherwise be paid as wages;

(3) a payment from a public employer through a grievance proceeding, settlement, or court order that is attached to a specific earnings period in which the employee's regular salary was not earned or paid to the member due to a suspension or a period of involuntary termination that is not a wrongful discharge under section 356.50; provided the amount is not less than the equivalent of the average of the hourly base salary rate in effect during the last six months of allowable service prior to the suspension or period of involuntary termination, plus any applicable

increases awarded during the period that would have been paid under a collective bargaining agreement or personnel policy but for the suspension or involuntary termination, multiplied by the average number of regular hours for which the employee was compensated during the six months of allowable service prior to the suspension or period of involuntary termination, but not to exceed the compensation that the public employee would have earned if regularly employed during the applicable period;

(4) ~~the amount paid to for~~ a member who is absent from employment by reason of personal, parental, or military due to an authorized leave of absence, other than an authorized medical leave of absence, the compensation paid during the leave if equivalent to the hourly base salary rate in effect during the six months of allowable service, or portions thereof, prior to the leave, multiplied by the average number of regular hours for which the employee was compensated during the six months of allowable service prior to the applicable leave of absence;

(5) ~~the amount paid to for~~ a member who is absent from employment by reason of an authorized medical leave of absence, the compensation paid during the leave if specified in advance to be at least one-half of, but no more than equal to, the earnings the member received, on which contributions were reported and allowable service credited during the six months immediately preceding the medical leave of absence; and

(6) for a public employee who receives performance or merit bonus payment under a written compensation plan, policy, or collective bargaining agreement in addition to regular salary or in lieu of regular salary increases, the compensation paid to the employee for attaining or exceeding performance goals, duties, or measures during a specified period of employment.

(b) Salary does not mean:

- (1) fees paid to district court reporters;
- (2) unused annual leave, vacation, or sick leave payments, in the form of lump-sum or periodic payments;
- (3) for the donor, payment to another person of the value of hours donated under a benevolent vacation, personal, or sick leave donation program;
- (4) any form of severance or retirement incentive payments;
- (5) an allowance payment or per diem payments for or reimbursement of expenses;
- (6) lump-sum settlements not attached to a specific earnings period;
- (7) workers' compensation payments or disability insurance payments, including payments from employer self-insurance arrangements;
- (8) employer-paid amounts used by an employee toward the cost of insurance coverage, flexible spending accounts, cafeteria plans, health care expense accounts, day care expenses, or any payments in lieu of any employer-paid group insurance coverage, including the difference between single and family rates that may be paid to a member with single coverage and certain amounts determined by the executive director to be ineligible;
- (9) employer-paid fringe benefits, including, but not limited to:
 - (i) employer-paid premiums or supplemental contributions for employees for all types of insurance;
 - (ii) membership dues or fees for the use of fitness or recreational facilities;

- (iii) incentive payments or cash awards relating to a wellness program;
 - (iv) the value of any nonmonetary benefits;
 - (v) any form of payment made in lieu of an employer-paid fringe benefit;
 - (vi) an employer-paid amount made to a deferred compensation or tax-sheltered annuity program; and
 - (vii) any amount paid by the employer as a supplement to salary, either as a lump-sum amount or a fixed or matching amount paid on a recurring basis, that is not available to the employee as cash;
- (10) the amount equal to that which the employing governmental subdivision would otherwise pay toward single or family insurance coverage for a covered employee when, through a contract or agreement with some but not all employees, the employer:
- (i) discontinues, or for new hires does not provide, payment toward the cost of the employee's selected insurance coverages under a group plan offered by the employer;
 - (ii) makes the employee solely responsible for all contributions toward the cost of the employee's selected insurance coverages under a group plan offered by the employer, including any amount the employer makes toward other employees' selected insurance coverages under a group plan offered by the employer; and
 - (iii) provides increased salary rates for employees who do not have any employer-paid group insurance coverages;
- (11) except as provided in section 353.86 or 353.87, compensation of any kind paid to volunteer ambulance service personnel or volunteer firefighters, as defined in subdivision 35 or 36;
- (12) the amount of compensation that exceeds the limitation provided in section 356.611;
- (13) amounts paid by a federal or state grant for which the grant specifically prohibits grant proceeds from being used to make pension plan contributions, unless the contributions to the plan are made from sources other than the federal or state grant; and
- (14) bonus pay that is not performance or merit pay under paragraph (a), clause (6).
- (c) Amounts, other than those provided under paragraph (a), clause (3), provided to an employee by the employer through a grievance proceeding, a court order, or a legal settlement are salary only if the settlement or court order is reviewed by the executive director and the amounts are determined by the executive director to be consistent with paragraph (a) and prior determinations.

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

Sec. 5. Minnesota Statutes 2014, section 353.01, subdivision 11a, is amended to read:

Subd. 11a. **Termination of public service.** (a) "Termination of public service" occurs ~~(4)~~ when:

(1) a member resigns or is dismissed from public service by the employing governmental subdivision and the employee does not, within 30 days of the date the employment relationship ended, return to an employment position ~~in the same~~ with a governmental subdivision; or

(2) ~~when~~ the employer-employee relationship is severed due to the expiration of a layoff under subdivision 12 or 12c.

(b) The termination of public service must be recorded in the association records upon receipt of an appropriate notice from the governmental subdivision.

(c) A termination of public service does not occur if:

(1) prior to termination of service, the member has an agreement, verbal or written, to ~~return~~ provide service to a governmental subdivision as an employee; or to the same governmental subdivision as an independent contractor; or employee of an independent contractor; or

(2) within 30 days after the date the employment relationship ended, the member provides service to the same governmental subdivision as an independent contractor or employee of an independent contractor.

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

Sec. 6. Minnesota Statutes 2014, section 353.01, subdivision 16, is amended to read:

Subd. 16. **Allowable service; limits and computation.** (a) "Allowable service" means:

(1) service during years of actual membership in the course of which employee deductions were withheld from salary and contributions were made at the applicable rates under section 353.27, 353.65, or 353E.03;

(2) periods of service covered by payments in lieu of salary deductions under sections 353.27, ~~subdivision~~ subdivisions 12 and 12a, and 353.35;

(3) service in years during which the public employee was not a member but for which the member later elected, while a member, to obtain credit by making payments to the fund as permitted by any law then in effect;

(4) a period of authorized leave of absence with pay during which the employee receives pay as specified in subdivision 10, paragraph (a), clause (4) or (5), from which deductions for employee contributions are made, deposited, and credited to the fund;

(5) a period of authorized ~~personal, parental, or medical~~ leave of absence without pay, ~~including a leave of absence covered under the federal Family Medical Leave Act, that does not exceed one year or with pay that is not included in the definition of salary under subdivision 10, paragraph (a), clause (4) or (5), for which salary deductions are not authorized~~, and for which a member obtained service credit for each month in up to 12 months of the authorized leave period by payment under section 353.0161 or 353.0162, to the fund made in place of salary deductions. ~~An employee must return to public service and render a minimum of three months of allowable service in order to be eligible to make payment under section 353.0161 for a subsequent authorized leave of absence without pay. Upon payment, the employee must be granted allowable service credit for the purchased period;~~

(6) a periodic, repetitive leave that is offered to all employees of a governmental subdivision. The leave program may not exceed 208 hours per annual normal work cycle as certified to the association by the employer. A participating member obtains service credit by making employee contributions in an amount or amounts based on the member's average salary, excluding overtime pay, that would have been paid if the leave had not been taken. The employer shall pay the employer and additional employer contributions on behalf of the participating member. The employee and the employer are responsible to pay interest on their respective shares at the rate of 8.5 percent a year, compounded annually, from the end of the normal cycle until full payment is made. An employer shall also make the employer and additional employer contributions, plus 8.5 percent interest, compounded annually, on behalf of an employee who makes employee contributions but terminates public service. The employee

contributions must be made within one year after the end of the annual normal working cycle or within 30 days after termination of public service, whichever is sooner. The executive director shall prescribe the manner and forms to be used by a governmental subdivision in administering a periodic, repetitive leave. Upon payment, the member must be granted allowable service credit for the purchased period;

(7) an authorized temporary or seasonal layoff under subdivision 12, limited to three months allowable service per authorized temporary or seasonal layoff in one calendar year. An employee who has received the maximum service credit allowed for an authorized temporary or seasonal layoff must return to public service and must obtain a minimum of three months of allowable service subsequent to the layoff in order to receive allowable service for a subsequent authorized temporary or seasonal layoff;

(8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service within the time frames required under United States Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service must be credited if the member pays into the fund equivalent employee contributions based upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary during the purchase period that the member would have received if the member had continued to be employed in covered employment rather than to provide uniformed service, or, if the determination of that rate is not reasonably certain, the annual salary rate is the member's average salary rate during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service. Payment of the member equivalent contributions must be made during a period that begins with the date on which the individual returns to public employment and that is three times the length of the military leave period, or within five years of the date of discharge from the military service, whichever is less. If the determined payment period is less than one year, the contributions required under this clause to receive service credit may be made within one year of the discharge date. Payment may not be accepted following 30 days after termination of public service under subdivision 11a. If the member equivalent contributions provided for in this clause are not paid in full, the member's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total member contributions received by the total member contributions otherwise required under this clause. The equivalent employer contribution, and, if applicable, the equivalent additional employer contribution must be paid by the governmental subdivision employing the member if the member makes the equivalent employee contributions. The employer payments must be made from funds available to the employing unit, using the employer and additional employer contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent member contribution. The governmental subdivision involved may appropriate money for those payments. The amount of service credit obtainable under this section may not exceed five years unless a longer purchase period is required under United States Code, title 38, section 4312. The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this clause. Interest must be computed at a rate of 8.5 percent compounded annually from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under section 353.0162.

~~(b) For calculating benefits under sections 353.30, 353.31, 353.32, and 353.33 for state officers and employees displaced by the Community Corrections Act, chapter 401, and transferred into county service under section 401.04, "allowable service" means the combined years of allowable service as defined in paragraph (a), clauses (1) to (6), and section 352.01, subdivision 11.~~

(e) (b) No member may receive more than 12 months of allowable service credit in a year either for vesting purposes or for benefit calculation purposes. For an active member who was an active member of the former Minneapolis Firefighters Relief Association on December 29, 2011, "allowable service" is the period of service credited by the Minneapolis Firefighters Relief Association as reflected in the transferred records of the association up to December 30, 2011, and the period of service credited under paragraph (a), clause (1), after December 30, 2011. For an active member who was an active member of the former Minneapolis Police Relief Association on December 29, 2011, "allowable service" is the period of service credited by the Minneapolis Police Relief Association as reflected in the transferred records of the association up to December 30, 2011, and the period of service credited under paragraph (a), clause (1), after December 30, 2011.

(d) MS 2002 [Expired]

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

Sec. 7. Minnesota Statutes 2014, section 353.01, subdivision 28, is amended to read:

Subd. 28. **Retirement.** (a) "Retirement" means the commencement of the payment of an annuity based on a date designated by the board of trustees by the association. ~~This date determines the rights under this chapter which occur either before or after retirement.~~ A right to retirement is subject to termination of public service under subdivision 11a. A right to retirement requires a complete and continuous separation for 30 days from employment as a public employee and from the provision of paid services to that employer.

~~(b) An individual who separates from employment as a public employee and who, within 30 days of separation, returns to provide service to a governmental subdivision as an independent contractor or as an employee of an independent contractor, has not satisfied the separation requirements under paragraph (a).~~

(e) (b) Notwithstanding the 30-day separation requirement under paragraph (a), a member of a defined benefit plan under this chapter, who also participates in the public employees defined contribution plan under chapter 353D for other public service, may be paid, if eligible, a retirement annuity from the defined benefit plan while participating in the defined contribution plan. A retirement annuity is also payable from a defined benefit plan under this chapter to an eligible member who terminates public service and who, within 30 days of separation, takes office as an elected official of a governmental subdivision.

~~(d) (c)~~ Elected officials included in association membership under subdivisions 2a and 2d meet the 30-day separation requirement under this section by resigning from office before filing for a subsequent term in the same office and by remaining completely and continuously separated from that office for 30 days prior to the date of the election.

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

Sec. 8. Minnesota Statutes 2014, section 353.01, subdivision 36, is amended to read:

Subd. 36. **Volunteer firefighter.** For purposes of this chapter, a person is considered a "volunteer firefighter" for all service for which the person receives credit in an association or fund operating under chapter 424A or credit in the retirement plan established under chapter 353G.

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

Sec. 9. Minnesota Statutes 2014, section 353.0161, is amended by adding a subdivision to read:

Subd. 3. **Restriction on subsequent purchases.** To purchase salary credit or service credit for a subsequent authorized leave of absence period, the member must return to public service and render a minimum of three months of allowable service credit.

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

Sec. 10. Minnesota Statutes 2014, section 353.0162, is amended to read:

353.0162 REDUCED SALARY PERIODS SALARY CREDIT PURCHASE.

(a) A member may purchase additional salary credit for a period specified in this section.

(b) The applicable period is a period during which the member is receiving a reduced salary from the employer while the member is:

(1) receiving temporary workers' compensation payments related to the member's service to the public employer;

(2) on an authorized ~~medical~~ leave of absence; or

(3) on an authorized partial paid leave of absence as a result of a budgetary or salary savings program offered or mandated by a governmental subdivision.

(c) The differential salary amount is the difference between the average monthly salary received by the member during the period of reduced salary under this section and the average monthly salary of the member, excluding overtime, on which contributions to the applicable plan were made during the period of the last six months of covered employment occurring immediately before the period of reduced salary, applied to the member's normal employment period, measured in hours or otherwise, as applicable.

(d) To receive eligible salary credit, the member shall pay an amount equal to:

(1) the applicable employee contribution rate under section 353.27, subdivision 2; 353.65, subdivision 2; or 353E.03, subdivision 1, as applicable, multiplied by the differential salary amount;

(2) plus an employer equivalent payment equal to the applicable employer contribution rate in section 353.27, subdivision 3; 353.65, subdivision 3; or 353E.03, subdivision 2, as applicable, multiplied by the differential salary amount;

(3) plus, if applicable, an equivalent employer additional amount equal to the additional employer contribution rate in section 353.27, subdivision 3a, multiplied by the differential salary amount.

(e) The employer, by appropriate action of its governing body and documented in its official records, may pay the employer equivalent contributions and, as applicable, the equivalent employer additional contributions on behalf of the member.

(f) Payment under this section must include interest on the contribution amount or amounts, whichever applies, at an 8.5 percent annual rate, prorated for applicable months from the date on which the period of reduced salary specified under this section terminates to the date on which the payment or payments are received by the executive director. Payment under this section must be completed within the earlier of 30 days from termination of public service by the employee under section 353.01, subdivision 11a, or one year after the termination of the period specified in paragraph (b), as further restricted under this section.

(g) The period for which additional allowable salary credit may be purchased is limited to the period during which the person receives temporary workers' compensation payments or for those business years in which the governmental subdivision offers or mandates a budget or salary savings program, as certified to the executive director by a resolution of the governing body of the governmental subdivision. For an authorized ~~medical~~ leave of absence, the period for which allowable salary credit may be purchased may not exceed 12 ~~consecutive~~ months of authorized ~~medical~~ leave.

(h) To purchase salary credit for a subsequent period of temporary workers' compensation benefits or subsequent authorized medical leave of absence, the member must return to public service and render a minimum of three months of allowable service.

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

Sec. 11. Minnesota Statutes 2014, section 353.03, subdivision 3, is amended to read:

Subd. 3. **Duties and powers.** (a) The board shall:

- (1) elect a president and vice-president;
- (2) approve the staffing complement, as recommended by the executive director, necessary to administer the fund;
- (3) adopt bylaws for its own government and for the management of the fund consistent with the laws of the state and may modify them at pleasure;
- (4) adopt, alter, and enforce reasonable rules consistent with the laws of the state and the terms of the applicable benefit plans for the administration and management of the fund, for the payment and collection of payments from members and for the payment of withdrawals and benefits, and that are necessary in order to comply with the applicable federal Internal Revenue Service and Department of Labor requirements;
- (5) pass upon and allow or disallow all applications for membership in the fund and allow or disallow claims for withdrawals, pensions, or benefits payable from the fund;
- (6) authorize procedures for use of electronic signatures as defined in section 325L.02, paragraph (h), on applications and forms required by the association;
- ~~(7)~~ (7) adopt an appropriate mortality table based on experience of the fund as recommended by the association actuary and approved under section 356.215, subdivision 18, with interest set at the rate specified in section 356.215, subdivision 8;
- ~~(7)~~ (8) provide for the payment out of the fund of the cost of administering this chapter, of all necessary expenses for the administration of the fund and of all claims for withdrawals, pensions, or benefits allowed;
- ~~(8)~~ (9) approve or disapprove all recommendations and actions of the executive director made subject to its approval or disapproval by subdivision 3a; and
- ~~(9)~~ (10) approve early retirement and optional annuity factors, subject to review by the actuary retained by the Legislative Commission on Pensions and Retirement; establish the schedule for implementation of the approved factors; and notify the Legislative Commission on Pensions and Retirement of the implementation schedule.

(b) In passing upon all applications and claims, the board may summon, swear, hear, and examine witnesses and, in the case of claims for disability benefits, may require the claimant to submit to a medical examination by a physician of the board's choice, at the expense of the fund, as a condition precedent to the passing on the claim, and, in the case of all applications and claims, may conduct investigations necessary to determine their validity and merit.

(c) The board may continue to authorize the sale of life insurance to members under the insurance program in effect on January 1, 1985, but must not change that program without the approval of the commissioner of management and budget. The association shall not receive any financial benefit from the life insurance program beyond the amount necessary to reimburse the association for costs incurred in administering the program. The association shall not engage directly or indirectly in any other activity involving the sale or promotion of goods or services, or both, whether to members or nonmembers.

(d) The board shall establish procedures governing reimbursement of expenses to board members. These procedures must define the types of activities and expenses that qualify for reimbursement, must provide that all out-of-state travel be authorized by the board, and must provide for the independent verification of claims for expense reimbursement. The procedures must comply with the applicable rules and policies of the Department of Management and Budget and the Department of Administration.

(e) The board may purchase fiduciary liability insurance and official bonds for the officers and members of the board of trustees and employees of the association and may purchase property insurance or may establish a self-insurance risk reserve including, but not limited to, data processing insurance and "extra-expense" coverage.

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

Sec. 12. Minnesota Statutes 2014, section 353.031, subdivision 5, is amended to read:

Subd. 5. **Medical adviser.** The executive director may contract with an accredited independent organization specializing in disability determinations or a licensed physician or physicians on the staff of the state commissioner of health, as designated by the commissioner, physician to be the medical adviser of the association. The medical adviser shall review all medical reports submitted to the association, including the findings of an independent medical examination requested under this section, and shall advise the executive director.

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

Sec. 13. Minnesota Statutes 2014, section 353.031, subdivision 10, is amended to read:

Subd. 10. **Restoring forfeited service and salary credit.** (a) To restore forfeited service and salary credit, a repayment of a refund must be made within six months after the effective date of disability benefits or within six months after the date of the filing of the disability application, whichever is later.

(b) Except for the salary credit purchase authorized under section 353.0162, paragraph (b), clause (1), no purchase of prior service or payment made in lieu of salary deductions otherwise authorized under section 353.01 or 353.0162 may be made after the occurrence of the disability for which an application is filed under this section.

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

Sec. 14. Minnesota Statutes 2014, section 353.27, subdivision 10, is amended to read:

Subd. 10. **Employer exclusion reports.** (a) The head of a department or a designated representative shall annually furnish the executive director with an exclusion report listing and certifying only those employees in potentially PERA general employees retirement plan-eligible positions who were not reported as members of the general employees retirement plan and who worked during the school year for school employees and calendar year for nonschool employees. ~~The department head must certify the accuracy and completeness of the exclusion report to the association.~~ The executive director shall prescribe the manner and forms, including standardized exclusion codes, to be used by a governmental subdivision in preparing and filing exclusion reports. Also, the executive director shall check the exclusion report to ascertain whether any omissions have been made ~~by a department head~~

in the reporting of new public employees for membership. The executive director may delegate an association employee under section 353.03, subdivision 3a, paragraph (b), clause (5), to conduct a field audit to review the payroll records of a governmental subdivision.

(b) If an employer fails to comply with the reporting requirements under this subdivision, the executive director may assess a fine of \$25 for each failure if the association staff has notified the employer of the noncompliance and attempted to obtain the missing data or form from the employer for a period of more than three months.

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

Sec. 15. Minnesota Statutes 2014, section 353.29, subdivision 7, is amended to read:

Subd. 7. **Annuities; accrual.** (a) Except as to elected public officials, a retirement annuity granted under this chapter begins with the first day of the first calendar month after the date of termination of public service. The annuity must be paid in equal monthly installments and does not accrue beyond the end of the month in which entitlement to the annuity has terminated. ~~If the annuitant dies prior to negotiating the check for the month in which death occurs, payment must be made to the surviving spouse, or if none, to the designated beneficiary, or if none, to the estate.~~

(b) An annuity granted to an elective public official accrues on the day following expiration of public office or expiration of the right to hold that office. The annuity for the month during which the expiration occurred is prorated accordingly.

(c) An annuity, once granted, must not be increased, decreased, or revoked except under this chapter.

(d) An annuity payment may be made retroactive for up to one year prior to that month in which a complete application is received by the executive director under subdivision 4.

(e) If an annuitant dies before negotiating the check for the month in which death occurs, payment must first be made to the surviving spouse, or if none, then to the designated beneficiary, or if none, lastly to the estate.

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

Sec. 16. Minnesota Statutes 2014, section 353.33, subdivision 6, is amended to read:

Subd. 6. **Continuing eligibility for benefits.** Disability benefits are contingent upon a disabled person's participation in a vocational ~~rehabilitation evaluation~~ assessment if the executive director determines that the disabled person may be able to return to a gainful occupation. If, after a review by the executive director under section 353.031, subdivision 8, a member is found to be no longer totally and permanently disabled, payments must cease the first of the month following the expiration of a 30-day period after the member receives a certified letter notifying the member that payments will cease.

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

Sec. 17. Minnesota Statutes 2014, section 353.33, subdivision 13, is amended to read:

Subd. 13. **Postretirement adjustment eligibility.** (a) A disability benefit under this section is eligible for postretirement adjustments under section 356.415.

(b) When a disability benefit terminates under subdivision 11, the retirement annuity elected by the individual must include all prior adjustments provided under Minnesota Statutes 2008, section 11A.18, through January 1, 2009, and thereafter as provided in section 356.415.

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

Sec. 18. Minnesota Statutes 2014, section 353.37, subdivision 1, is amended to read:

Subdivision 1. **Salary maximums.** (a) The annuity of a person otherwise eligible for an annuity from the general employees retirement plan of the Public Employees Retirement Association, the public employees police and fire retirement plan, or the local government correctional employees retirement plan must be suspended under subdivision 2 or reduced under subdivision 3, whichever results in the higher annual annuity amount, if the person reenters public service as a nonelective employee of a governmental subdivision ~~in a position covered by this chapter~~ or returns to work as an employee of a labor organization that represents public employees who are association members under this chapter and salary for the reemployment service exceeds the annual maximum earnings allowable for that age for the continued receipt of full benefit amounts monthly under the federal Old Age, Survivors and Disability Insurance Program as set by the secretary of health and human services under United States Code, title 42, section 403, in any calendar year. If the person has not yet reached the minimum age for the receipt of Social Security benefits, the maximum salary for the person is equal to the annual maximum earnings allowable for the minimum age for the receipt of Social Security benefits.

(b) The provisions of paragraph (a) do not apply to the members of the MERF division.

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

Sec. 19. Minnesota Statutes 2014, section 353.656, subdivision 1a, is amended to read:

Subd. 1a. **Total and permanent duty disability; computation of benefits.** (a) A member of the police and fire plan, other than a firefighter covered by section 353.6511, or a police officer covered by section 353.6512, whose disabling condition is determined to be a duty disability that is also a permanent and total disability as defined in section 353.01, subdivision 19, is entitled to receive, for life, disability benefits in an amount equal to 60 percent of the average salary as defined in section 353.01, subdivision 17a, plus an additional 3.0 percent of that average salary for each year of service in excess of 20 years.

(b) A disability benefit payable under paragraph (a) is subject to eligibility review under section 353.33, subdivision 6, but the review may be waived if the executive director receives a written statement from the association's medical advisor that no improvement can be expected in the member's disabling condition that was the basis for payment of the benefit under paragraph (a). A member receiving a disability benefit under this subdivision who is found to no longer be permanently and totally disabled as defined under section 353.01, subdivision 19, but continues to meet the definition for receipt of a duty disability under section 353.01, subdivision 41, is subject to subdivision 1 upon written notice from the association's medical advisor that the person is no longer considered permanently and totally disabled, and may upon application, elect an optional annuity under subdivision 1b.

(c) If a member approved for disability benefits under this subdivision dies before attaining normal retirement age as defined in section 353.01, subdivision 37, paragraph (b), or within 60 months of the effective date of the disability, whichever is later, the surviving spouse is entitled to receive a survivor benefit under section 353.657,

subdivision 2, paragraph (a), clause (1), if the death is the direct result of the disabling condition for which disability benefits were approved, or section 353.657, subdivision 2, paragraph (a), clause (2), if the death is not directly related to the disabling condition for which benefits were approved under this subdivision.

(d) If the election of an actuarial equivalent optional annuity is not made at the time the permanent and total disability benefit accrues, an election must be made within 90 days before the member attains normal retirement age as defined under section 353.01, subdivision 37, paragraph (b), or having collected total and permanent disability benefits for 60 months, whichever is later. If a member receiving disability benefits who has dependent children dies, subdivision 6a, paragraph (c), applies.

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

Sec. 20. Minnesota Statutes 2014, section 353.656, subdivision 1b, is amended to read:

Subd. 1b. **Optional annuity election.** (a) A disabled member of the police and fire fund may elect to receive the normal disability benefit or an actuarial equivalent optional annuity. If the election of an actuarial equivalent optional annuity is made before the commencement of payment of the disability benefit, the optional annuity must begin to accrue on the same date as the disability benefit covering only the ~~disability~~ disability benefit recipient would have accrued.

(b) If an election of an optional annuity is not made before the commencement of the disability benefit, the ~~disability~~ disability benefit recipient may elect an optional annuity:

(1) within 90 days before normal retirement age;

(2) upon the filing of an application to convert to an early retirement annuity, if electing to convert to an early retirement annuity before the normal retirement age; ~~or~~

(3) within 90 days before the expiration of the 60-month period for which a disability benefit is paid, if the disability benefit is payable because the disabled member did not have at least 20 years of allowable service at normal retirement age; ~~or~~

(4) upon being determined that the disability benefit recipient continues to be disabled under subdivision 1, but is no longer totally and permanently disabled under subdivision 1a.

(c) If a disabled member who has named a joint and survivor optional annuity beneficiary dies before the disability benefit ceases and is recalculated under subdivision 5a, the beneficiary eligible to receive the joint and survivor annuity may elect to have the annuity converted at the times designated in paragraph (b), clause (1), (2), or (3), whichever allows for the earliest payment of a higher joint and survivor annuity option resulting from recalculation under subdivision 5a, paragraph (e).

(d) A disabled member may name a person other than the spouse as beneficiary of a joint and survivor annuity only if the spouse of the disabled member permanently waives surviving spouse coverage on the disability application form prescribed by the executive director.

(e) If the spouse of the member permanently waives survivor coverage, the dependent child or children, if any, continue to be eligible for dependent child benefits under section 353.657, subdivision 3, and the designated optional annuity beneficiary may draw the monthly benefit.

(f) Any optional annuity under this subdivision, plus dependent child benefits, if applicable, are subject to the maximum and minimum family benefit amounts specified in section 353.657, subdivision 3a.

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

Sec. 21. Minnesota Statutes 2014, section 353.656, subdivision 2, is amended to read:

Subd. 2. **Benefits paid under workers' compensation law.** (a) ~~If When the amount determined under paragraph (b) exceeds the equivalent salary determined under paragraph (c), the disability benefit amount must be reduced to that amount which, when added to the workers' compensation benefits, equals the equivalent salary.~~

(b) ~~When a member becomes disabled and receives~~ receiving a disability benefit as specified in this section ~~and~~ is also entitled to receive lump sum or periodic benefits under workers' compensation laws, the single life annuity actuarial equivalent disability benefit amount and the workers' compensation amount must be added. The computation must exclude any attorney fees paid by the ~~disability~~ disability benefit recipient as authorized under applicable workers' compensation laws. The computation must also exclude permanent partial disability payments provided under section 176.101, subdivision 2a, and retraining payments under section 176.102, subdivision 11, if the permanent partial disability or retraining payments are reported to the executive director in a manner specified by the executive director.

~~(b)~~ (c) The equivalent salary is the amount determined under clause (1) or (2), whichever is greater:

(1) the salary the disabled member received as of the date of the disability; or

(2) the salary currently payable for the same employment position or substantially similar positions in the applicable government subdivision.

~~(c) If the amount determined under paragraph (a) exceeds the equivalent salary determined under paragraph (b), the disability benefit amount must be reduced to that amount which, when added to the workers' compensation benefits, equals the equivalent salary.~~

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

Sec. 22. Minnesota Statutes 2014, section 353.656, subdivision 4, is amended to read:

Subd. 4. **Limitation on disability benefit payments.** (a) No member is entitled to receive a disability benefit payment when there remains to the member's credit unused annual leave, sick leave, or any other employer-provided salary continuation plan, or under any other circumstances when, during the period of disability, there has been no impairment of the person's salary as a police officer, a firefighter, or a paramedic as defined in section 353.64, subdivision 10, whichever applies.

(b) If a disabled member resumes a gainful occupation with earnings that, when added to the ~~normal~~ single life disability benefit, and workers' compensation benefit if applicable, exceed the ~~disability~~ disability benefit recipient's reemployment earnings limit, the amount of the disability benefit must be reduced during the months of employment and receipt of workers' compensation benefits, if applicable, as provided in this paragraph. The ~~disability~~ disability benefit recipient's reemployment earnings limit is the greater of:

(1) the monthly salary earned at the date of disability; or

(2) 125 percent of the base monthly salary currently paid by the employing governmental subdivision for similar positions.

(c) The disability benefit must be reduced by one dollar for each three dollars by which the total amount of the current monthly disability benefit, any monthly workers' compensation benefits if applicable, and actual monthly earnings exceed the greater ~~disability~~ disability benefit recipient's reemployment earnings limit. In no event may the monthly disability benefit as adjusted under this subdivision exceed the disability benefit originally allowed.

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

Sec. 23. Minnesota Statutes 2014, section 353.656, subdivision 5a, is amended to read:

Subd. 5a. **Cessation of disability benefit.** (a) The association shall cease the payment of any disability benefit the first of the month following the reinstatement of a member to full time or less than full-time service in a position covered by the police and fire fund.

(b) A disability benefit paid to a disabled member of the police and fire plan, that was granted under laws in effect after June 30, 2007, terminates at the end of the month in which the member:

(1) reaches normal retirement age;

(2) if the disability benefit is payable for a 60-month period as determined under subdivisions 1 and 3, as applicable, the first of the month following the expiration of the 60-month period; or

(3) if the disabled member so chooses, the end of the month in which the member has elected to convert to an early retirement annuity under section 353.651, subdivision 4.

(c) If the police and fire plan member continues to be disabled when the disability benefit terminates under this subdivision, the member is deemed to be retired. The individual is entitled to receive a normal retirement annuity or an early retirement annuity under section 353.651, whichever is applicable, as further specified in paragraph (d) or (e). If the individual did not previously elect an optional annuity under subdivision ~~4a~~ 1b, paragraph (a), the individual may elect an optional annuity under subdivision ~~4a~~ 1b, paragraph (b).

(d) A member of the police and fire plan who is receiving a disability benefit under this section may, upon application, elect to receive an early retirement annuity under section 353.651, subdivision 4, at any time after attaining age 50, but must convert to a retirement annuity no later than the end of the month in which the disabled member attains normal retirement age. An early retirement annuity elected under this subdivision must be calculated on the disabled member's accrued years of service and average salary as defined in section 353.01, subdivision 17a, and when elected, the member is deemed to be retired.

(e) When an individual's disability benefit terminates under paragraph (b), clause (1) or (2), and is recalculated as a retirement annuity ~~under this section~~, the annuity must be based on clause (1) or ~~clause~~ (2), whichever provides the greater amount:

(1) the benefit amount at the time of reclassification, including all prior adjustments provided under Minnesota Statutes 2008, section 11A.18, through January 1, 2009, and thereafter as provided in section 356.415; or

(2) a benefit amount computed on the member's actual years of accrued allowable service credit and the law in effect at the time the disability benefit first accrued, plus any increases that would have applied since that date under Minnesota Statutes 2008, section 11A.18, through January 1, 2009, and thereafter as provided in section 356.415.

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

Sec. 24. Minnesota Statutes 2014, section 353D.03, subdivision 3, is amended to read:

Subd. 3. **Ambulance service, rescue squad personnel contribution.** (a) A public ambulance service ~~or privately operated ambulance service that receives an operating subsidy from a governmental entity~~ that elects to participate in the plan shall fund benefits for its qualified personnel who individually elect to participate.

(b) Personnel who are paid for their services may elect to make member contributions in an amount not to exceed the service's contribution on their behalf.

(c) Ambulance service contributions on behalf of salaried employees must be a fixed percentage of salary.

(d) An ambulance service making contributions for volunteer or largely uncompensated personnel, or a municipality or county making contributions on behalf of rescue squad members who are volunteers or largely uncompensated personnel, may assign a unit value for each call or each period of alert duty for the purpose of calculating ambulance service or rescue squad service contributions, as applicable.

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

Sec. 25. Minnesota Statutes 2014, section 353E.06, subdivision 5, is amended to read:

Subd. 5. **Disability benefit termination.** (a) The disability benefit paid to a disabled local government correctional employee terminates at the end of the month in which the employee reaches age ~~65~~ 55, or the first of the month after the expiration of the 60-month period from the effective date of the disability benefit, whichever is later.

(b) If the disabled local government correctional employee is still disabled when the employee ~~reaches~~ has been collecting the disability benefit for 60 months or has reached age ~~65~~ 55, whichever is later, the employee is deemed to be a retired employee and, if the employee had elected an optional annuity under subdivision 3, must receive an annuity in accordance with the terms of the optional annuity previously elected.

(c) If the employee had not elected an optional annuity under subdivision 3, the employee may elect either to receive a ~~normal single life~~ retirement annuity computed in the manner provided in section 353E.04, subdivision 3, or to receive an optional annuity as provided in section 353.30, subdivision 3, based on the same length of service as used in the calculation of the disability benefit. Election of an optional annuity must be made within 90 days before ~~attaining the age of 65 years, or reaching the five year anniversary of the effective date of the disability benefit, whichever is later~~ termination of the disability benefit under paragraph (a).

(d) When an individual's disability benefit terminates under this subdivision and is recalculated as a retirement annuity, the annuity must include all prior adjustments provided under Minnesota Statutes 2008, section 11A.18, through January 1, 2009, and thereafter as provided in section 356.415.

EFFECTIVE DATE. Paragraphs (a) to (c) are effective for disability benefits that accrue after June 30, 2015. Paragraph (d) is effective July 1, 2015.

Sec. 26. Minnesota Statutes 2014, section 353E.06, subdivision 6, is amended to read:

Subd. 6. **Resumption of employment.** If a disabled employee resumes a gainful occupation from which earnings are less than the monthly salary received at the date of disability or the monthly salary currently paid for similar positions, or should the employee be entitled to receive workers' compensation benefits, the disability benefit must be continued in an amount that, when added to such earnings during the months of employment, and workers' compensation benefits, if applicable, does not exceed the monthly salary received at the date of disability or the monthly salary currently payable for the same employment position or an employment position substantially similar to the one the person held as of the date of the disability, whichever is greater.

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

Sec. 27. Minnesota Statutes 2014, section 353F.01, is amended to read:

353F.01 PURPOSE AND INTENT.

The purpose of this chapter is to ensure, to the extent possible, that persons employed at public medical facilities ~~and other public employing units~~ who are privatized and consequently are excluded from retirement coverage by the Public Employees Retirement Association will be entitled to receive future retirement benefits under the general employees retirement plan of the Public Employees Retirement Association commensurate with the prior contributions made by them or made on their behalf upon the privatization of the medical facility ~~or other public employing unit~~.

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

Sec. 28. Minnesota Statutes 2014, section 353F.02, subdivision 3, is amended to read:

Subd. 3. **Effective date of privatization.** "Effective date of privatization" means the date that the operation of a medical facility ~~or other public employing unit~~ is assumed by another employer or the date that a medical facility ~~or other public employing unit~~ is purchased by another employer and active membership in the Public Employees Retirement Association consequently terminates.

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

Sec. 29. Minnesota Statutes 2014, section 353F.02, subdivision 5a, is amended to read:

Subd. 5a. **Privatized former public employer.** "Privatized former public employer" means a medical facility ~~or other employing unit~~ that was formerly included in the definition of governmental subdivision under section 353.01, subdivision 6, that is privatized and whose employees are certified for participation under this chapter.

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

Sec. 30. Minnesota Statutes 2014, section 353F.04, subdivision 2, is amended to read:

Subd. 2. **Exceptions.** The increased augmentation rates specified in subdivision 1 do not apply to a privatized former public employee:

(1) beginning the first of the month in which the privatized former public employee becomes covered again by a retirement plan enumerated in section 356.30, subdivision 3, if the employee ~~continues to be covered and~~ accrues at least six months of credited service in any single plan enumerated in section 356.30, subdivision 3, except clause (6);

(2) beginning the first of the month in which the privatized former public employee becomes covered again by the general employees retirement plan of the Public Employees Retirement Association;

~~(2)~~ (3) beginning the first of the month after a privatized former public employee terminates service with the successor entity; or

~~(3)~~ (4) if the person begins receipt of a retirement annuity while employed by the employer which assumed operations of or purchased the privatized former public employer.

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

Sec. 31. Minnesota Statutes 2014, section 353F.051, subdivision 1, is amended to read:

Subdivision 1. **Eligibility.** A privatized former public employee who is totally and permanently disabled under ~~Minnesota Statutes 1998~~, section 353.01, subdivision 19, and who had a medically documented preexisting condition of the disability before the termination of coverage, may apply for a disability benefit.

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

Sec. 32. Minnesota Statutes 2014, section 353F.051, subdivision 2, is amended to read:

Subd. 2. **Calculation of benefits.** A person qualifying under subdivision 1 is entitled to receive a disability benefit calculated under ~~Minnesota Statutes 1998~~, section 353.33, subdivision 3. The disability benefit must be augmented under ~~Minnesota Statutes 1998~~, section 353.71, subdivision 2, from the date of termination to the date the disability benefit begins to accrue.

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

Sec. 33. Minnesota Statutes 2014, section 353F.051, subdivision 3, is amended to read:

Subd. 3. **Applicability of general law.** Except as otherwise provided, ~~Minnesota Statutes 1998~~, section 353.33, applies to a person who qualifies for disability under subdivision 1.

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

Sec. 34. Minnesota Statutes 2014, section 353G.08, subdivision 1, is amended to read:

Subdivision 1. **Annual funding requirements.** (a) Annually, the executive director shall determine the funding requirements of each account in the voluntary statewide lump-sum volunteer firefighter retirement plan on or before August 1. The funding requirements as directed under this section, must be determined using a mathematical procedure developed and certified as accurate by an approved actuary retained by the Public Employees Retirement Association and based on present value factors using a six percent interest rate, without any decrement assumptions. The funding requirements must be certified to the entity or entities associated with the fire department whose active firefighters are covered by the retirement plan.

(b) The overall funding balance of each account for the current calendar year must be determined in the following manner:

(1) The total accrued liability for all active and deferred members of the account as of December 31 of the current year must be calculated based on the good time service credit of active and deferred members as of that date.

(2) The total present assets of the account projected to December 31 of the current year, including receipts by and disbursements from the account anticipated to occur on or before December 31, must be calculated. To the extent possible, the market value of assets must be utilized in making this calculation.

(3) The amount of the total present assets calculated under clause (2) must be subtracted from the amount of the total accrued liability calculated under clause (1). If the amount of total present assets exceeds the amount of the total accrued liability, then the account is considered to have a surplus over full funding. If the amount of the total present assets is less than the amount of the total accrued liability, then the account is considered to have a deficit from full funding. If the amount of total present assets is equal to the amount of the total accrued liability, then the special fund is considered to be fully funded.

(c) The financial requirements of each account for the following calendar year must be determined in the following manner:

(1) The total accrued liability for all active and deferred members of the account as of December 31 of the calendar year next following the current calendar year must be calculated based on the good time service used in the calculation under paragraph (b), clause (1), increased by one year.

(2) The increase in the total accrued liability of the account for the following calendar year over the total accrued liability of the account for the current year must be calculated.

(3) The amount of ~~anticipated future~~ administrative expenses of the account must be calculated by multiplying the per person dollar amount of the administrative expenses for the most recent prior calendar year by the ~~factor of 1.035~~ number of active and deferred firefighters reported to PERA on the most recent good time service credit certification form for each account.

(4) If the account is fully funded, the financial requirement of the account for the following calendar year is the total of the amounts calculated under clauses (2) and (3).

(5) If the account has a deficit from full funding, the financial requirement of the account for the following calendar year is the total of the amounts calculated under clauses (2) and (3) plus an amount equal to one-tenth of the amount of the deficit from full funding of the account.

(6) If the account has a surplus over full funding, the financial requirement of the account for the following calendar year is the financial requirement of the account calculated as though the account was fully funded under clause (4) and, if the account has also had a surplus over full funding during the prior two years, additionally reduced by an amount equal to one-tenth of the amount of the surplus over full funding of the account.

(d) The required contribution of the entity or entities associated with the fire department whose active firefighters are covered by the retirement plan is the annual financial requirements of the account of the retirement plan under paragraph (c) reduced by the amount of any fire state aid payable under sections 69.011 to 69.051 or supplemental state aid payable under section 423A.022 reasonably anticipated to be received by the retirement plan attributable to the entity or entities during the following calendar year, and an amount of interest on the assets projected to be received during the following calendar year calculated at the rate of six percent per annum. The required contribution must be allocated between the entities if more than one entity is involved. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

(e) The required contribution calculated in paragraph (d) must be paid to the retirement plan on or before December 31 of the year for which it was calculated. If the contribution is not received by the retirement plan by December 31, it is payable with interest at an annual compound rate of six percent from the date due until the date payment is received by the retirement plan. If the entity does not pay the full amount of the required contribution, the executive director shall collect the unpaid amount under section 353.28, subdivision 6.

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

Sec. 35. Minnesota Statutes 2014, section 354.445, is amended to read:

354.445 NO ANNUITY REDUCTION.

(a) The annuity reduction provisions of section 354.44, subdivision 5, do not apply to a person who:

(1) retires from the Minnesota State Colleges and Universities system with at least ten years of combined service credit in a system under the jurisdiction of the Board of Trustees of the Minnesota State Colleges and Universities;

(2) was employed on a full-time basis immediately preceding retirement as a faculty member or as an unclassified administrator in that system;

(3) was not a recipient of an early retirement incentive under section 136F.481;

(4) begins drawing an annuity from the Teachers Retirement Association; and

(5) returns to work on not less than a one-third time basis and not more than a two-thirds time basis in the system from which the person retired under an agreement in which the person may not earn a salary of more than \$62,000 in a ~~calendar~~ fiscal year through employment after retirement in the system from which the person retired.

(b) Initial participation, the amount of time worked, and the duration of participation under this section must be mutually agreed upon by the president of the institution where the person returns to work and the employee. The president may require up to one-year notice of intent to participate in the program as a condition of participation under this section. The president shall determine the time of year the employee shall work. The employer or the president may not require a person to waive any rights under a collective bargaining agreement as a condition of participation under this section.

(c) Notwithstanding any law to the contrary, a person eligible under paragraphs (a) and (b) may not, based on employment to which the waiver in this section applies, earn further service credit in a Minnesota public defined benefit plan and is not eligible to participate in a Minnesota public defined contribution plan, other than a volunteer fire plan governed by chapter 424A. No employer or employee contribution to any of these plans may be made on behalf of such a person.

(d) For a person eligible under paragraphs (a) and (b) who earns more than \$62,000 in a ~~calendar~~ fiscal year through employment after retirement due to employment by the Minnesota State Colleges and Universities system, the annuity reduction provisions of section 354.44, subdivision 5, apply only to income over \$62,000.

(e) A person who returns to work under this section is a member of the appropriate bargaining unit and is covered by the appropriate collective bargaining contract. Except as provided in this section, the person's coverage is subject to any part of the contract limiting rights of part-time employees.

EFFECTIVE DATE. (a) This section is effective retroactively from January 1, 2015.

(b) For purposes of the January 1, 2015, to June 30, 2015, period, the \$62,000 exempt income limit must be prorated.

Sec. 36. Minnesota Statutes 2014, section 354.72, subdivision 2, is amended to read:

Subd. 2. **Purchase procedure.** (a) A teacher may purchase credit for allowable and formula service in the plan for a period specified in subdivision 1 if the teacher makes a payment as specified in paragraph (b), (c), or (d), whichever applies. The employing unit, at its option, may pay the employer portion of the amount on behalf of its employees.

(b) If payment is received by the executive director by June 30 of the fiscal year of the strike period or by December 31 of the fiscal year following an authorized leave included under section 354.093, 354.095, or 354.096, payment must equal the total employee and employer contribution rates, including amortization contribution rates if applicable, multiplied by the member's average monthly salary rate on the date the leave or strike period

commenced, ~~or for an extended leave under section 354.094, on the salary received during the year immediately preceding the initial year of the leave,~~ multiplied by the months and portions of a month of the leave or strike period for which the teacher seeks allowable service credit. This paragraph also applies to an extended leave under section 354.094, except that payment must be received by June 30 of the year of the leave, and the salary used in the computation is the salary received during the year immediately preceding the initial year of the leave.

(c) If payment is made after June 30 and before the following June 30 for a strike period, ~~or for leaves after December 31 of the fiscal year following a leave of absence under section 354.093, 354.095, or 354.096, or for an extended leave of absence under section 354.094, and before July 1,~~ the payment must include the amount determined in paragraph (b) plus compound interest at a monthly rate of 0.71 percent from June 30 for a strike period, or from December 31 for a leave under section 354.093, 354.095, or 354.096, until the last day of the month in which payment is received. If payment is made on or after July 1 and before the following July 1 for an extended leave of absence under section 354.094, the payment must include the amount determined in paragraph (b) plus compound interest at a monthly rate of 0.71 percent from June 30 until the last day of the month in which payment is received.

(d) If payment is received by the executive director after the applicable last permitted date under paragraph (c), the payment amount is the amount determined under section 356.551. Notwithstanding payment deadlines specified in section 356.551, payment under this section may be made anytime before the effective date of retirement.

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

Sec. 37. Minnesota Statutes 2014, section 355.07, is amended to read:

355.07 DECLARATION OF POLICY.

(a) In order to extend to employees of the state, its political subdivisions, and its other governmental employers, and to the dependents and survivors of the employees of those employing units, the basic protection accorded to others by the old age, survivors, and disability insurance system embodied in the Social Security Act, it is hereby declared to be the policy of the legislature, subject to the limitations of this chapter, that these steps are taken to provide protection to employees of the state and its political subdivisions on as broad a basis as may be authorized by the legislature and is permitted under the Social Security Act.

(b) It is also the policy of the legislature that the protection afforded employees in positions covered by a retirement system on the date an agreement under this chapter is made applicable to service performed in those positions, or receiving periodic benefits under the retirement system at that time, will not be impaired as a result of making the agreement so applicable or as a result of legislative enactment in anticipation thereof when combined with the benefits accorded the employee by the Social Security Act.

(c) To this end, the agreement referred to in section 355.02 must not be made applicable to any service performed in any position covered by a retirement system unless a referendum is first held by secret ballot in which a majority of "eligible employees," as defined in section 218(d) (3) of the Social Security Act, vote in favor thereof, or unless a retirement system is divided in two divisions or parts, one of which is composed of positions of members of the system who desire coverage and one of which is composed of positions of members of the system who do not desire coverage under section 218(d) (3) of the Social Security Act, in accordance with subsections (6) and (7) thereof. The cost of the referendum must be borne by the affected governmental subdivision or subdivisions, which are required to elect a voting method.

(d) If a retirement system is divided as described in paragraph (c), any member of the division of members that did not desire coverage may be transferred to the division of members who did desire coverage as provided in section 218(d)(6)(f) of the Social Security Act so long as the individual files a written request for such a transfer with the director.

~~(d)~~ (e) Nothing in any provision of this chapter authorizes the extension of the insurance system established by this chapter, to service in any police officer's or firefighter's position ~~or in any position covered by a retirement system applicable exclusively to positions in one or more law enforcement or firefighting units, agencies or departments as covered by a retirement system in section 356.30, subdivision 3, clauses (4) and (7).~~

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

Sec. 38. Minnesota Statutes 2014, section 356.32, subdivision 1, is amended to read:

Subdivision 1. **Proportionate retirement annuity.** (a) Notwithstanding any provision to the contrary of the laws governing any of the retirement funds enumerated in subdivision 2, any person who is an active member of any applicable fund, who has credit for at least one year ~~but less than ten years~~ of allowable service in one or more of the covered plans, and who terminates active service under a mandatory retirement law or policy or at ~~age 65 or older, or at the normal retirement age if this age is~~ but not less than age 65, for any reason is entitled upon making written application on the form prescribed by the chief administrative officer of the plan to a proportionate retirement annuity from each covered plan in which the person has at least six months of allowable service credit.

(b) The proportionate annuity must be calculated under the applicable laws governing annuities based upon allowable service credit at the time of retirement and the person's average salary for the highest five successive years of allowable service or the average salary for the entire period of allowable service if less than five years.

(c) Nothing in this section prevents the imposition of the appropriate early retirement reduction of an annuity which commences before the normal retirement age.

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

Sec. 39. Minnesota Statutes 2014, section 356.415, subdivision 1a, is amended to read:

Subd. 1a. **Annual postretirement adjustments; Minnesota State Retirement System plans other than State Patrol retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the legislators retirement ~~plans plan,~~ including constitutional officers as specified in chapter 3A, the general state employees retirement plan, the correctional state employees retirement plan, and the unclassified state employees retirement program, ~~and the judges retirement plan~~ are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of two percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 18 full months before the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six full months, an annual postretirement increase of 1/12 of two percent for each month that the person has been receiving an annuity or benefit must be applied, effective January 1, following the calendar year in which the person has been retired for at least six months, but has been retired for less than 18 months.

(b) The increases provided by this subdivision commence on January 1, 2011. Increases under this subdivision for the general state employees retirement plan, the correctional state employees retirement plan, or the judges retirement plan terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement ~~indicates~~ indicate that the market value of assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date. Increases under this subdivision for the legislators

retirement plan ~~or the elected state~~ established under chapter 3A, including constitutional officers retirement plan specified in that chapter, terminate on December 31 of the calendar year in which ~~the two prior consecutive~~ valuation valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement ~~indicates~~ indicate that the market value of assets of the general state employees retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date.

(c) An increase in annuity or benefit payments under this subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the applicable covered retirement plan requesting that the increase not be made.

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

Sec. 40. Minnesota Statutes 2014, section 356.635, subdivision 9, is amended to read:

Subd. 9. **Military service.** Contributions, benefits, including death and disability benefits under section 401(a)(37) of the federal Internal Revenue Code, and service credit with respect to qualified military service must be provided according to section 414(u) of the federal Internal Revenue Code. For deaths occurring on or after January 1, 2007, while a member is performing qualified military service as defined in United States Code, title 38, chapter 43, to the extent required by section 401(a)(37) of the Internal Revenue Code, survivors of a member in the system are entitled to any additional benefits that the system would have provided if the member had resumed employment and then died, including but not limited to accelerated vesting or survivor benefits that are contingent on the member's death while employed. In any event, a deceased member's period of qualified military service must be counted for vesting purposes.

EFFECTIVE DATE. This section is effective retroactively from January 1, 2007.

Sec. 41. Minnesota Statutes 2014, section 356.635, is amended by adding a subdivision to read:

Subd. 10. **Benefit limitations.** For purposes of applying the limits of section 415(b) of the Internal Revenue Code, a retirement benefit that is payable in any form other than a single life annuity and that is subject to section 417(e)(3) of the Internal Revenue Code must be adjusted to an actuarially equivalent single life annuity that equals, if the annuity starting date is in a plan year beginning after 2005, the annual amount of the single life annuity commencing at the same annuity starting date that has the same actuarial present value as the participant's form of benefit, using whichever of the following produces the greatest annual amount:

(1) the interest rate and the mortality table or other tabular factor specified in the plan for adjusting benefits in the same form;

(2) a 5.5 percent interest rate assumption and the applicable mortality table; or

(3) the applicable interest rate under section 417(e)(3) of the Internal Revenue Code and the applicable mortality table, divided by 1.05.

EFFECTIVE DATE. This section is effective retroactively from January 1, 2005.

Sec. 42. **REPEALER.**

Minnesota Statutes 2014, sections 353.025; 353.83; 353.84; 353.85; and 353D.03, subdivision 4, are repealed.

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

ARTICLE 13
OBSOLETE DATE REVISIONS AND VARIOUS CLARIFICATIONS

Section 1. Minnesota Statutes 2014, section 352.01, subdivision 11, is amended to read:

Subd. 11. **Allowable service.** (a) "Allowable service" means:

~~(1) service by an employee for which on or before July 1, 1961, the employee chose to obtain credit for service by making payments to the fund under Minnesota Statutes 1961, section 352.24;~~

~~(2) (1) service by an employee after July 1, 1957, for any calendar month in which the employee is paid salary from which deductions are made, deposited, and credited in the fund, including deductions made, deposited, and credited as provided in section 352.041;~~

~~(3) (2) service by an employee for any calendar month for which payments in lieu of salary deductions are made, deposited, and credited in the fund, as provided in section 352.27;~~

~~(4) (3) the period of absence from their duties by employees who are temporarily disabled because of injuries incurred in the performance of duties and for which disability the state is liable under the workers' compensation law until the date authorized by the director for the commencement of payments of a total and permanent disability benefit from the retirement fund;~~

~~(5) (4) service covered by a refund repaid as provided in section 352.23 or 352D.05, subdivision 4, except service rendered as an employee of the adjutant general for which the person has credit with the federal civil service retirement system;~~

~~(6) (5) service rendered before July 1, 1978, by an employee of the Transit Operating Division of the Metropolitan Transit Commission or by an employee on an authorized leave of absence from the Transit Operating Division of the Metropolitan Transit Commission who is employed by the labor organization which is the exclusive bargaining agent representing employees of the Transit Operating Division, which was credited by the Metropolitan Transit Commission-Transit Operating Division employees retirement fund or any of its predecessor plans or funds as past, intermediate, future, continuous, or allowable service as defined in the Metropolitan Transit Commission-Transit Operating Division employees retirement fund plan document in effect on December 31, 1977;~~

~~(7) (6) service rendered after July 1, 1983, by an employee who is employed on a part-time basis for less than 50 percent of full time, for which the employee is paid salary from which deductions are made, deposited, and credited in the fund, including deductions made, deposited, and credited as provided in section 352.041 or for which payments in lieu of salary deductions are made, deposited, and credited in the fund as provided in section 352.27 shall must be credited on a fractional basis either by pay period, monthly, or annually based on the relationship that the percentage of salary earned bears to a full-time salary, with any salary paid for the fractional service credited on the basis of the rate of salary applicable for a full-time pay period, month, or a full-time year. For periods of part-time service that is duplicated service credit, section 356.30, subdivision 1, paragraphs (g) and (h), govern; and~~

~~(8) (7) any period of authorized leave of absence without pay that does not exceed one year and for which the employee obtained credit by payment to the fund under section 352.017.~~

~~(9) [Renumbered clause (8)]~~

~~(10) MS 2002 [Expired]~~

~~(11) [Expired, 2002 c 392 art 2 s 4]~~

(b) For purposes of paragraph (a), clauses ~~(2)~~ (1) and ~~(3)~~ (2), any salary that is paid for a fractional part of any calendar month, including the month of separation from state service, is deemed to be the compensation for the entire calendar month.

(c) Allowable service determined and credited on a fractional basis must be used in calculating the amount of benefits payable, but service as determined on a fractional basis must not be used in determining the length of service required for eligibility for benefits.

Sec. 2. Minnesota Statutes 2014, section 352.01, subdivision 15, is amended to read:

Subd. 15. **Approved actuary.** "Approved actuary" means ~~any an actuary who is either a fellow of the society of actuaries or who has at least 15 years of service to major public employee funds, or any firm retaining an approved actuary on its staff~~ meets the definition in section 356.215, subdivision 1, paragraph (c).

Sec. 3. Minnesota Statutes 2014, section 352.021, subdivision 1, is amended to read:

Subdivision 1. **Establishment.** (a) There is established the general state employees retirement plan of the Minnesota State Retirement System for state employees.

(b) The general state employees retirement plan is a continuation of the State Employees Retirement Association.

~~(c) Any person who was a member of the State Employees Retirement Association on June 30, 1967, is covered by the general state employees retirement plan and is entitled to all benefits provided by the plan upon fulfilling the age, service, contribution, and other requirements of this chapter.~~

Sec. 4. Minnesota Statutes 2014, section 352.021, subdivision 3, is amended to read:

Subd. 3. **Optional exemptions.** ~~(a) Any person who is appointed by the governor or lieutenant governor may request exemption from coverage by who is not already covered by the general state employees retirement plan under this chapter if the appointee is not covered by the plan on the date of appointment and who is not an employee listed in section 352D.02, subdivision 1, paragraph (c), may request, in writing, an exemption from coverage by the plan.~~

~~(b) To qualify for this exemption, a written~~ the request must be made within 90 days from the date of entering upon the duties of the position to which the person is appointed.

~~(c) After making the request, a person requesting the exemption is not entitled to coverage by the general state employees retirement plan while employed in the position that entitled that person to an exemption from coverage.~~

Sec. 5. Minnesota Statutes 2014, section 352.021, subdivision 4, is amended to read:

Subd. 4. **Reentering service after refund.** When a former employee who has withdrawn accumulated contributions reenters employment in a position entitled to coverage under the general state employees retirement plan, the employee must be covered by the plan on the same basis as a new employee and is not entitled to allowable service credit for any former service. The annuity rights forfeited when taking a refund can only be restored as provided in ~~this chapter~~ section 352.23.

Sec. 6. Minnesota Statutes 2014, section 352.029, subdivision 2, is amended to read:

Subd. 2. **Election.** A person described in subdivision 1 ~~shall be~~ is covered by the system if written election to be covered is delivered to the executive director ~~before December 31, 1992,~~ within 90 days of being employed by the labor organization, or within 90 days of starting the first leave of absence with an exclusive bargaining agent, whichever is later.

Sec. 7. Minnesota Statutes 2014, section 352.22, subdivision 8, is amended to read:

Subd. 8. **Refund specifically limited.** (a) If a former employee covered by the system does not apply for refund within five years after the last deduction was taken from salary for the retirement fund, and does not have enough service to qualify for a deferred annuity, accumulated member and employer contributions must be credited to and become a part of the retirement fund.

(b) If the former employee returns to state service and becomes a state employee covered by the system, the amount credited to the retirement fund, if more than \$25, must be restored to the individual account. If the amount credited to the fund is over \$25 and the former employee applies for refund or an annuity under section 352.72 or 356.30, the amount must be restored to the former employee's individual account and a refund made or an annuity paid, whichever applies.

Sec. 8. Minnesota Statutes 2014, section 352.22, subdivision 10, is amended to read:

Subd. 10. **Other refunds.** Former employees covered by the system are entitled to apply for refunds if they are or become members of the State Patrol retirement fund, the state Teachers Retirement Association, or employees of the University of Minnesota excluded from coverage under the system by action of the Board of Regents; or employees of the adjutant general who under federal law effectually elect membership in a federal retirement system; or officers or employees of the senate or house of representatives, excluded from coverage under section 352.01, subdivision 2b, clause ~~(7)~~ (6). The refunds must include accumulated contributions plus interest as provided in subdivision 2.

Sec. 9. Minnesota Statutes 2014, section 352.23, is amended to read:

352.23 TERMINATION OF RIGHTS; REPAYMENT OF REFUND.

(a) When any employee accepts a refund as provided in section 352.22, all existing allowable service credits and all rights and benefits to which the employee was entitled before accepting the refund terminate. ~~They must~~

(b) Terminated service credits and rights must not again be restored until the former employee acquires at least six months of allowable service credit after taking the last refund. In that event, the employee may repay all refunds previously taken from the retirement fund.

(c) Repayment of refunds entitles the employee only to credit for service covered by (1) salary deductions; (2) payments previously made in lieu of salary deductions as permitted under law in effect when the payment in lieu of deductions was made; (3) payments made to obtain credit for service as permitted by laws in effect when payment was made; and (4) allowable service ~~once~~ previously credited while receiving temporary workers' compensation as provided in section 352.01, subdivision 11, clause ~~(5)~~ (4).

(d) Payments under this section for repayment of refunds are to be paid with interest at an annual rate of 8.5 percent compounded annually from the date the refund was taken until the date the refund is repaid. They may be paid in a lump sum or by payroll deduction in the manner provided in section 352.04. Payment may be made in a lump sum up to six months after termination from service.

Sec. 10. Minnesota Statutes 2014, section 352.75, subdivision 2, is amended to read:

Subd. 2. **New employees.** All persons ~~first~~ employed by the ~~former Metropolitan Transit Commission Council~~ as employees of the Transit Operating Division on or after July 1, 1978, are members of the general state employees retirement plan of the Minnesota State Retirement System and are ~~considered~~ state employees for purposes of this chapter unless specifically excluded under section 352.01, subdivision 2b.

Sec. 11. Minnesota Statutes 2014, section 352.87, subdivision 8, is amended to read:

Subd. 8. **Election of coverage.** To be covered by this section, an employee of the Department of Public Safety described in subdivision 1 who is employed in a position described in that subdivision ~~on or after July 1, 1999,~~ must file a notice with the executive director of the Minnesota State Retirement System on a form prescribed by the executive director stating whether or not the employee elects to be covered by this section. Notice must be filed ~~by September 1, 1999, or~~ within 90 days of employment, ~~whichever is later.~~ Elections are irrevocable during any period of covered employment. A failure to file a timely notice ~~shall be~~ is deemed a waiver of coverage by this section.

Sec. 12. Minnesota Statutes 2014, section 352B.011, subdivision 3, is amended to read:

Subd. 3. **Allowable service.** (a) "Allowable service" means:

(1) service in a month during which a member is paid a salary from which a member contribution is deducted, deposited, and credited in the State Patrol retirement fund;

~~(2) for members defined in subdivision 10, clause (1), service in any month for which payments have been made to the State Patrol retirement fund under law;~~

~~(3) for members defined in subdivision 10, clauses (2) and (3), service for which payments have been made to the State Patrol retirement fund under law, service for which payments were made to the State Police officers retirement fund under law after June 30, 1961, and all prior service which was credited to a member for service on or before June 30, 1961;~~

~~(4)~~ (2) any period of authorized leave of absence without pay that does not exceed one year and for which the employee obtains credit by payment to the fund under section 352B.013; and

~~(5)~~ (3) eligible periods of uniformed service for which the member obtained service credit by making the payment required under section 352B.086 to the fund.

(b) Allowable service also includes any period of absence from duty by a member who, by reason of injury incurred in the performance of duty, is temporarily disabled and for which disability the state is liable under the workers' compensation law, until the date authorized by the executive director for commencement of payment of a disability benefit or until the date of a return to employment if in conformity with section 352B.085.

Sec. 13. Minnesota Statutes 2014, section 352B.07, is amended to read:

352B.07 ACTIONS BY OR AGAINST THE GOVERNING BOARD OF THE RETIREMENT PLAN.

With respect to the State Patrol retirement plan, the board of the Minnesota State Retirement System may sue or be sued in the name of the board of directors of the state retirement system. In all actions brought by or against it, the board shall be represented by the attorney general. The attorney general shall also be the legal adviser for the board. Venue of all actions is in the Ramsey County District Court.

Sec. 14. Minnesota Statutes 2014, section 352B.25, is amended to read:

352B.25 CONTINUING APPROPRIATION; PAYMENT OF PENSION FUNDS ~~BY INDIVIDUALS.~~

The State Patrol retirement fund ~~and the participation in the Minnesota postretirement investment fund~~ must be disbursed only for the purposes provided in this chapter. The expenses of the system and any benefits or annuities provided in this chapter, ~~other than benefits payable from the Minnesota postretirement investment fund,~~ must be

paid from the State Patrol retirement fund. The amounts necessary to make the payments from the State Patrol retirement fund ~~and the participation in the Minnesota postretirement investment fund~~ are annually appropriated from those funds for those purposes.

Sec. 15. Minnesota Statutes 2014, section 353.01, subdivision 2b, is amended to read:

Subd. 2b. **Excluded employees.** (a) The following public employees are not eligible to participate as members of the association with retirement coverage by the general employees retirement plan, the local government correctional employees retirement plan under chapter 353E, or the public employees police and fire retirement plan:

(1) persons whose annual salary from one governmental subdivision never exceeds an amount, stipulated in writing in advance, of \$5,100 if the person is not a school district employee or \$3,800 if the person is a school year employee. If annual compensation from one governmental subdivision to an employee exceeds the stipulated amount in a calendar year or a school year, whichever applies, after being stipulated in advance not to exceed the applicable amount, the stipulation is no longer valid and contributions must be made on behalf of the employee under section 353.27, subdivision 12, from the first month in which the employee received salary exceeding \$425 in a month;

(2) public officers who are elected to a governing body, city mayors, or persons who are appointed to fill a vacancy in an elective office of a governing body, whose term of office commences on or after July 1, 2002, for the service to be rendered in that elective position;

(3) election judges and persons employed solely to administer elections;

(4) patient and inmate personnel who perform services for a governmental subdivision;

(5) except as otherwise specified in subdivision 12a, employees who are employed solely in a temporary position as defined under subdivision 12a, and employees who resign from a nontemporary position and accept a temporary position within 30 days of that resignation in the same governmental subdivision;

(6) employees who are employed by reason of work emergency caused by fire, flood, storm, or similar disaster, but if the person becomes a probationary or provisional employee within the same pay period, other than on a temporary basis, the person is a "public employee" retroactively to the beginning of the pay period;

(7) employees who by virtue of their employment in one governmental subdivision are required by law to be a member of and to contribute to any of the plans or funds administered by the Minnesota State Retirement System, the Teachers Retirement Association, or the St. Paul Teachers Retirement Fund Association, but this exclusion must not be construed to prevent a person from being a member of and contributing to the Public Employees Retirement Association and also belonging to and contributing to another public pension plan or fund for other service occurring during the same period of time, and a person who meets the definition of "public employee" in subdivision 2 by virtue of other service occurring during the same period of time becomes a member of the association unless contributions are made to another public retirement plan on the salary based on the other service or to the Teachers Retirement Association by a teacher as defined in section 354.05, subdivision 2;

(8) persons who are members of a religious order and are excluded from coverage under the federal Old Age, Survivors, Disability, and Health Insurance Program for the performance of service as specified in United States Code, title 42, section 410(a)(8)(A), as amended, if no irrevocable election of coverage has been made under section 3121(r) of the Internal Revenue Code of 1954, as amended;

(9) persons who are:

(i) employed by a governmental subdivision who have not reached the age of 23 and who are enrolled on a full-time basis to attend or are attending classes on a full-time basis at an accredited school, college, or university in an undergraduate, graduate, or professional-technical program, or at a public or charter high school;

(ii) employed as resident physicians, medical interns, pharmacist residents, or pharmacist interns and are serving in a degree or residency program in a public hospital or in a public clinic; or

(iii) students who are serving for a period not to exceed five years in an internship or a residency program that is sponsored by a governmental subdivision, including an accredited educational institution;

(10) persons who hold a part-time adult supplementary technical college license who render part-time teaching service in a technical college;

(11) except for employees of Hennepin County or employees of Hennepin Healthcare System, Inc., foreign citizens who are employed by a governmental subdivision under a work permit or under an H-1b visa initially issued or extended for a combined period of less than three years of employment but upon extension of the employment of the visa beyond the three-year period, the foreign citizen must be reported for membership beginning on the first of the month following the extension if the monthly earnings threshold as provided under subdivision 2a, paragraph (a), is met;

(12) public hospital employees who elected not to participate as members of the association before 1972 and who did not elect to participate from July 1, 1988, to October 1, 1988;

(13) except as provided in section 353.86, volunteer ambulance service personnel, as defined in subdivision 35, but persons who serve as volunteer ambulance service personnel may still qualify as public employees under subdivision 2 and may be members of the Public Employees Retirement Association and participants in the general employees retirement plan or the public employees police and fire plan, whichever applies, on the basis of compensation received from public employment service other than service as volunteer ambulance service personnel;

(14) except as provided in section 353.87, volunteer firefighters, as defined in subdivision 36, engaging in activities undertaken as part of volunteer firefighter duties, but a person who is a volunteer firefighter may still qualify as a public employee under subdivision 2 and may be a member of the Public Employees Retirement Association and a participant in the general employees retirement plan or the public employees police and fire plan, whichever applies, on the basis of compensation received from public employment activities other than those as a volunteer firefighter;

(15) pipefitters and associated trades personnel employed by Independent School District No. 625, St. Paul, with coverage under a collective bargaining agreement by the pipefitters local 455 pension plan who were either first employed after May 1, 1997, or, if first employed before May 2, 1997, elected to be excluded under Laws 1997, chapter 241, article 2, section 12;

(16) electrical workers, plumbers, carpenters, and associated trades personnel who are employed by Independent School District No. 625, St. Paul, or the city of St. Paul, who have retirement coverage under a collective bargaining agreement by the Electrical Workers Local 110 pension plan, the United Association Plumbers Local 34 pension plan, or the pension plan applicable to Carpenters Local 322 who were either first employed after May 1, 2000, or, if first employed before May 2, 2000, elected to be excluded under Laws 2000, chapter 461, article 7, section 5;

(17) bricklayers, allied craftworkers, cement masons, glaziers, glassworkers, painters, allied tradesworkers, and plasterers who are employed by the city of St. Paul or Independent School District No. 625, St. Paul, with coverage under a collective bargaining agreement by the Bricklayers and Allied Craftworkers Local 1 pension plan, the Cement Masons Local 633 pension plan, the Glaziers and Glassworkers Local L-1324 pension plan, the Painters and Allied Trades Local 61 pension plan, or the Twin Cities Plasterers Local 265 pension plan who were either first employed after May 1, 2001, or if first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

(18) plumbers who are employed by the Metropolitan Airports Commission, with coverage under a collective bargaining agreement by the Plumbers Local 34 pension plan, who either were first employed after May 1, 2001, or if first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

(19) employees who are hired after June 30, 2002, solely to fill seasonal positions under subdivision 12b which are limited in duration by the employer to 185 consecutive calendar days or less in each year of employment with the governmental subdivision;

(20) persons who are provided supported employment or work-study positions by a governmental subdivision and who participate in an employment or industries program maintained for the benefit of these persons where the governmental subdivision limits the position's duration to up to five years, including persons participating in a federal or state subsidized on-the-job training, work experience, senior citizen, youth, or unemployment relief program where the training or work experience is not provided as a part of, or for, future permanent public employment;

(21) independent contractors and the employees of independent contractors;

(22) reemployed annuitants of the association during the course of that reemployment;

(23) persons appointed to serve on a board or commission of a governmental subdivision or an instrumentality thereof; and

(24) persons employed as full-time fixed-route bus drivers by the St. Cloud Metropolitan Transit Commission who are members of the International Brotherhood of Teamsters Local 638 and who are, by virtue of that employment, members of the International Brotherhood of Teamsters Central States pension plan.

(b) Any person performing the duties of a public officer in a position defined in subdivision 2a, paragraph (a), clause (3), is not an independent contractor and is not an employee of an independent contractor.

Sec. 16. Minnesota Statutes 2014, section 353.01, subdivision 6, is amended to read:

Subd. 6. **Governmental subdivision.** (a) "Governmental subdivision" means a county, city, town, school district within this state, or a department, unit or instrumentality of state or local government, or any public body established under state or local authority that has a governmental purpose, is under public control, is responsible for the employment and payment of the salaries of employees of the entity, and receives a major portion of its revenues from taxation, fees, assessments or from other public sources.

(b) Governmental subdivision also means the Public Employees Retirement Association, the League of Minnesota Cities, the Association of Metropolitan Municipalities, charter schools formed under section 124D.10, service cooperatives exercising retirement plan participation under section 123A.21, subdivision 5, joint powers boards organized under section 471.59, subdivision 11, paragraph (a), family service collaboratives and children's mental health collaboratives organized under section 471.59, subdivision 11, paragraph (b) or (c), provided that the

entities creating the collaboratives are governmental units that otherwise qualify for retirement plan membership, public hospitals owned or operated by, or an integral part of, a governmental subdivision or governmental subdivisions, the Association of Minnesota Counties, the Minnesota Inter-county Association, the Minnesota Municipal Utilities Association, the Metropolitan Airports Commission, the University of Minnesota with respect to police officers covered by the public employees police and fire retirement plan, ~~the Minneapolis Employees Retirement Fund for employment initially commenced after June 30, 1979,~~ the Range Association of Municipalities and Schools, soil and water conservation districts, economic development authorities created or operating under sections 469.090 to 469.108, the Port Authority of the city of St. Paul, the Seaway Port Authority of Duluth, the Red Wing Port Authority, the Spring Lake Park Fire Department, incorporated, the Lake Johanna Volunteer Fire Department, incorporated, the Red Wing Environmental Learning Center, the Dakota County Agricultural Society, and Hennepin Healthcare System, Inc.

(c) Governmental subdivision does not mean any municipal housing and redevelopment authority organized under the provisions of sections 469.001 to 469.047; or any port authority organized under sections 469.048 to 469.089 other than the Port Authority of the city of St. Paul or the Seaway Port Authority of Duluth and other than the Red Wing Port Authority; or any hospital district organized or reorganized ~~prior to~~ before July 1, 1975, under sections 447.31 to 447.37 or the successor of the district; or the board of a family service collaborative or children's mental health collaborative organized under sections 124D.23, 245.491 to 245.495, or 471.59, if that board is not controlled by representatives of governmental units.

(d) A nonprofit corporation governed by chapter 317A or organized under Internal Revenue Code, section 501(c)(3), which is not covered by paragraph (a) or (b), is not a governmental subdivision unless the entity has obtained a written advisory opinion from the United States Department of Labor or a ruling from the Internal Revenue Service declaring the entity to be an instrumentality of the state so as to provide that any future contributions by the entity on behalf of its employees are contributions to a governmental plan within the meaning of Internal Revenue Code, section 414(d).

(e) A public body created by state or local authority may request membership on behalf of its employees by providing sufficient evidence that it meets the requirements in paragraph (a).

(f) An entity determined to be a governmental subdivision is subject to the reporting requirements of this chapter upon receipt of a written notice of eligibility from the association.

Sec. 17. Minnesota Statutes 2014, section 353.01, subdivision 16, is amended to read:

Subd. 16. **Allowable service; limits and computation.** (a) "Allowable service" means:

(1) service during years of actual membership in the course of which employee deductions were withheld from salary and contributions were made at the applicable rates under section 353.27, 353.65, or 353E.03;

(2) periods of service covered by payments in lieu of salary deductions under sections 353.27, subdivision 12, and 353.35;

(3) service in years during which the public employee was not a member but for which the member later elected, while a member, to obtain credit by making payments to the fund as permitted by any law then in effect;

(4) a period of authorized leave of absence with pay from which deductions for employee contributions are made, deposited, and credited to the fund;

(5) a period of authorized personal, parental, or medical leave of absence without pay, including a leave of absence covered under the federal Family Medical Leave Act, that does not exceed one year, and for which a member obtained service credit for each month in the leave period by payment under section 353.0161 to the fund

made in place of salary deductions. An employee must return to public service and render a minimum of three months of allowable service in order to be eligible to make payment under section 353.0161 for a subsequent authorized leave of absence without pay. Upon payment, the employee must be granted allowable service credit for the purchased period;

(6) a periodic, repetitive leave that is offered to all employees of a governmental subdivision. The leave program may not exceed 208 hours per annual normal work cycle as certified to the association by the employer. A participating member obtains service credit by making employee contributions in an amount or amounts based on the member's average salary, excluding overtime pay, that would have been paid if the leave had not been taken. The employer shall pay the employer and additional employer contributions on behalf of the participating member. The employee and the employer are responsible to pay interest on their respective shares at the rate of 8.5 percent a year, compounded annually, from the end of the normal cycle until full payment is made. An employer shall also make the employer and additional employer contributions, plus 8.5 percent interest, compounded annually, on behalf of an employee who makes employee contributions but terminates public service. The employee contributions must be made within one year after the end of the annual normal working cycle or within 30 days after termination of public service, whichever is sooner. The executive director shall prescribe the manner and forms to be used by a governmental subdivision in administering a periodic, repetitive leave. Upon payment, the member must be granted allowable service credit for the purchased period;

(7) an authorized temporary or seasonal layoff under subdivision 12, limited to three months allowable service per authorized temporary or seasonal layoff in one calendar year. An employee who has received the maximum service credit allowed for an authorized temporary or seasonal layoff must return to public service and must obtain a minimum of three months of allowable service subsequent to the layoff in order to receive allowable service for a subsequent authorized temporary or seasonal layoff;

(8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service within the time frames required under United States Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service must be credited if the member pays into the fund equivalent employee contributions based upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary during the purchase period that the member would have received if the member had continued to be employed in covered employment rather than to provide uniformed service, or, if the determination of that rate is not reasonably certain, the annual salary rate is the member's average salary rate during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service. Payment of the member equivalent contributions must be made during a period that begins with the date on which the individual returns to public employment and that is three times the length of the military leave period, or within five years of the date of discharge from the military service, whichever is less. If the determined payment period is less than one year, the contributions required under this clause to receive service credit may be made within one year of the discharge date. Payment may not be accepted following 30 days after termination of public service under subdivision 11a. If the member equivalent contributions provided for in this clause are not paid in full, the member's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total member contributions received by the total member contributions otherwise required under this clause. The equivalent employer contribution, and, if applicable, the equivalent additional employer contribution must be paid by the governmental subdivision employing the member if the member makes the equivalent employee contributions. The employer payments must be made from funds available to the employing unit, using the employer and additional employer contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent member contribution. The governmental subdivision involved may appropriate money for those

payments. The amount of service credit obtainable under this section may not exceed five years unless a longer purchase period is required under United States Code, title 38, section 4312. The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this clause. Interest must be computed at a rate of 8.5 percent compounded annually from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under section 353.0162.

~~(b) For calculating benefits under sections 353.30, 353.31, 353.32, and 353.33 for state officers and employees displaced by the Community Corrections Act, chapter 401, and transferred into county service under section 401.04, "allowable service" means the combined years of allowable service as defined in paragraph (a), clauses (1) to (6), and section 352.01, subdivision 11.~~

(e) (b) No member may receive more than 12 months of allowable service credit in a year either for vesting purposes or for benefit calculation purposes.

(c) For an active member who was an active member of the former Minneapolis Firefighters Relief Association on December 29, 2011, "allowable service" is the period of service credited by the Minneapolis Firefighters Relief Association as reflected in the transferred records of the association up to December 30, 2011, and the period of service credited under paragraph (a), clause (1), after December 30, 2011. For an active member who was an active member of the former Minneapolis Police Relief Association on December 29, 2011, "allowable service" is the period of service credited by the Minneapolis Police Relief Association as reflected in the transferred records of the association up to December 30, 2011, and the period of service credited under paragraph (a), clause (1), after December 30, 2011.

~~(d) MS-2002 [Expired]~~

Sec. 18. Minnesota Statutes 2014, section 353.01, subdivision 17, is amended to read:

Subd. 17. **Approved actuary.** "Approved actuary" means ~~any an~~ an actuary who ~~is a fellow of the society of actuaries or who has at least 15 years of service to major public employee funds or any firm retaining such an actuary on its staff~~ meets the definition in section 356.215, subdivision 1, paragraph (c).

Sec. 19. Minnesota Statutes 2014, section 353.017, subdivision 2, is amended to read:

Subd. 2. **Election.** A person described in subdivision 1 is covered by the association if written election to be covered is delivered to the association within six months of employment by the labor organization ~~or within six months after July 1, 1993, whichever is applicable.~~

Sec. 20. Minnesota Statutes 2014, section 353.46, subdivision 2, is amended to read:

Subd. 2. **Rights of deferred annuitant.** The entitlement of a deferred annuitant or other former member of the general employees retirement plan of the Public Employees Retirement Association, the Minneapolis Employees Retirement Fund division, the public employees police and fire retirement plan, or the local government correctional employees retirement plan to receive an annuity under the law in effect at the time the person terminated public service is ~~herein~~ preserved. ~~The provisions of section 353.71, subdivision 2, as amended by Laws 1973, chapter 753, apply to a deferred annuitant or other former member who first begins receiving an annuity after July 1, 1973.~~

Sec. 21. Minnesota Statutes 2014, section 353.64, subdivision 7a, is amended to read:

Subd. 7a. **Pension coverage for certain metropolitan transit police officers.** A person who is employed as a police officer ~~on or after the first day of the first payroll period after July 1, 1993,~~ by the Metropolitan Council and who is not eligible for coverage under the agreement with the Secretary of the federal Department of Health and Human Services making the provisions of the federal Old Age, Survivors, and Disability Insurance Act because the person's position is excluded from application under United States Code, sections 418(d)(5)(A) and 418(d)(8)(D), and under section 355.07, is a member of the public employees police and fire fund and is considered to be a police officer within the meaning of this section. The Metropolitan Council shall deduct the employee contribution from the salary of each police officer as required by section 353.65, subdivision 2, shall make the employer contribution for each police officer as required by section 353.65, subdivision 3, and shall meet the employer recording and reporting requirements in section 353.65, subdivision 4.

Sec. 22. Minnesota Statutes 2014, section 353.64, subdivision 8, is amended to read:

Subd. 8. **Pension coverage for certain state military affairs department firefighters.** A person who is employed as a full-time firefighter ~~on or after the first day of the first payroll period after June 10, 1987,~~ by the Department of Military Affairs of the state of Minnesota and who is not eligible for coverage under the agreement signed between the state and the secretary of the federal Department of Health and Human Services making the provisions of the federal Old Age, Survivors, and Disability Insurance Act applicable to state employees because the person's position is excluded from application under United States Code, title 42, sections 418(d)(5)(A) and 418(d)(8)(D) and section 355.07, is a member of the public employees police and fire fund and is considered to be a firefighter within the meaning of this section. The state Department of Military Affairs shall make the employee contribution deduction from the salary of each full-time Military Affairs Department firefighter as required by section 353.65, subdivision 2, shall make the employer contribution with respect to each firefighter as required by section 353.65, subdivision 3, and shall meet the employer recording and reporting requirements in section 353.65, subdivision 4.

Sec. 23. Minnesota Statutes 2014, section 353.64, subdivision 9, is amended to read:

Subd. 9. **Pension coverage for certain sheriffs' association employees.** (a) A former member of the association who is an employee of the Minnesota Sheriffs' Association may elect to be a police and fire fund member with respect to service with the sheriffs' association, if written election to be covered is delivered to the board within 60 days after ~~July 1, 1989, or within 60 days after the commencement of employment, whichever is later.~~

(b) Employee and employer contributions for past service are the obligation of the employee, except that the Minnesota sheriffs' association may pay the employer contributions. The employer shall, in any event, deduct necessary future contributions from the employee's salary and remit all contributions to the association as required by this chapter.

(c) Persons who become association members under this section ~~shall~~ are not ~~be~~ eligible for election to the board of trustees.

Sec. 24. Minnesota Statutes 2014, section 353.64, subdivision 10, is amended to read:

Subd. 10. **Pension coverage for Hennepin Healthcare System, Inc.; paramedics and emergency medical technicians.** An employee of Hennepin Healthcare System, Inc. ~~who is~~ a member of the public employees police and fire retirement plan under sections 353.63 to 353.68 if the person is:

(1) certified as a paramedic or emergency medical technician by the state under section 144E.28, subdivision 4;

(2) employed full time as a paramedic or emergency medical technician by Hennepin County ~~on or after the effective date specified in Laws 1994, chapter 499, section 2;~~ and

(3) not eligible ~~after the effective date under Laws 1994, chapter 499, section 2,~~ for coverage under the agreement signed between the state and the secretary of the federal Department of Health and Human Services making the provisions of the federal Old Age, Survivors, and Disability Insurance Act applicable to paramedics and emergency medical technicians because the person's position is excluded after that date from application under United States Code, title 42, sections 418(d)(5)(A) and 418(d)(8)(D), and section 355.07;

~~is a member of the public employees police and fire fund under sections 353.63 to 353.68.~~

Hennepin Healthcare System, Inc. shall deduct the employee contribution from the salary of each full-time paramedic and emergency medical technician it employs as required by section 353.65, subdivision 2, shall make the employer contribution for each full-time paramedic and emergency medical technician it employs as required by section 353.65, subdivision 3, and shall meet the employer recording and reporting requirements in section 353.65, subdivision 4.

Sec. 25. Minnesota Statutes 2014, section 353D.071, subdivision 2, is amended to read:

Subd. 2. **Required minimum distributions.** (a) The provisions of this subdivision ~~shall~~ apply for purposes of determining required minimum distributions for calendar years ~~beginning with the 2003 calendar year~~ and ~~will~~ must take precedence over any inconsistent provisions of the plan. All distributions required under this section ~~will~~ must be determined and made in accordance with the treasury regulations under section 401(a)(9) of the Internal Revenue Code, including regulations providing special rules for governmental plans, as defined under section 414(d) of the Internal Revenue Code, that comply with a reasonable good faith interpretation of the minimum distribution requirements.

(b) The member's entire interest ~~will~~ must be distributed to the member in a lump sum no later than the member's required beginning date.

(c) If the member dies before the required minimum distribution is made, the member's entire interest ~~will~~ must be distributed in a lump sum no later than as follows:

(1) if the member's surviving spouse is the member's sole designated beneficiary, the distribution must be made by December 31 of the calendar year immediately following the calendar year in which the member died, or by December 31 of the calendar year in which the member would have attained age 70 years, six months, whichever is later;

(2) if the member's surviving spouse is not the member's sole beneficiary, or if there is no designated beneficiary as of September 30 of the year following the year of the member's death, the member's entire interest ~~shall~~ must be distributed by December 31 of the calendar year containing the fifth anniversary of the member's death as directed under section 353D.07, subdivision 5; or

(3) if the member's surviving spouse is the member's sole designated beneficiary and the surviving spouse dies after the member, but before the account balance is distributed to the surviving spouse, paragraph (c), clause (2), ~~shall~~ must apply as if the surviving spouse were the member.

(d) For purposes of paragraph (c), unless clause (3) applies, distributions are considered to be made on the member's required beginning date. If paragraph (c), clause (3), applies, distributions are considered to begin on the date distributions ~~are required to~~ must be made to the surviving spouse under paragraph (c), clause (1).

Sec. 26. Minnesota Statutes 2014, section 354.05, subdivision 10, is amended to read:

Subd. 10. **Approved actuary.** "Approved actuary" means ~~any an~~ an actuary who is either a fellow of the society of actuaries or who has at least 15 years of service to major public employee funds or any firm retaining such an actuary on its staff meets the definition in section 356.215, subdivision 1, paragraph (c).

Sec. 27. Minnesota Statutes 2014, section 354.05, subdivision 13, is amended to read:

Subd. 13. **Allowable service.** "Allowable service" means:

~~(1) any service rendered by a teacher for which on or before July 1, 1957, the teacher's account in the retirement fund was credited by reason of employee contributions in the form of salary deductions, payments in lieu of salary deductions, or in any other manner authorized by Minnesota Statutes 1953, sections 135.01 to 135.13, as amended by Laws 1955, chapters 361, 549, 550, and 611;~~

~~(2) any service rendered by a teacher for which on or before July 1, 1961, the teacher elected to obtain credit for service by making payments to the fund under Minnesota Statutes 1980, section 354.09 and section 354.51;~~

~~(3)~~ (1) any service rendered by a teacher ~~after July 1, 1957~~, for any calendar month when the member receives salary from which deductions are made, deposited and credited in the fund;

(4) (2) any service rendered by a person ~~after July 1, 1957~~, for any calendar month where payments in lieu of salary deductions are made, deposited and credited into the fund as provided in Minnesota Statutes 1980, section 354.09, subdivision 4, and section 354.53;

~~(5)~~ (3) any service rendered by a teacher for which the teacher elected to obtain credit for service by making payments to the fund under Minnesota Statutes 1980, section 354.09, subdivisions 1 and 4, sections 354.50, 354.51, Minnesota Statutes 1957, section 135.41, subdivision 4, Minnesota Statutes 1971, section 354.09, subdivision 2, or Minnesota Statutes, 1973 Supplement, section 354.09, subdivision 3;

~~(6)~~ (4) both service during years of actual membership in the course of which contributions were currently made and service in years during which the teacher was not a member but for which the teacher later elected to obtain credit by making payments to the fund as permitted by any law then in effect;

(7) (5) any service rendered where contributions were made and no credit was established because of the limitations contained in Minnesota Statutes 1957, section 135.09, subdivision 2, as determined by the ratio between the amounts of money credited to the teacher's account in a fiscal year and the maximum retirement contribution allowable for that year;

~~(8) MS 2002 [Expired]~~

(9) (6) a period of time during which a teacher was on strike without pay, not to exceed a period of one year, if payment in lieu of salary deductions is made under section 354.72;

~~(10)~~ (7) a period of service before July 1, 2006, that was properly credited as allowable service by the Minneapolis Teachers Retirement Fund Association, and that was rendered by a teacher as an employee of Special School District No. 1, Minneapolis, or by an employee of the Minneapolis Teachers Retirement Fund Association who was a member of the Minneapolis Teachers Retirement Fund Association by virtue of that employment, who has not begun receiving an annuity or other retirement benefit from the former Minneapolis Teachers Retirement Fund Association calculated in whole or in part on that service before July 1, 2006, and who has not taken a refund of member contributions related to that service unless the refund is repaid under section 354.50, subdivision 4. Service as an employee of Special School District No. 1, Minneapolis, on or after July 1, 2006, is "allowable service" only as provided by this chapter; or

~~(4)~~ (8) a period of service before July 1, 2015, that was properly credited as allowable service by the Duluth Teachers Retirement Fund Association, and that was rendered by a teacher as an employee of Independent School District No. 709, Duluth, or by an employee of the Duluth Teachers Retirement Fund Association who was a member of the Duluth Teachers Retirement Fund Association by virtue of that employment, who has not begun receiving an annuity or other retirement benefit from the former Duluth Teachers Retirement Fund Association calculated in whole or in part on that service before July 1, 2015, and who has not taken a refund of member contributions related to that service unless the refund is repaid under section 354.50, subdivision 4. Service as an employee of Independent School District No. 709, Duluth, on or after July 1, 2015, is "allowable service" only as provided by this chapter.

Sec. 28. Minnesota Statutes 2014, section 354.05, subdivision 25, is amended to read:

Subd. 25. **Formula service credit.** "Formula service credit" means any allowable service credit as defined in subdivision 13 except:

~~(1) Any service rendered prior to July 1, 1951, for which payments were made pursuant to subdivision 13 except as provided in section 354.09, subdivision 4, as determined by multiplying the number of years of service established in the records of the Teachers Retirement Association as of July 1, 1961 by the ratio obtained between the total amount paid and the maximum amount payable for those years;~~

~~(2) Any service rendered prior to July 1, 1957 for which payments were made pursuant to section 354.09, subdivision 4, as determined by multiplying the number of years of service established in the records of the teachers retirement association by the ratio obtained between the total amount paid and the maximum amount payable for those years; or~~

~~(3)~~ (1) any service rendered for which contributions were not made in full as determined by the ratio between the amounts of money credited to the teacher's account in a fiscal year and the retirement contribution payable for the fiscal year ~~pursuant to~~ under sections 354.092, 354.42, and 354.51; and

~~(4)~~ (2) no period of service ~~shall~~ may be counted more than once for purposes of this subdivision.

Sec. 29. Minnesota Statutes 2014, section 354.07, subdivision 5, is amended to read:

Subd. 5. **Records; accounts; interest.** ~~(a)~~ The board shall keep a record of the receipts and disbursements of the fund and a separate account ~~with for~~ each member of the association. The board shall also keep separate accounts for annuity payments, for employer contributions and all other necessary accounts and reserves.

~~(b)~~ It shall determine annually the annual interest earnings of the fund which shall include realized capital gains and losses. ~~Any amount in the capital reserve account on July 1, 1973, shall be transferred to the employer contribution's account.~~

~~(c)~~ The annual interest earnings ~~shall~~ must be apportioned and credited to the separate members' accounts except those covered under the provisions of section 354.44, subdivision 6. The rate to be used in this distribution, computed to the last full quarter percent ~~shall,~~ must be determined by dividing the interest earnings by the total invested assets of the fund. The excess of the annual interest earnings in the excess earnings reserve which was not credited to the various accounts ~~shall~~ must be credited to the gross interest earnings for the next succeeding year.

Sec. 30. Minnesota Statutes 2014, section 354.092, subdivision 4, is amended to read:

Subd. 4. **Service credit.** A member may not receive more than three years of allowable service credit in any ten consecutive years under this section ~~unless the allowable service credit was paid for by the member before July 1, 1962.~~ Notwithstanding the provisions of any agreements to the contrary, employee and employer contributions may not be made to receive allowable service credit under this section if the member does not retain the right to full reinstatement both during and at the end of the sabbatical leave.

Sec. 31. Minnesota Statutes 2014, section 354.42, subdivision 1a, is amended to read:

Subd. 1a. **Teachers retirement fund.** (a) Within the Teachers Retirement Association and the state treasury is created a special retirement fund, which must include all the assets of the Teachers Retirement Association and all revenue of the association. ~~The fund is the continuation of the fund established under Laws 1931, chapter 406, section 2, notwithstanding the repeal of Minnesota Statutes 1973, section 354.42, subdivision 1, by Laws 1974, chapter 289, section 59.~~

(b) The teachers retirement fund must be credited with all employee and employer contributions, all investment revenue and gains, and all other income authorized by law.

(c) From the teachers retirement fund is appropriated the payments of annuities and benefits authorized by this chapter and the reasonable and necessary expenses of administering the fund and the association.

Sec. 32. Minnesota Statutes 2014, section 354.44, subdivision 8, is amended to read:

Subd. 8. **Annuity payment; provision of evidence of receipt.** (a) An annuity or benefit for a given month must be paid during the first week of that month.

(b) Evidence of receipt of the check issued or acknowledgment of the amount electronically transferred in payment of an annuity or benefit may be required from the payee on a form prescribed by the executive director. The evidence of receipt form may be required periodically at times specified by the board. ~~In the event~~ If the filing of an evidence of receipt form is required and the form is not filed, future annuities or benefits must be withheld until the form is submitted.

Sec. 33. Minnesota Statutes 2014, section 354.44, subdivision 9, is amended to read:

Subd. 9. **Determining applicable law.** ~~An employee~~ A former teacher who returns to covered service following a termination and who is not receiving a retirement annuity under this section must have earned at least 85 days of credited service following the return to covered service to be eligible for improved benefits resulting from any law change enacted subsequent to that termination.

Sec. 34. Minnesota Statutes 2014, section 354.45, subdivision 1a, is amended to read:

Subd. 1a. **Bounce-back annuity.** (a) If a former member or disabilitant selects a joint and survivor annuity option under subdivision 1, the former member or disabilitant must receive a normal single life annuity if the designated optional annuity beneficiary dies before the former member or disabilitant. Under this option, no reduction may be made in the person's annuity to provide for restoration of the normal single life annuity in the event of the death of the designated optional annuity beneficiary.

(b) The restoration of the normal single life annuity under this subdivision will take effect on ~~July 1, 1989,~~ or the first of the month following the date of death of the designated optional annuity beneficiary, or on the first of the month following one year before the date on which a certified copy of the death record of the designated optional annuity beneficiary is received in the office of the Teachers Retirement Association, whichever date is later.

(c) Except as stated in paragraph (b), this subdivision may not be interpreted as authorizing retroactive benefit payments.

Sec. 35. Minnesota Statutes 2014, section 354.48, subdivision 3, is amended to read:

Subd. 3. **Computation of benefits.** ~~(a) The amount of the disability benefit granted to members covered under section 354.44, subdivision 2, paragraphs (b) and (c), is an amount equal to double the annuity which could be purchased by the member's accumulated deductions plus interest on the amount computed as though the teacher were at normal retirement age at the time the benefit begins to accrue and in accordance with the law in effect on the last day for which salary is received. Any member who applies for a disability benefit after June 30, 1974, and who failed to make an election under Minnesota Statutes 1971, section 354.145, shall have the disability benefit computed under this paragraph, as further specified in paragraphs (b) and (c), or paragraph (d), whichever is larger.~~

~~(b) The benefit granted shall be determined by the following:~~

~~(1) the amount of the accumulated deductions;~~

~~(2) interest actually earned on these accumulated deductions to the date the benefit begins to accrue;~~

~~(3) interest for the years from the date the benefit begins to accrue to the date the member attains normal retirement age at the rate of three percent;~~

~~(4) annuity purchase rates based on an appropriate annuity table of mortality established by the board as provided in section 354.07, subdivision 1, and using the applicable postretirement interest rate assumption specified in section 356.215, subdivision 8.~~

~~(c) In addition, a supplementary monthly benefit of \$25 to age 65 or the five year anniversary of the effective date of the disability benefit, whichever is later, must be paid to basic members.~~

~~(d) (a)~~ The disability benefit granted to members covered under section 354.44, subdivision 6, ~~shall~~ must be computed in the same manner as the annuity provided in section 354.44, subdivision 6. The disability benefit ~~shall~~ is the formula annuity without the reduction for each month the member is under normal retirement age when the benefit begins to accrue as defined by the law in effect on the last day for which salary is paid.

~~(e) (b)~~ For the purposes of computing a retirement annuity when the member becomes eligible, the amounts paid for disability benefits ~~shall~~ must not be deducted from the individual member's accumulated deductions. If the disability benefits provided in this subdivision exceed the monthly average salary of the disabled member, the disability benefits ~~shall~~ must be reduced to an amount equal to the disabled member's average salary.

Sec. 36. Minnesota Statutes 2014, section 354.51, subdivision 1, is amended to read:

Subdivision 1. **Eligibility to make payments.** No member ~~shall be~~ is entitled to make payments in lieu of salary deductions to the retirement board to receive allowable service credit for any period of service ~~prior to rendered before~~ that date for which employee contributions were not deducted from the member's salary, except as provided in subdivision 4-5, or section 354.50 or 354.53.

Sec. 37. Minnesota Statutes 2014, section 354.51, subdivision 5, is amended to read:

Subd. 5. **Payment of shortages.** (a) Except as provided in paragraph (b), in the event that full required member contributions are not deducted from the salary of a teacher, payment ~~must be made as follows:~~

~~(1) Payment of shortages in member deductions on salary earned after June 30, 1957, and before July 1, 1981, may be made any time before retirement. Payment must include interest at an annual rate of 8.5 percent compounded annually from the end of the fiscal year in which the shortage occurred to the end of the month in which payment is made and the interest must be credited to the fund. If payment of a shortage in deductions is not made, the formula service credit of the member must be prorated under section 354.05, subdivision 25, clause (3).~~

~~(2) Payment~~ of shortages in member deductions on salary earned ~~after June 30, 1981~~, are the sole obligation of the employing unit and are payable by the employing unit upon notification by the executive director of the shortage with interest at an annual rate of 8.5 percent compounded annually from the end of the fiscal year in which the shortage occurred to the end of the month in which payment is made and the interest must be credited to the fund. ~~Effective July 1, 1986~~, The employing unit shall also pay the employer contributions as specified in section 354.42, subdivisions 3 and 5 for the shortages. If the shortage payment is not paid by the employing unit within 60 days of notification, and if the executive director does not use the recovery procedure in section 354.512, the executive director shall certify the amount of the shortage to the applicable county auditor, who shall spread a levy in the amount of the shortage payment over the taxable property of the taxing district of the employing unit if the employing unit is supported by property taxes.

~~(3) Payment may not be made for shortages in member deductions on salary earned before July 1, 1957~~, for shortages in member deductions on salary paid or payable under paragraph (b); or for shortages in member deductions for persons employed by the Minnesota State Colleges and Universities system in a faculty position or in an eligible unclassified administrative position and whose employment was less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution that exceeds the most recent 36 months.

(b) For a person who is employed by the Minnesota State Colleges and Universities system in a faculty position or in an eligible unclassified administrative position and whose employment was less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution, upon the person's election under section 354B.21 of retirement coverage under this chapter, the shortage in member deductions on the salary for employment by the Minnesota State Colleges and Universities system institution of less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution for the most recent 36 months and the associated employer contributions must be paid by the Minnesota State Colleges and Universities system institution, plus annual compound interest at the rate of 8.5 percent from the end of the fiscal year in which the shortage occurred to the end of the month in which the Teachers Retirement Association coverage election is made. An individual electing coverage under this paragraph shall repay the amount of the shortage in member deductions, plus interest, through deduction from salary or compensation payments within the first year of employment after the election under section 354B.21, subject to the limitations in section 16D.16. The Minnesota State Colleges and Universities system may use any means available to recover amounts which were not recovered through deductions from salary or compensation payments. No payment of the shortage in member deductions under this paragraph may be made for a period longer than the most recent 36 months.

Sec. 38. Minnesota Statutes 2014, section 354.52, subdivision 4c, is amended to read:

Subd. 4c. **MnSCU service credit reporting.** For all part-time service rendered ~~on or after July 1, 2004~~, the service credit reporting requirement in subdivision 4b for all part-time employees of the Minnesota State Colleges and Universities system must be met by the Minnesota State Colleges and Universities system reporting to the association on or before July 31 of each year the final calculation of each part-time member's service credit for the immediately preceding fiscal year based on the employee's assignments for the fiscal year.

Sec. 39. Minnesota Statutes 2014, section 354.55, subdivision 10, is amended to read:

Subd. 10. **Reduced benefits.** Any benefit to which any person may be entitled under this chapter may be reduced in amount upon application of the person entitled thereto to the ~~board of trustees, provided that such executive director if the person shall first relinquish~~ relinquishes in writing all claim to that part of the full benefit which is the difference between the benefit which the person would be otherwise entitled to receive and the benefit which the person will receive after the benefit reduction. The reduced benefit ~~shall be~~ is payment in full of all amounts due under this chapter for the month for which the payment is made and acceptance of the reduced benefit releases the retirement association from all obligation to pay to ~~such~~ the person the difference between the amount of the reduced benefit and the full amount of the benefit which ~~such~~ the person would otherwise have received. ~~After July 1, 1971~~, Any benefit reduced under the provisions of this subdivision may not again be restored.

Sec. 40. Minnesota Statutes 2014, section 354A.011, subdivision 6, is amended to read:

Subd. 6. **Approved actuary.** "Approved actuary" means ~~any an~~ an actuary who ~~is either a fellow of the society of actuaries or who has at least 15 years of service to major public employee retirement funds or any firm which retains such an actuary on its staff~~ meets the definition in section 356.215, subdivision 1, paragraph (c).

Sec. 41. Minnesota Statutes 2014, section 354A.092, is amended to read:

354A.092 SABBATICAL LEAVE.

Any teacher in the coordinated program of the St. Paul Teachers Retirement Fund Association who is granted a sabbatical leave is entitled to receive allowable service credit in the association for periods of sabbatical leave. To obtain the service credit, the teacher on sabbatical leave shall make an employee contribution to the association. No teacher is entitled to receive more than three years of allowable service credit under this section for a period or periods of sabbatical leave during any ten consecutive years. If the teacher granted a sabbatical leave makes the employee contribution for a period of sabbatical leave under this section, the employing unit shall make an employer contribution on behalf of the teacher to the association for that period of sabbatical leave in the manner described in section 354A.12, subdivision 2a. The employee and employer contributions must be in an amount equal to the employee and employer contribution rates in effect for other active members of the association covered by the same program applied to a salary figure equal to the teacher's actual covered salary for the plan year immediately preceding the sabbatical leave period. Payment of the employee contribution authorized under this section must be made by the teacher on or before June 30 of the year next following the year in which the sabbatical leave terminated and must be made without interest. ~~For sabbatical leaves taken after June 30, 1986,~~ The required employer contributions must be paid by the employing unit within 30 days after notification by the association of the amount due. If the employee contributions for the sabbatical leave period are less than an amount equal to the applicable contribution rate applied to a salary figure equal to the teacher's actual covered salary for the plan year immediately preceding the sabbatical leave period, service credit must be prorated. The prorated service credit must be determined by the ratio between the amount of the actual payment which was made and the full contribution amount payable under this section.

Sec. 42. Minnesota Statutes 2014, section 354A.12, subdivision 3c, is amended to read:

Subd. 3c. **Termination of supplemental contributions and direct matching and state aid.** (a) The supplemental contributions payable to the St. Paul Teachers Retirement Fund Association by Independent School District No. 625 under section 423A.02, subdivision 3, and all forms of aid under subdivision 3a to the St. Paul Teachers Retirement Fund Association must continue until the ~~current~~ actuarial value of assets of the fund equal or exceed the actuarial accrued liability of the fund as determined in the most recent actuarial report for the fund by the actuary retained under section 356.214 or until the established date for full funding under section 356.215, subdivision 11, whichever occurs earlier.

(b) The aid to the Duluth Teachers Retirement Fund Association under section 423A.02, subdivision 3, and all forms of state aid under subdivision 3a to the Duluth Teachers Retirement Fund Association must continue until the current assets of the fund equal or exceed the actuarial accrued liability of the fund as determined in the most recent actuarial report for the fund by the actuary retained under section 356.214 or until the established date for full funding under section 356.215, subdivision 11, whichever occurs earlier.

Sec. 43. Minnesota Statutes 2014, section 354A.31, subdivision 7, is amended to read:

Subd. 7. **Reduction for early retirement.** (a) This subdivision applies to a person who has become at least 55 years old and first becomes a coordinated member after June 30, 1989, and to any other coordinated member who has become at least 55 years old and whose annuity is higher when calculated using the retirement annuity formula

percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), as applicable, in conjunction with this subdivision than when calculated under subdivision 4, paragraph (c), or subdivision 4a, paragraph (c), in conjunction with subdivision 6.

(b) A coordinated member who retires before the normal retirement age ~~shall be paid the~~ is entitled to receive a retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), whichever ~~is applicable~~ applies, multiplied by the applicable early retirement factor specified below:

Normal retirement age:	Under age 62 or less than 30 years of service		Age 62 or older with 30 years of service	
	65	66	65	66
Age at retirement				
55	0.5376	0.4592		
56	0.5745	0.4992		
57	0.6092	0.5370		
58	0.6419	0.5726		
59	0.6726	0.6062		
60	0.7354	0.6726		
61	0.7947	0.7354		
62	0.8507	0.7947	0.8831	0.8389
63	0.9035	0.8507	0.9246	0.8831
64	0.9533	0.9035	0.9635	0.9246
65	1.0000	0.9533	1.0000	0.9635
66		1.0000		1.0000

For normal retirement ages between ages 65 and 66, the early retirement factors ~~will~~ must be determined by linear interpolation between the early retirement factors applicable for normal retirement ages 65 and 66.

Sec. 44. Minnesota Statutes 2014, section 356.215, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For the purposes of sections 3.85 and 356.20 to 356.23, each of the terms in the following paragraphs has the meaning given.

(b) "Actuarial valuation" means a set of calculations prepared by an actuary retained under section 356.214 if so required under section 3.85, or otherwise, by an approved actuary, to determine the normal cost and the accrued actuarial liabilities of a benefit plan, according to the entry age actuarial cost method and based upon stated assumptions including, but not limited to rates of interest, mortality, salary increase, disability, withdrawal, and retirement and to determine the payment necessary to amortize over a stated period any unfunded accrued actuarial liability disclosed as a result of the actuarial valuation of the benefit plan.

(c) "Approved actuary" means:

(1) a person who is regularly engaged in the business of providing actuarial services and who is a fellow in the Society of Actuaries; or

(2) a firm that retains a person described in clause (1) on its staff.

(d) "Entry age actuarial cost method" means an actuarial cost method under which the actuarial present value of the projected benefits of each individual currently covered by the benefit plan and included in the actuarial valuation is allocated on a level basis over the service of the individual, if the benefit plan is governed by section 424A.093, or over the earnings of the individual, if the benefit plan is governed by any other law, between the entry age and the assumed exit age, with the portion of the actuarial present value which is allocated to the valuation year to be the normal cost and the portion of the actuarial present value not provided for at the valuation date by the actuarial present value of future normal costs to be the actuarial accrued liability, with aggregation in the calculation process to be the sum of the calculated result for each covered individual and with recognition given to any different benefit formulas which may apply to various periods of service.

(e) "Experience study" means a report providing experience data and an actuarial analysis of the adequacy of the actuarial assumptions on which actuarial valuations are based.

(f) "Actuarial value of assets" means the market value of all assets as of the preceding June 30, reduced by:

(1) 20 percent of the difference between the actual net change in the market value of total assets between the June 30 that occurred three years earlier and the June 30 that occurred four years earlier and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred four years earlier;

(2) 40 percent of the difference between the actual net change in the market value of total assets between the June 30 that occurred two years earlier and the June 30 that occurred three years earlier and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred three years earlier;

(3) 60 percent of the difference between the actual net change in the market value of total assets between the June 30 that occurred one year earlier and the June 30 that occurred two years earlier and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred two years earlier; and

(4) 80 percent of the difference between the actual net change in the market value of total assets between the most recent June 30 and the June 30 that occurred one year earlier and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred one year earlier.

(g) "Unfunded actuarial accrued liability" means the total current and expected future benefit obligations, reduced by the sum of the actuarial value of assets and the present value of future normal costs.

(h) "Pension benefit obligation" means the actuarial present value of credited projected benefits, determined as the actuarial present value of benefits estimated to be payable in the future as a result of employee service attributing an equal benefit amount, including the effect of projected salary increases and any step rate benefit accrual rate differences, to each year of credited and expected future employee service.

Sec. 45. Minnesota Statutes 2014, section 356.215, subdivision 18, is amended to read:

Subd. 18. **Establishment of actuarial assumptions.** ~~(a) Before July 2, 2010, the actuarial assumptions used for the preparation of actuarial valuations under this section that are other than preretirement interest, postretirement interest, salary increase, and payroll increase may be changed only with the approval of the Legislative Commission~~

~~on Pensions and Retirement or after a period of one year has elapsed since the date on which the proposed assumption change or changes were received by the Legislative Commission on Pensions and Retirement without commission action.~~

~~(b) After July 1, 2010, (a)~~ The actuarial assumptions used for the preparation of actuarial valuations under this section that are other than ~~postretirement interest and preretirement~~ the interest rate may be changed only with the approval of the Legislative Commission on Pensions and Retirement or after a period of one year has elapsed since the date on which the proposed assumption change or changes were received by the Legislative Commission on Pensions and Retirement without commission action.

~~(c)~~ (b) A change in the applicable actuarial assumptions may be proposed by the governing board of the applicable pension fund or relief association, by ~~the an~~ an actuary retained ~~by the joint retirement systems~~ under section 356.214 or by the actuary retained by a local ~~police or firefighters~~ relief association governed by sections 424A.091 to 424A.096 or by Laws 2013, chapter 111, article 5, sections 31 to 42, if one is retained.

Sec. 46. Minnesota Statutes 2014, section 356.245, is amended to read:

356.245 LOCAL ELECTED OFFICIALS.

An elected official who is covered by section 353.01, subdivision 2a, or 353D.01, subdivision 2, whichever applies, is eligible to participate in ~~the state of Minnesota a~~ a deferred compensation plan under section 356.24. The applicable local governmental unit may make the matching employer contributions authorized by that section on the part of a participating elected official.

Sec. 47. Minnesota Statutes 2014, section 356.40, is amended to read:

356.40 DATE FOR PAYMENT OF ANNUITIES AND BENEFITS.

(a) Notwithstanding any law to the contrary, all annuities and benefits payable ~~on and after December 1, 1977~~ by a covered retirement fund, as defined in section 356.30, subdivision 3, must be paid in advance for each month during the first week of that month. ~~The bylaws of local retirement funds must be amended accordingly.~~

(b) In no event, however, may this section authorize the payment of both a retirement annuity and a surviving spouse's benefit in one month where the law governing the applicable retirement fund provides for the payment of the retired member's retirement annuity to the surviving spouse for the month in which the retired member dies.

Sec. 48. Minnesota Statutes 2014, section 356.407, subdivision 1, is amended to read:

Subdivision 1. **Restoration upon termination of remarriage.** Notwithstanding any provision to the contrary of the laws governing any of the retirement plans enumerated in subdivision 2, any person who was receiving a surviving spouse's benefit from any of those plans and whose benefit terminated solely because of remarriage is, if the remarriage terminates for any reason, again entitled upon reapplication to a surviving spouse's benefit; provided, however, that the person is not entitled to retroactive payments for the period of remarriage. The benefit resumes at the level which the person would have been receiving if there had been no remarriage. ~~This section applies prospectively to any person who first becomes entitled to receive a surviving spouse's benefit on or after May 18, 1975, and also applies retroactively to any person who first became entitled to receive a surviving spouse's benefit before May 18, 1975; provided, however, that no person is entitled to retroactive payments for any period of time before May 18, 1975.~~

Sec. 49. Minnesota Statutes 2014, section 356.415, subdivision 1, is amended to read:

Subdivision 1. **Annual postretirement adjustments; generally.** (a) Except as otherwise provided in subdivision 1a, 1b, 1c, 1d, 1e, or 1f, retirement annuity, disability benefit, or survivor benefit recipients of a covered retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months prior to the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit amount for at least one full month, an annual postretirement increase of 1/12 of 2.5 percent for each month that the person has been receiving an annuity or benefit must be applied, effective on January 1 following the calendar year in which the person has been retired for less than 12 months.

~~(b) The increases provided by this subdivision commence on January 1, 2010.~~

~~(b)~~ (b) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the covered retirement plan requesting that the increase not be made.

Sec. 50. Minnesota Statutes 2014, section 356.415, subdivision 1a, is amended to read:

Subd. 1a. **Annual postretirement adjustments; Minnesota State Retirement System plans other than State Patrol retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the legislators retirement plans, including constitutional officers as specified in chapter 3A, the general state employees retirement plan, the correctional state employees retirement plan, the unclassified state employees retirement program, and the judges retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of two percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 18 full months before the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six full months, an annual postretirement increase of 1/12 of two percent for each month that the person has been receiving an annuity or benefit must be applied, effective January 1, following the calendar year in which the person has been retired for at least six months, but has been retired for less than 18 months.

~~(b) The increases provided by this subdivision commence on January 1, 2011.~~ Increases under this subdivision for the general state employees retirement plan, the correctional state employees retirement plan, or the judges retirement plan terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date. Increases under this subdivision for the legislators retirement plan or the elected state officers retirement plan terminate on December 31 of the calendar year in which the actuarial valuation prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the general state employees retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date.

(c) An increase in annuity or benefit payments under this subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the applicable covered retirement plan requesting that the increase not be made.

Sec. 51. Minnesota Statutes 2014, section 356.415, subdivision 1d, is amended to read:

Subd. 1d. **Teachers Retirement Association annual postretirement adjustments.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the Teachers Retirement Association are entitled to a postretirement adjustment annually on January 1, as follows:

~~(1) for January 1, 2011, and January 1, 2012, no postretirement increase is payable;~~

~~(2) (1) for January 1, 2013, and each successive January 1 until funding stability is restored, a postretirement increase of two percent must be applied each year, effective on January 1, to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 18 full months prior to the January 1 increase;~~

~~(3) (2) for January 1, 2013, and each successive January 1 until funding stability is restored, for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six full months before the January 1 increase, an annual postretirement increase of 1/12 of two percent for each month the person has been receiving an annuity or benefit must be applied, effective January 1, for which the person has been retired for at least six months but less than 18 months;~~

~~(4) (3) for each January 1 following the restoration of funding stability, a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 18 full months prior to the January 1 increase; and~~

~~(5) (4) for each January 1 following the restoration of funding stability, for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six full months before the January 1 increase, an annual postretirement increase of 1/12 of 2.5 percent for each month the person has been receiving an annuity or benefit must be applied, effective January 1, for which the person has been retired for at least six months but less than 18 months.~~

(b) Funding stability is restored when the market value of assets of the Teachers Retirement Association equals or exceeds 90 percent of the actuarial accrued liabilities of the Teachers Retirement Association in the two most recent prior actuarial valuations prepared under section 356.215 and the standards for actuarial work by the approved actuary retained by the Teachers Retirement Association under section 356.214.

(c) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the Teachers Retirement Association requesting that the increase not be made.

(d) The retirement annuity payable to a person who retires before becoming eligible for Social Security benefits and who has elected the optional payment as provided in section 354.35 must be treated as the sum of a period-certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period-certain retirement annuity plus the life retirement annuity must be the annuity amount payable until age 62, 65, or normal retirement age, as selected by the member at retirement, for an annuity amount payable under section 354.35. A postretirement adjustment granted on the period-certain retirement annuity must terminate when the period-certain retirement annuity terminates.

Sec. 52. Minnesota Statutes 2014, section 356.415, subdivision 1e, is amended to read:

Subd. 1e. **Annual postretirement adjustments; State Patrol retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of one percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 18 full months before the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six full months, an annual postretirement increase of 1/12 of one percent for each month that the person has been receiving an annuity or benefit must be applied, effective January 1, following the calendar year in which the person has been retired for at least six months, but has been retired for less than 18 months.

(b) ~~The increases provided by this subdivision commence on January 1, 2014.~~ Increases under paragraph (a) for the State Patrol retirement plan terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the retirement plan equals or exceeds 85 percent of the actuarial accrued liability of the retirement plan and increases under paragraph (c) recommence after that date.

(c) Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of 1.5 percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 18 full months before the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six full months, an annual postretirement increase of 1/12 of 1.5 percent for each month that the person has been receiving an annuity or benefit must be applied, effective January 1, following the calendar year in which the person has been retired for at least six months, but has been retired for less than 18 months.

(d) Increases under paragraph (c) for the State Patrol retirement plan terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date.

(e) An increase in annuity or benefit payments under this subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the applicable covered retirement plan requesting that the increase not be made.

Sec. 53. Minnesota Statutes 2014, section 356.415, subdivision 1f, is amended to read:

Subd. 1f. **Annual postretirement adjustments; Minnesota State Retirement System judges retirement plan.** (a) The increases provided under this subdivision ~~begin on January 1, 2014, and~~ are in lieu of increases under subdivision 1 or 1a for retirement annuity, disability benefit, or survivor benefit recipients of the judges retirement plan.

(b) Retirement annuity, disability benefit, or survivor benefit recipients of the judges retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of 1.75 percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 18 full months before the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six full months, an annual postretirement increase of 1/12 of 1.75 percent for each month that the person has been receiving an annuity or benefit must be applied, effective January 1, following the calendar year in which the person has been retired for at least six months, but has been retired for less than 18 months.

(c) Increases under this subdivision terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the judges retirement plan equals or exceeds 70 percent of the actuarial accrued liability of the retirement plan. Increases under subdivision 1 or 1a, whichever is applicable, begin on the January 1 next following that date.

(d) An increase in annuity or benefit payments under this subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the applicable covered retirement plan requesting that the increase not be made.

Sec. 54. Minnesota Statutes 2014, section 356.431, is amended to read:

356.431 CONVERSION OF LUMP-SUM POSTRETIREMENT AND SUPPLEMENTAL PAYMENT TO AN INCREASED MONTHLY ANNUITY.

Subdivision 1. **Lump-sum postretirement payment conversion.** For benefits paid ~~after December 31, 2001,~~ to eligible persons under Minnesota Statutes 2014, section 356.42, the amount of the most recent lump-sum benefit payable to an eligible recipient under Minnesota Statutes 2014, section 356.42 must be divided by 12. The result must be added to the monthly annuity or benefit otherwise payable to an eligible recipient, must become a permanent part of the benefit recipient's pension, and must be included in any pension benefit subject to future increases postretirement adjustments.

Sec. 55. Minnesota Statutes 2014, section 356.62, is amended to read:

356.62 PAYMENT OF EMPLOYEE CONTRIBUTION.

(a) For purposes of any public pension plan, as defined in section 356.63, paragraph (b), each employer shall pick up the employee contributions required ~~pursuant to~~ under law or under the pension plan document for all ~~salary payable after December 31, 1982 salaries.~~ If the United States Treasury Department rules that under section 414(h) of the Internal Revenue Code of 1986, as amended through December 31, 1992, that These picked up contributions are not includable in the employee's adjusted gross income until they are distributed or made available, then these picked up contributions must be treated as employer contributions in determining tax treatment under the Internal Revenue Code of 1986, ~~as amended through December 31, 1992,~~ and the employer shall discontinue withholding federal income taxes on the amount of these contributions. The employer shall pay these picked up contributions from the same source of funds as is used to pay the salary of the employee. The employer shall pick up these employee contributions by a reduction in the cash salary of the employee.

(b) Employee contributions that are picked up must be treated for all purposes of the public pension plan in the same manner and to the same extent as employee contributions that were made ~~prior to~~ before the date on which the employee contributions pick up began. The amount of the employee contributions that are picked up must be included in the salary upon which retirement coverage is credited and upon which retirement and survivor's benefits are determined. For purposes of this section, "employee" means any person covered by a public pension plan. For purposes of this section, "employee contributions" include any sums deducted from the employee's salary or wages or otherwise paid in lieu thereof, regardless of whether they are denominated contributions by the public pension plan.

~~(c) For any calendar year in which withholding has been reduced under this section,~~ The employing unit shall supply each employee and the commissioner of revenue with an information return indicating the amount of the employer's picked-up contributions for the calendar year that were not subject to withholding. This return must be provided to the employee not later than January 31 of the succeeding calendar year. The commissioner of revenue shall prescribe the form of the return and the provisions of section 289A.12 must apply to the extent not inconsistent with the provisions of this section.

Sec. 56. Minnesota Statutes 2014, section 356B.10, subdivision 2, is amended to read:

Subd. 2. **Building; related facilities.** ~~(a)~~ The commissioner of administration ~~may~~ shall provide a building and related facilities to be jointly occupied by the board of directors of the Minnesota State Retirement System, the board of trustees of the Public Employees Retirement Association, and the board of trustees of the Teachers Retirement Association for the administration of their public pension systems.

~~(b) Design of the facilities is not subject to section 16B.33. The competitive acquisition process set forth in chapter 16C does not apply if the process set forth in subdivision 3 is followed.~~

~~(c) The boards and the commissioner must submit the plans for a public pension facility under this section to the chair of the house of representatives Ways and Means Committee and to the chair of the senate State Government Finance Committee for their approval before the plans are implemented.~~

Sec. 57. Minnesota Statutes 2014, section 356B.10, subdivision 3, is amended to read:

Subd. 3. **Contracting procedures.** ~~(a) The commissioner may enter into a contract for facilities with a contractor to furnish the architectural, engineering, and related services as well as the labor, materials, supplies, equipment, and related construction services on the basis of a request for qualifications and competitive responses received through a request for proposals process that must include the items listed in paragraphs (b) to (i).~~

~~(b) Before issuing a request for qualifications and a request for proposals, the commissioner, with the assistance of the boards, shall prepare performance criteria and specifications that include:~~

~~(1) a general floor plan or layout indicating the general dimensions of the public building and space requirements;~~

~~(2) design criteria for the exterior and site area;~~

~~(3) performance specifications for all building systems and components to ensure quality and cost efficiencies;~~

~~(4) conceptual floor plans for systems space;~~

~~(5) preferred types of interior finishes, styles of windows, lighting and outlets, doors, and features such as built-in counters and telephone wiring;~~

~~(6) mechanical and electrical requirements;~~

~~(7) special interior features required; and~~

~~(8) a completion schedule.~~

~~(c) The commissioner shall first solicit statements of qualifications from eligible contractors and select more than one qualified contractor based upon experience, technical competence, past performance, capability to perform, and other appropriate facts. Contractors selected under this process must be, employ, or have as a partner, member, coventurer, or subcontractor, persons licensed and registered under chapter 326 to provide the services required to design and complete the project. The commissioner does not have to select any of the respondents if none reasonably fulfill the criteria set forth in this paragraph.~~

~~(d) The contractors selected shall be asked to respond to a request for proposals. Responses must include site plans, design concept, elevation, statement of material to be used, floor layouts, a detailed development budget, and a total cost to complete the project. The proposal must indicate that the contractor obtained at least two proposals from subcontractors for each item of work and must set forth how the subcontractors were selected. The commissioner, with the assistance of the boards, shall evaluate the proposals based upon design, cost, quality, aesthetics, and the best overall value to the state pension funds. The commissioner need not select any of the proposals submitted and reserves the right to reject any and all proposals, and may terminate the process or revise the request for proposals and solicit new proposals if the commissioner determines that the best interests of the pension funds would be better served by doing so. Proposals submitted are nonpublic data until the contract is awarded.~~

~~(e) The contractor selected must comply with sections 574.26 to 574.261. Before executing a final contract, the contractor selected shall certify a firm construction price and completion date.~~

~~(f) The commissioner may consider building sites in the city of St. Paul and surrounding suburbs.~~

~~(g) (a) Any land, building, or facility leased, constructed, or acquired and any leasehold interest acquired under this section must be held by the state in trust for the three retirement systems as tenants in common. Each retirement system fund must consider its interest as a fixed asset of its pension fund in accordance with governmental accounting standards.~~

~~(h) (b) The commissioner may lease to another governmental subdivision, or to a private company under contract with the State Board of Investment, or with the Board of Directors of the Minnesota State Retirement System, whichever applies, to provide deferred compensation services under section 352.965, any portion of the funds' building and lands that is not required for ~~their~~ the direct use of the retirement systems upon terms and conditions that they deem to be in the best interest of the pension funds. Any income accruing from the rentals must be separately accounted for and utilized to offset ongoing administrative expenses and any excess must be carried forward as a reserve for future administrative expenses. The commissioner may also enter into lease agreements for the establishment of satellite offices ~~should~~ if the retirement plan boards find them to be necessary in order to assure their members reasonable access to their services. The commissioner may lease under section 16B.24 any portion of the facilities not required for the direct use of the retirement plan boards.~~

~~(i) (c) The boards shall formulate ~~and~~ and periodically revise a written working agreement that sets forth the nature of each retirement system's ownership interest, the duties and obligations of each system toward the construction, operation, and maintenance costs of its facilities, and identifies one retirement fund to serve as manager for operating and maintenance purposes. The boards may contract with independent third parties for maintenance-related activities, services, and supplies, and may use the services of the Department of Administration where the boards determine that it is economically feasible to do so. If the boards cannot agree or cannot resolve a~~

dispute about the operations or maintenance of the facilities, they may request the commissioner of administration to appoint a representative from the department's real estate management division to serve as arbitrator of the dispute with authority to issue a written resolution of the dispute.

Sec. 58. Minnesota Statutes 2014, section 356B.10, subdivision 4, is amended to read:

Subd. 4. **Revenue bonds.** ~~(a) The commissioner of management and budget, on request of the governor, may sell and issue revenue bonds in an aggregate principal amount up to \$38,000,000 to achieve the purposes described in subdivisions 1 and 2, plus the amount needed to pay issuance costs and interest costs and to establish necessary reserves to secure the bonds. The commissioner of management and budget may issue bonds for the purpose of refunding bonds issued under this subdivision~~ Minnesota Statutes 2001, section 356.89, subdivision 4. The bonds may be sold and issued on terms and in a manner the commissioner of management and budget determines to be in the best interests of the state.

(b) The proceeds of the bonds must be credited to a bond proceeds account in the pension building fund which the commissioner of management and budget must create in the state treasury.

Sec. 59. Minnesota Statutes 2014, section 356B.10, subdivision 5, is amended to read:

Subd. 5. **Security.** (a) The boards may pledge any or all assets of the retirement fund or funds administered by the boards as security for the bonds.

(b) The bonds and the interest on them must be paid solely from and secured by all the assets of the boards pledged and appropriated for these purposes to the debt service fund created in subdivision 6 and any investment income on the fund and any reserve established for this purpose.

(c) The bonds are not public debt, and the full faith, credit, and taxing powers of the state are not pledged for their payment. The bonds and the interest on them must not be paid, directly or indirectly, in whole or in part, from a tax of statewide application on any class of property, income, transaction, or privilege.

Sec. 60. Minnesota Statutes 2014, section 356B.10, subdivision 6, is amended to read:

Subd. 6. **Debt service fund.** There is established in the state treasury a separate and special pension building debt service fund. Money in the funds managed by the boards is appropriated to the boards for transfer to the pension building debt service fund. Money appropriated and transferred to the fund and investment income on it on hand or required to be transferred to the fund must be used and is irrevocably appropriated to pay when due the principal of and interest on the bonds ~~authorized~~ referenced in subdivision 4.

Sec. 61. Minnesota Statutes 2014, section 356B.10, subdivision 7, is amended to read:

Subd. 7. **Covenants; agreements.** ~~The commissioner of management and budget may, for and on behalf of the state, enter into~~ covenants and agreements entered into by the commissioner of management and budget for the construction of the pension building that were not inconsistent with Minnesota Statutes 2001, section 356.89, subdivisions 1 to 6, and determined by the commissioner as may be necessary or desirable to facilitate the sale and issuance of the bonds on terms favorable to the state, including, but not limited to, covenants and agreements relating to the payment of and security for the bonds, tax exemption, and disclosure of information required by federal and state securities laws. The covenants and agreements of the commissioner of management and budget, constitute an enforceable contract of the state and by that contract the state pledges and agrees with the holders of any bonds that the state will not limit or alter the rights vested in the commissioner of management and budget to fulfill the terms of the covenants or agreements made with the holders of the bonds, or in any way impair the rights and remedies of the holders until the bonds, together with the interest on them, with interest on any unpaid

installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the holders, are fully met and discharged. ~~The commissioner of management and budget may include this pledge and agreement of the state in any covenant or agreement with the holders of the bonds.~~ Sections 16A.672 and 16A.675 apply to the bonds.

Sec. 62. Minnesota Statutes 2014, section 423A.02, subdivision 1b, is amended to read:

Subd. 1b. **Additional amortization state aid.** (a) ~~Beginning October 1, 2013, and~~ Annually thereafter, the commissioner shall allocate the additional amortization state aid, if any, including any state aid in excess of the limitation in subdivision 4, on the following basis:

(1) 47.1 percent to the city of Minneapolis to defray the employer costs associated with police and firefighter retirement coverage;

(2) 25.8 percent as additional funding to support the minimum fire state aid for volunteer firefighter relief associations under section 69.021, subdivision 7, paragraph (d);

(3) 12.9 percent to the city of Duluth to defray employer costs associated with police and firefighter retirement coverage;

(4) 12.9 percent to the St. Paul Teachers Retirement Fund Association if the investment performance requirement of paragraph (c) is met; and

(5) 1.3 percent to the city of Virginia to defray the employer contribution under section 353.665, subdivision 8, paragraph (d).

If there is no additional employer contribution under section 353.665, subdivision 8, paragraph (b), certified under subdivision 1, paragraph (d), clause (2), with respect to the former Minneapolis Police Relief Association and the former Minneapolis Fire Department Relief Association, the commissioner shall allocate that 47.1 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations under section 69.021, subdivision 7, paragraph (d). If there is no employer contribution by the city of Virginia under section 353.665, subdivision 8, paragraph (d), for the former Virginia Fire Department Relief Association certified on or before June 30 by the executive director of the Public Employees Retirement Association, the commissioner shall allocate that 1.3 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations under section 69.021, subdivision 7, paragraph (d).

(b) The allocation must be made by the commissioner of revenue on October 1 annually.

(c) With respect to the St. Paul Teachers Retirement Fund Association, annually, if the teacher's association five-year average time-weighted rate of investment return does not equal or exceed the performance of a composite portfolio assumed passively managed (indexed) invested ten percent in cash equivalents, 60 percent in bonds and similar debt securities, and 30 percent in domestic stock calculated using the formula under section 11A.04, clause (11), the aid allocation to the retirement fund under this section ceases until the five-year annual rate of investment return equals or exceeds the performance of that composite portfolio.

(d) The amounts required under this subdivision are the amounts annually appropriated to the commissioner of revenue under section 69.021, subdivision 11, paragraph (d), if any, and the aid amounts in excess of the limitation in subdivision 4.

Sec. 63. Minnesota Statutes 2014, section 424A.001, subdivision 10, is amended to read:

Subd. 10. **Volunteer firefighter.** "Volunteer firefighter" means a person who ~~either:~~

~~(1) was a member of the applicable fire department or the independent nonprofit firefighting corporation and a member of the relief association on July 1, 2006; or~~

~~(2) became is~~ a member of the applicable fire department or the independent nonprofit firefighting corporation and is eligible for membership in the applicable relief association ~~after June 30, 2006,~~ and:

(i) is engaged in providing emergency response services or delivering fire education or prevention services as a member of a municipal fire department, a joint powers entity fire department, or an independent nonprofit firefighting corporation;

(ii) is trained in or is qualified to provide fire suppression duties or to provide fire prevention duties under subdivision 8; and

(iii) meets any other minimum firefighter and service standards established by the fire department or the independent nonprofit firefighting corporation or specified in the articles of incorporation or bylaws of the relief association.

Sec. 64. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall make any technical cross-reference changes resulting from amendments in this act, including any grammatical changes necessary to preserve sentence structure.

Sec. 65. **REPEALER.**

Minnesota Statutes 2014, sections 352.271; 352.75, subdivisions 1, 3, 4, 5, and 6; 352.76; 352.91, subdivisions 3a and 3b; 352B.29; 353.83; 353.84; 353.85; 354.146, subdivisions 1 and 3; 354.33, subdivisions 5 and 6; 354.39; 354.55, subdivisions 13, 16, and 19; 354.58; 354A.35, subdivision 2a; 356.405; 356.49, subdivision 2; and 424A.03, subdivision 3, are repealed.

Sec. 66. **EFFECTIVE DATE.**

Unless otherwise specified, this article is effective July 1, 2015.

ARTICLE 14 PERA-MERF MERGER PROVISIONS

Section 1. Minnesota Statutes 2014, section 256D.21, is amended to read:

256D.21 CONTINUATION OF BENEFITS; FORMER MINNEAPOLIS EMPLOYEES.

Subdivision 1. **Continuation of benefits.** Each employee of the city of Minneapolis who ~~is~~ was transferred to and employed by the county under the provisions of section 256D.20 and who ~~is~~ was a contributing member of a retirement system organized under the provisions of Minnesota Statutes 2008, chapter 422A, is a member of the ~~MERF division of the~~ Public Employees Retirement Association and is entitled to all of the applicable benefits conferred by and is subject to all the restrictions of section 353.50.

Subd. 2. **City obligation.** The cost to the public of that portion of the retirement allowances or other benefits accrued while any such employee was in the service of the city of Minneapolis must remain an obligation of the city and a tax must be levied and collected by it to discharge its obligation as provided in section ~~353.50~~ 353.27, subdivision ~~7~~ 3c.

Subd. 3. **County obligation.** The cost to the public of the retirement allowances or other benefits accruing to employees so transferred to and employed by the county is the obligation of and paid by the county in section ~~353.50~~ 353.27, subdivision ~~7~~ 3c. The county shall pay to the general employees retirement fund of the Public Employees Retirement Association those amounts. The cost to the public of the retirement coverage under this section must be paid from the county revenue fund by the county auditor, and the county board is authorized to levy and collect such taxes as may be necessary to pay such costs.

Sec. 2. Minnesota Statutes 2014, section 353.01, subdivision 2a, is amended to read:

Subd. 2a. **Included employees; mandatory membership.** (a) Public employees whose annual salary from one governmental subdivision is stipulated in advance to exceed \$5,100 if the person is not a school year employee or \$3,800 if the person is a school year employee and who are not specifically excluded under subdivision 2b or who have not been provided an option to participate under subdivision 2d, whether individually or by action of the governmental subdivision, must participate as members of the association with retirement coverage by the general employees retirement plan under this chapter, the public employees police and fire retirement plan under this chapter, or the local government correctional employees retirement plan under chapter 353E, whichever applies. Membership commences as a condition of their employment on the first day of their employment or on the first day that the eligibility criteria are met, whichever is later. Public employees include but are not limited to:

(1) persons whose salary meets the threshold in this paragraph from employment in one or more positions within one governmental subdivision;

(2) elected county sheriffs;

(3) persons who are appointed, employed, or contracted to perform governmental functions that by law or local ordinance are required of a public officer, including, but not limited to:

(i) town and city clerk or treasurer;

(ii) county auditor, treasurer, or recorder;

(iii) city manager as defined in section 353.028 who does not exercise the option provided under subdivision 2d; or

(iv) emergency management director, as provided under section 12.25;

(4) physicians under section 353D.01, subdivision 2, who do not elect public employees defined contribution plan coverage under section 353D.02, subdivision 2;

(5) full-time employees of the Dakota County Agricultural Society;

(6) employees of the Red Wing Port Authority who were first employed by the Red Wing Port Authority before May 1, 2011, and who are not excluded employees under subdivision 2b;

(7) employees of the Seaway Port Authority of Duluth who are not excluded employees under subdivision 2b;

(8) employees of the Stevens County Housing and Redevelopment Authority who were first employed by the Stevens County Housing and Redevelopment Authority before May 1, 2014, and who are not excluded employees under subdivision 2b; and

(9) employees of the Public Employees Retirement Association.

(b) A public employee or elected official who was a member of the association on June 30, 2002, based on employment that qualified for membership coverage by the public employees retirement plan or the public employees police and fire plan under this chapter, or the local government correctional employees retirement plan under chapter 353E as of June 30, 2002, retains that membership for the duration of the person's employment in that position or incumbency in elected office. Except as provided in subdivision 28, the person shall participate as a member until the employee or elected official terminates public employment under subdivision 11a or terminates membership under subdivision 11b.

(c) If in any subsequent year the annual salary of an included public employee is less than the minimum salary threshold specified in this subdivision, the member retains membership eligibility.

(d) For the purpose of participation in the ~~MERF division of the~~ general employees retirement plan, public employees include employees who were members of the former Minneapolis Employees Retirement Fund on June 29, 2010, ~~and who participate as members of the MERF division of the association.~~

Sec. 3. Minnesota Statutes 2014, section 353.01, subdivision 6, is amended to read:

Subd. 6. **Governmental subdivision.** (a) "Governmental subdivision" means a county, city, town, school district within this state, or a department, unit or instrumentality of state or local government, or any public body established under state or local authority that has a governmental purpose, is under public control, is responsible for the employment and payment of the salaries of employees of the entity, and receives a major portion of its revenues from taxation, fees, assessments or from other public sources.

(b) Governmental subdivision also means the Public Employees Retirement Association, the League of Minnesota Cities, the Association of Metropolitan Municipalities, charter schools formed under section 124D.10, service cooperatives exercising retirement plan participation under section 123A.21, subdivision 5, joint powers boards organized under section 471.59, subdivision 11, paragraph (a), family service collaboratives and children's mental health collaboratives organized under section 471.59, subdivision 11, paragraph (b) or (c), provided that the entities creating the collaboratives are governmental units that otherwise qualify for retirement plan membership, public hospitals owned or operated by, or an integral part of, a governmental subdivision or governmental subdivisions, the Association of Minnesota Counties, the Minnesota Inter-county Association, the Minnesota Municipal Utilities Association, the Metropolitan Airports Commission, the University of Minnesota with respect to police officers covered by the public employees police and fire retirement plan, ~~the Minneapolis Employees Retirement Fund for employment initially commenced after June 30, 1979,~~ the Range Association of Municipalities and Schools, soil and water conservation districts, economic development authorities created or operating under sections 469.090 to 469.108, the Port Authority of the city of St. Paul, the Seaway Port Authority of Duluth, the Red Wing Port Authority, the Spring Lake Park Fire Department, incorporated, the Lake Johanna Volunteer Fire Department, incorporated, the Red Wing Environmental Learning Center, the Dakota County Agricultural Society, and Hennepin Healthcare System, Inc.

(c) Governmental subdivision does not mean any municipal housing and redevelopment authority organized under the provisions of sections 469.001 to 469.047; or any port authority organized under sections 469.048 to 469.089 other than the Port Authority of the city of St. Paul or the Seaway Port Authority of Duluth and other than the Red Wing Port Authority; or any hospital district organized or reorganized prior to July 1, 1975, under sections 447.31 to 447.37 or the successor of the district; or the board of a family service collaborative or children's mental health collaborative organized under sections 124D.23, 245.491 to 245.495, or 471.59, if that board is not controlled by representatives of governmental units.

(d) A nonprofit corporation governed by chapter 317A or organized under Internal Revenue Code, section 501(c)(3), which is not covered by paragraph (a) or (b), is not a governmental subdivision unless the entity has obtained a written advisory opinion from the United States Department of Labor or a ruling from the Internal Revenue Service declaring the entity to be an instrumentality of the state so as to provide that any future contributions by the entity on behalf of its employees are contributions to a governmental plan within the meaning of Internal Revenue Code, section 414(d).

(e) A public body created by state or local authority may request membership on behalf of its employees by providing sufficient evidence that it meets the requirements in paragraph (a).

(f) An entity determined to be a governmental subdivision is subject to the reporting requirements of this chapter upon receipt of a written notice of eligibility from the association.

Sec. 4. Minnesota Statutes 2014, section 353.01, subdivision 48, is amended to read:

Subd. 48. **MERF division.** "MERF ~~division~~" means the ~~separate retirement plan within~~ former Minneapolis Employees Retirement Fund of which the actuarial liabilities and assets are merged with the general employees retirement plan of the Public Employees Retirement Association ~~containing, and the benefits of which are governed by~~ the applicable provisions of Minnesota Statutes 2008, chapter 422A.

Sec. 5. Minnesota Statutes 2014, section 353.05, is amended to read:

353.05 CUSTODIAN OF FUNDS.

The commissioner of management and budget shall be ex officio treasurer of the retirement funds of the association, ~~including the MERF division~~, and the general bond of the commissioner of management and budget to the state must be so conditioned as to cover all liability for acts as treasurer of these funds. All money of the association received by the commissioner of management and budget must be set aside in the state treasury to the credit of the proper fund or account. The commissioner of management and budget shall transmit monthly to the executive director a detailed statement of all amounts so received and credited to the funds, ~~including the MERF division~~. Payments out of the funds, ~~including the MERF division~~, may only be made on warrants issued by the commissioner of management and budget, upon abstracts signed by the executive director; provided that abstracts for investment may be signed by the executive director of the State Board of Investment.

Sec. 6. Minnesota Statutes 2014, section 353.06, is amended to read:

353.06 STATE BOARD OF INVESTMENT TO INVEST FUNDS.

The executive director shall from time to time certify to the State Board of Investment for investment such portions of the funds of the association, ~~including the MERF division~~, as in the director's judgment may not be required for immediate use. The State Board of Investment shall thereupon invest and reinvest the sum so certified, or transferred, in such securities as are duly authorized as legal investments under section 11A.24 and has authority to sell, convey, and exchange such securities and invest and reinvest the securities when it deems it desirable to do so and shall sell securities upon request of the executive director when such funds are needed for its purposes. All of the provisions regarding accounting procedures and restrictions and conditions for the purchase and sale of securities under chapter 11A must apply to the accounting, purchase and sale of securities for the funds of the Public Employees Retirement Association, ~~including the MERF division~~.

Sec. 7. Minnesota Statutes 2014, section 353.27, subdivision 1, is amended to read:

Subdivision 1. **Income; disbursements.** There is a special fund known as the "general employees retirement fund," the "retirement fund," or the "fund," which must include all the assets of the general employees retirement plan of the association. This fund must be credited with all contributions, all interest and all other income of the general employees retirement plan of the Public Employees Retirement Association that are authorized by law. From this fund there is appropriated the payments authorized by sections 353.01 to 353.46 and by Minnesota Statutes 2008, chapter 422A, in the amounts and at such time provided herein, including the expenses of administering the general employees retirement plan and fund.

Sec. 8. Minnesota Statutes 2014, section 353.27, subdivision 3b, is amended to read:

Subd. 3b. **Change in employee and employer contributions in certain instances.** (a) For purposes of this section:

(1) a contribution sufficiency exists if the total of the employee contribution under subdivision 2, the employer contribution under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision exceeds the total of the normal cost, the administrative expenses, and the amortization contribution of the general employees retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement; and

(2) a contribution deficiency exists if the total of the employee contributions under subdivision 2, the employer contributions under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision is less than the total of the normal cost, the administrative expenses, and the amortization contribution of the general employees retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

(b) Employee and employer contributions to the general employees retirement plan under subdivisions 2 and 3 must be adjusted:

(1) if the regular actuarial valuation of the general employees retirement plan of the Public Employees Retirement Association under section 356.215 indicates that there is a contribution sufficiency under paragraph (a) greater than one percent of covered payroll and that the sufficiency has existed for at least two consecutive years, the coordinated program employee and employer contribution rates must be decreased as determined under paragraph (c) to a level such that the sufficiency is no greater than one percent of covered payroll based on the most recent actuarial valuation; or

(2) if the regular actuarial valuation of the general employees retirement plan of the Public Employees Retirement Association under section 356.215 indicates that there is a contribution deficiency equal to or greater than 0.5 percent of covered payroll and that the deficiency has existed for at least two consecutive years, the coordinated program employee and employer contribution rates must be increased as determined under paragraph (d) to a level such that no deficiency exists based on the most recent actuarial valuation.

(c) If the actuarially required contribution of the general employees retirement plan is less than the total support provided by the combined employee and employer contribution rates under subdivisions 2, 3, and 3a, by more than one percent of covered payroll, the general employees retirement plan coordinated program employee and employer contribution rates under subdivisions 2 and 3 must be decreased incrementally over one or more years by no more than 0.25 percent of pay each for employee and employer matching contribution rates to a level such that there remains a contribution sufficiency of at least one percent of covered payroll. No contribution rate decrease may be made until at least two years have elapsed since any adjustment under this subdivision has been fully implemented.

(d) If the actuarially required contribution exceeds the total support provided by the combined employee and employer contribution rates under subdivisions 2, 3, and 3a, the employee and matching employer contribution rates must be increased equally to eliminate that contribution deficiency. If the contribution deficiency is:

(1) less than two percent, the incremental increase may be up to 0.25 percent for the general employees retirement plan employee and matching employer contribution rates;

(2) greater than 1.99 percent and less than 4.01 percent, the incremental increase may be up to 0.5 percent for the employee and matching employer contribution rates; or

(3) greater than four percent, the incremental increase may be up to 0.75 percent for the employee and matching employer contribution.

(e) The general employees retirement plan contribution sufficiency or deficiency determination under paragraphs (a) to (d) must be made ~~without the inclusion of~~ including the contributions ~~to, the funded condition of, or the actuarial funding requirements of the MERF division credited under section 353.27, subdivision 3c, and state aid under section 353.505.~~

(f) Any recommended adjustment to the contribution rates must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement by January 15 following the receipt of the most recent annual actuarial valuation prepared under section 356.215. If the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, the recommended adjustment becomes effective for any salary paid on or after the January 1 next following the legislative session in which the Legislative Commission on Pensions and Retirement did not take any action to disapprove or modify the Public Employees Retirement Association Board of Trustees' recommendation to adjust the employee and employer rates.

(g) A contribution sufficiency of up to one percent of covered payroll must be held in reserve to be used to offset any future actuarially required contributions that are more than the total combined employee and employer contributions under subdivisions 2, 3, and 3a.

(h) Before any reduction in contributions to eliminate a sufficiency in excess of one percent of covered pay may be recommended, the executive director must review any need for a change in actuarial assumptions, as recommended by the actuary retained under section 356.214 in the most recent experience study of the general employees retirement plan prepared under section 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement that may result in an increase in the actuarially required contribution and must report to the Legislative Commission on Pensions and Retirement any recommendation by the board to use the sufficiency exceeding one percent of covered payroll to offset the impact of an actuarial assumption change recommended by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the commission under section 356.214, subdivision 4.

(i) No contribution sufficiency in excess of one percent of covered pay may be proposed to be used to increase benefits, and no benefit increase may be proposed that would initiate an automatic adjustment to increase contributions under this subdivision. Any proposed benefit improvement must include a recommendation, prepared by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the Legislative Commission on Pensions and Retirement as provided under section 356.214, subdivision 4, on how the benefit modification will be funded.

Sec. 9. Minnesota Statutes 2014, section 353.27, is amended by adding a subdivision to read:

Subd. 3c. **Former MERF members; member and employer contributions.** (a) For the period July 1, 2015, through December 31, 2031, the member contributions for former members of the Minneapolis Employees Retirement Fund and by the former Minneapolis Employees Retirement Fund-covered employing units are governed by this subdivision.

(b) The member contribution for a public employee who was a member of the former Minneapolis Employees Retirement Fund on June 29, 2010, is 9.75 percent of the salary of the employee.

(c) The employer regular contribution with respect to a public employee who was a member of the former Minneapolis Employees Retirement Fund on June 29, 2010, is 9.75 percent of the salary of the employee.

(d) The employer additional contribution for any public employees who were members of the former Minneapolis Employees Retirement Fund on June 29, 2010, is 2.68 percent of the salary of each applicable employee plus an annual amount equal to the employing unit's share of \$3,900,000 that was paid or was payable during calendar year 2014.

(e) For the period July 1, 2015, through December 31, 2031, the employer supplemental contribution is the employing unit's share of \$21,000,000.

(f) Each employing unit's share under paragraph (e) is the amount determined from an allocation between each employing unit in the portion equal to the unit's employer supplemental contribution paid or payable under Minnesota Statutes 2012, section 353.50, during calendar year 2014.

(g) The employer supplemental contribution amount under paragraph (e) for calendar year 2015 must be invoiced by the executive director of the Public Employees Retirement Association by July 1, 2015. The calendar year 2015 payment is payable in a single amount on or before September 30, 2015. For subsequent calendar years, the employer supplemental contribution under paragraph (e) must be invoiced on January 31 of each year and is payable in two parts, with the first half payable on or before July 31 and with the second half payable on or before December 15. Late payments are payable with compound interest at the rate of 0.71 percent per month for each month or portion of a month that has elapsed after the due date.

(h) The employer additional contribution under paragraph (d) and the employer supplemental contribution under paragraph (e) terminate on December 31, 2031.

Sec. 10. Minnesota Statutes 2014, section 353.34, subdivision 1, is amended to read:

Subdivision 1. **Refund or deferred annuity.** (a) A former member is entitled to either a refund of accumulated employee deductions under subdivision 2, or to a deferred annuity under subdivision 3. Application for a refund may not be made before the date of termination of public service. A refund must be paid within 120 days following receipt of the application unless the applicant has again become a public employee required to be covered by the association.

(b) If an individual was placed on layoff under section 353.01, subdivision 12 or 12c, a refund is not payable before termination of service under section 353.01, subdivision 11a.

(c) An individual who terminates public service covered by the Public Employees Retirement Association general employees retirement plan, ~~the MERF division~~ except members of the former Minneapolis Employees Retirement Fund under section 353.01, subdivision 2b, paragraph (d), the Public Employees Retirement Association police and fire retirement plan, or the public employees local government correctional service retirement plan, and

who is employed by a different employer and who becomes an active member covered by one of the other two plans, may receive a refund of employee contributions plus annual compound interest from the plan from which the member terminated service at the applicable rate specified in subdivision 2.

(d) Refunds payable to members of the former Minneapolis Employees Retirement Fund under section 353.01, subdivision 2a, paragraph (d), are governed by Minnesota Statutes 2008, chapter 422A.

Sec. 11. Minnesota Statutes 2014, section 353.37, subdivision 1, is amended to read:

Subdivision 1. **Salary maximums.** (a) The annuity of a person otherwise eligible for an annuity from the general employees retirement plan of the Public Employees Retirement Association, the public employees police and fire retirement plan, or the local government correctional employees retirement plan must be suspended under subdivision 2 or reduced under subdivision 3, whichever results in the higher annual annuity amount, if the person reenters public service as a nonelective employee of a governmental subdivision in a position covered by this chapter or returns to work as an employee of a labor organization that represents public employees who are association members under this chapter and salary for the reemployment service exceeds the annual maximum earnings allowable for that age for the continued receipt of full benefit amounts monthly under the federal Old Age, Survivors and Disability Insurance Program as set by the secretary of health and human services under United States Code, title 42, section 403, in any calendar year. If the person has not yet reached the minimum age for the receipt of Social Security benefits, the maximum salary for the person is equal to the annual maximum earnings allowable for the minimum age for the receipt of Social Security benefits.

(b) The provisions of paragraph (a) do not apply to the members of the general employees plan of the Public Employees Retirement Association who were former members of MERF division.

Sec. 12. Minnesota Statutes 2014, section 353.46, subdivision 2, is amended to read:

Subd. 2. **Rights of deferred annuitant.** (a) The entitlement of a deferred annuitant or other former member of the general employees retirement plan of the Public Employees Retirement Association, ~~the Minneapolis Employees Retirement Fund division,~~ the public employees police and fire retirement plan, or the local government correctional employees retirement plan to receive an annuity under the law in effect at the time the person terminated public service is herein preserved. The provisions of section 353.71, subdivision 2, as amended by Laws 1973, chapter 753, apply to a deferred annuitant or other former member who first begins receiving an annuity after July 1, 1973.

(b) The entitlement of a deferred annuitant or former member of the Minneapolis Employees Retirement Fund, upon merger with the general employees retirement plan of the Public Employees Retirement Association, continues under the provisions of Minnesota Statutes 2008, section 422A.16.

Sec. 13. Minnesota Statutes 2014, section 353.46, subdivision 6, is amended to read:

Subd. 6. **Computation of benefits for certain coordinated members.** Any coordinated member of the general employees retirement plan of the Public Employees Retirement Association who, before July 1, 1979, was a member of the former coordinated program of the former Minneapolis Municipal Employees Retirement Fund and who, before July 1, 1978, was a member of the basic program of the Minneapolis Municipal Employees Retirement Fund is entitled to receive a retirement annuity when otherwise qualified, the calculation of which must utilize the formula accrual rates specified in Minnesota Statutes 2008, section 422A.15, subdivision 1, for that portion of credited service which was rendered before July 1, 1978, and the formula accrual rates specified in section 353.29, subdivision 3, for the remainder of credited service, both applied to the average salary as specified in section 353.01, subdivision 17a. The formula accrual rates to be used in calculating the retirement annuity must recognize the service after July 1, 1978, as a member of the former coordinated program of the former Minneapolis Municipal Employees Retirement Fund and after July 1, 1979, as a member of the general employees retirement plan of the

Public Employees Retirement Association as a continuation of service rendered before July 1, 1978. The annuity amount attributable to service as a member of the basic program of the former Minneapolis Municipal Employees Retirement Fund is payable from the MERF division and the annuity amount attributable to all other service is payable from the general employees retirement fund of the Public Employees Retirement Association.

Sec. 14. Minnesota Statutes 2014, section 353.50, subdivision 6, is amended to read:

Subd. 6. **Benefits for former MERF division members.** (a) **Retired, disabled, deferred, and inactive member benefits.** The annuities and benefits of, or attributable to, retired, disabled, deferred, or inactive Minneapolis Employees Retirement Fund members with that status as of June 30, 2010 of the former MERF division, as calculated under Minnesota Statutes 2008, sections 422A.11; 422A.12; 422A.13; 422A.14; 422A.15; 422A.151; 422A.155; 422A.156; 422A.16; 422A.17; 422A.18; 422A.19; 422A.20; and 422A.23, continue in force and are payable from the general employees retirement plan.

(b) **Benefits; benefit eligibility for June 30, 2010, active members.** Persons who were active members of covered by the former Minneapolis Employees Retirement Fund MERF division on June 30, 2010 December 31, 2014, upon satisfying eligibility requirements stated in the applicable sections of Minnesota Statutes 2008 specified in paragraph (a), are entitled to annuities or benefits specified in those sections. Eligibility for a formula retirement annuity includes the requirement in Minnesota Statutes 2008, sections 422A.13 and 422A.16, that the terminating member has attained the normal retirement age, which is age 60 if the person has at least ten years of service credit, or any age if the person has 30 or more years of service credit.

(c) **Postretirement adjustments.** After December 31, 2010 2014, annuities and benefits from for former members of the former MERF division are eligible for annual automatic postretirement adjustments solely under the applicable portions of section 356.415.

Sec. 15. Minnesota Statutes 2014, section 353.505, is amended to read:

353.505 STATE CONTRIBUTIONS; FORMER MERF DIVISION.

(a) Subject to the limitation in paragraph (c), The state shall pay to the MERF division account of the Public Employees Retirement Association with respect to the former Minneapolis Employees Retirement Fund annually an amount equal to the amount calculated under paragraph (b).

(b) The payment amount is an amount equal to the financial requirements of the MERF division of the Public Employees Retirement Association reported in the actuarial valuation of the general employees retirement plan of the Public Employees Retirement Association prepared by the actuary retained under section 356.214 consistent with section 356.215 for the most recent year but based on a target date for full amortization of the unfunded actuarial accrued liabilities by June 30, 2031, less the amount of employee contributions required under section 353.50, subdivision 7, paragraph (b), and the amount of employer contributions required under section 353.50, subdivision 7, paragraphs (c) and (d). Payments must be made September 15 annually.

(c) The annual state contribution under this subdivision may not exceed \$9,000,000, plus the cost of the annual supplemental benefit determined under Minnesota Statutes 2008, section 356.43, through June 30, 2012, and may not exceed \$9,000,000, plus the cost of the annual supplemental benefit determined under Minnesota Statutes 2008, section 356.43, plus \$13,750,000 on September 15, 2011, \$13,750,000 on September 15, 2012, and \$15,000,000 on September 15, 2013, and annually thereafter.

(d) Annually and after June 30, 2012, if the amount determined under paragraph (b) exceeds the applicable maximum amount specified in paragraph (c), the excess must be allocated to and paid to the fund by the employers identified in Minnesota Statutes 2008, section 422A.101, subdivisions 1a, 2, and 2a. Each employer's share of the

~~excess is proportionate to the employer's share of the fund's unfunded actuarial accrued liability as disclosed in the annual actuarial valuation prepared by the actuary retained under section 356.214 compared to the total unfunded actuarial accrued liability as of July 1, 2009, attributed to all employers identified in Minnesota Statutes 2008, section 422A.101, subdivisions 1a and 2, other than units of metropolitan government. Payments must be made as set forth in paragraph (b).~~

(a) Annually and after June 30, 2015, the state shall pay to the general employees retirement plan of the Public Employees Retirement Association, with respect to the former MERF division, \$16,000,000. Payments must be made September 15 annually.

~~(e) (b) State contributions under this section end on September 15, 2031, or on September 1 following the first date on which the current assets of the MERF division of the Public Employees Retirement Association equal or exceed the actuarial accrued liability of the MERF division of the Public Employees Retirement Association, whichever occurs earlier.~~

Sec. 16. Minnesota Statutes 2014, section 355.01, subdivision 3j, is amended to read:

Subd. 3j. **Public employee.** "Public employee" means an officer or an employee of a local governmental subdivision of the state who performs services in a position covered by the Public Employees Retirement Association established under chapter 353. The term does not include any person who was a member of the former Minneapolis Employees Retirement Fund on June 29, 2010, while the person is employed in a position that was transferred to the Public Employees Retirement Association.

Sec. 17. Minnesota Statutes 2014, section 356.214, subdivision 1, is amended to read:

Subdivision 1. **Actuary retention.** (a) The governing board or managing or administrative official of each public pension plan and retirement fund or plan enumerated in paragraph (b) shall contract with an established actuarial consulting firm to conduct annual actuarial valuations and related services. The principal from the actuarial consulting firm on the contract must be an approved actuary under section 356.215, subdivision 1, paragraph (c).

(b) Actuarial services must include the preparation of actuarial valuations and related actuarial work for the following retirement plans:

- (1) the teachers retirement plan, Teachers Retirement Association;
- (2) the general state employees retirement plan, Minnesota State Retirement System;
- (3) the correctional employees retirement plan, Minnesota State Retirement System;
- (4) the State Patrol retirement plan, Minnesota State Retirement System;
- (5) the judges retirement plan, Minnesota State Retirement System;
- (6) the general employees retirement plan, Public Employees Retirement Association, ~~including the MERF division;~~
- (7) the public employees police and fire plan, Public Employees Retirement Association;
- (8) the St. Paul teachers retirement plan, St. Paul Teachers Retirement Fund Association;

(9) the legislators retirement plan, Minnesota State Retirement System; and

(10) the local government correctional service retirement plan, Public Employees Retirement Association.

(c) The actuarial valuation for the legislators retirement plan must include a separate calculation of total plan actuarial accrued liabilities due to constitutional officer coverage under section 3A.17.

(d) The contracts must require completion of the annual actuarial valuation calculations on a fiscal year basis, with the contents of the actuarial valuation calculations as specified in section 356.215, and in conformity with the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

The contracts must require completion of annual experience data collection and processing and a quadrennial published experience study for the plans listed in paragraph (b), clauses (1), (2), and (6), as provided for in the standards for actuarial work adopted by the commission. The experience data collection, processing, and analysis must evaluate the following:

(1) individual salary progression;

(2) the rate of return on investments based on the current asset value;

(3) payroll growth;

(4) mortality;

(5) retirement age;

(6) withdrawal; and

(7) disablement.

(e) The actuary shall annually prepare a report to the governing or managing board or administrative official and the legislature, summarizing the results of the actuarial valuation calculations. The actuary shall include with the report any recommendations concerning the appropriateness of the support rates to achieve proper funding of the retirement plans by the required funding dates. The actuary shall, as part of the quadrennial experience study, include recommendations on the appropriateness of the actuarial valuation assumptions required for evaluation in the study.

(f) If the actuarial gain and loss analysis in the actuarial valuation calculations indicates a persistent pattern of sizable gains or losses, the governing or managing board or administrative official shall direct the actuary to prepare a special experience study for a plan listed in paragraph (b), clause (3), (4), (5), (7), (8), (9), or (10), in the manner provided for in the standards for actuarial work adopted by the commission.

Sec. 18. Minnesota Statutes 2014, section 356.215, subdivision 11, is amended to read:

Subd. 11. **Amortization contributions.** (a) In addition to the exhibit indicating the level normal cost, the actuarial valuation of the retirement plan must contain an exhibit for financial reporting purposes indicating the additional annual contribution sufficient to amortize the unfunded actuarial accrued liability and must contain an exhibit for contribution determination purposes indicating the additional contribution sufficient to amortize the unfunded actuarial accrued liability. For the retirement plans listed in subdivision 8, paragraph (c), but excluding ~~the MERF division of the Public Employees Retirement Association and~~ the legislators retirement plan, the additional contribution must be calculated on a level percentage of covered payroll basis by the established date for

full funding in effect when the valuation is prepared, assuming annual payroll growth at the applicable percentage rate set forth in subdivision 8, paragraph (d). For all other retirement plans and for the ~~MERF division of the Public Employees Retirement Association and the~~ legislators retirement plan, the additional annual contribution must be calculated on a level annual dollar amount basis.

(b) For any retirement plan other than a retirement plan governed by paragraph (d), (e), (f), (g), (h), (i), or (j), ~~or~~ (k), if there has not been a change in the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, which change or changes by itself or by themselves without inclusion of any other items of increase or decrease produce a net increase in the unfunded actuarial accrued liability of the fund, the established date for full funding is the first actuarial valuation date occurring after June 1, 2020.

(c) For any retirement plan, if there has been a change in any or all of the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, and the change or changes, by itself or by themselves and without inclusion of any other items of increase or decrease, produce a net increase in the unfunded actuarial accrued liability in the fund, the established date for full funding must be determined using the following procedure:

(i) the unfunded actuarial accrued liability of the fund must be determined in accordance with the plan provisions governing annuities and retirement benefits and the actuarial assumptions in effect before an applicable change;

(ii) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the unfunded actuarial accrued liability amount determined under item (i) by the established date for full funding in effect before the change must be calculated using the interest assumption specified in subdivision 8 in effect before the change;

(iii) the unfunded actuarial accrued liability of the fund must be determined in accordance with any new plan provisions governing annuities and benefits payable from the fund and any new actuarial assumptions and the remaining plan provisions governing annuities and benefits payable from the fund and actuarial assumptions in effect before the change;

(iv) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the difference between the unfunded actuarial accrued liability amount calculated under item (i) and the unfunded actuarial accrued liability amount calculated under item (iii) over a period of 30 years from the end of the plan year in which the applicable change is effective must be calculated using the applicable interest assumption specified in subdivision 8 in effect after any applicable change;

(v) the level annual dollar or level percentage amortization contribution under item (iv) must be added to the level annual dollar amortization contribution or level percentage calculated under item (ii);

(vi) the period in which the unfunded actuarial accrued liability amount determined in item (iii) is amortized by the total level annual dollar or level percentage amortization contribution computed under item (v) must be calculated using the interest assumption specified in subdivision 8 in effect after any applicable change, rounded to the nearest integral number of years, but not to exceed 30 years from the end of the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and not to be less than the period of years beginning in the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and ending by the date for full funding in effect before the change; and

(vii) the period determined under item (vi) must be added to the date as of which the actuarial valuation was prepared and the date obtained is the new established date for full funding.

~~(d) For the MERF division of the Public Employees Retirement Association, the established date for full funding is June 30, 2031.~~

~~(e)~~ (d) For the general employees retirement plan of the Public Employees Retirement Association, the established date for full funding is June 30, 2031.

(f) (e) For the Teachers Retirement Association, the established date for full funding is June 30, 2037.

~~(g)~~ (f) For the correctional state employees retirement plan of the Minnesota State Retirement System, the established date for full funding is June 30, 2038.

(h) (g) For the judges retirement plan, the established date for full funding is June 30, 2038.

(i) (h) For the public employees police and fire retirement plan, the established date for full funding is June 30, 2038.

(j) (i) For the St. Paul Teachers Retirement Fund Association, the established date for full funding is June 30, 2042. In addition to other requirements of this chapter, the annual actuarial valuation must contain an exhibit indicating the funded ratio and the deficiency or sufficiency in annual contributions when comparing liabilities to the market value of the assets of the fund as of the close of the most recent fiscal year.

~~(k)~~ (j) For the general state employees retirement plan of the Minnesota State Retirement System, the established date for full funding is June 30, 2040.

(l) (k) For the retirement plans for which the annual actuarial valuation indicates an excess of valuation assets over the actuarial accrued liability, the valuation assets in excess of the actuarial accrued liability must be recognized as a reduction in the current contribution requirements by an amount equal to the amortization of the excess expressed as a level percentage of pay over a 30-year period beginning anew with each annual actuarial valuation of the plan.

Sec. 19. Minnesota Statutes 2014, section 356.30, subdivision 3, is amended to read:

Subd. 3. **Covered plans.** This section applies to the following retirement plans:

(1) the general state employees retirement plan of the Minnesota State Retirement System, established under chapter 352;

(2) the correctional state employees retirement plan of the Minnesota State Retirement System, established under chapter 352;

(3) the unclassified employees retirement program, established under chapter 352D;

(4) the State Patrol retirement plan, established under chapter 352B;

(5) the legislators retirement plan, established under chapter 3A, including constitutional officers as specified in that chapter;

(6) the general employees retirement plan of the Public Employees Retirement Association, established under chapter 353, ~~including the MERF division of the Public Employees Retirement Association;~~

(7) the public employees police and fire retirement plan of the Public Employees Retirement Association, established under chapter 353;

(8) the local government correctional service retirement plan of the Public Employees Retirement Association, established under chapter 353E;

(9) the Teachers Retirement Association, established under chapter 354;

(10) the St. Paul Teachers Retirement Fund Association, established under chapter 354A; and

(11) the judges retirement fund, established by chapter 490.

Sec. 20. Minnesota Statutes 2014, section 356.302, subdivision 7, is amended to read:

Subd. 7. **Covered retirement plans.** This section applies to the following retirement plans:

(1) the general state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;

(2) the unclassified state employees retirement program of the Minnesota State Retirement System, established by chapter 352D;

(3) the general employees retirement plan of the Public Employees Retirement Association, established by chapter 353, ~~including the MERF division of the Public Employees Retirement Association;~~

(4) the Teachers Retirement Association, established by chapter 354;

(5) the St. Paul Teachers Retirement Fund Association, established by chapter 354A;

(6) the state correctional employees retirement plan of the Minnesota State Retirement System, established by chapter 352;

(7) the State Patrol retirement plan, established by chapter 352B;

(8) the public employees police and fire plan of the Public Employees Retirement Association, established by chapter 353;

(9) the local government correctional service retirement plan of the Public Employees Retirement Association, established by chapter 353E; and

(10) the judges retirement plan, established by chapter 490.

Sec. 21. Minnesota Statutes 2014, section 356.303, subdivision 4, is amended to read:

Subd. 4. **Covered retirement plans.** This section applies to the following retirement plans:

(1) the legislators retirement plan, established by chapter 3A;

(2) the general state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;

(3) the correctional state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;

(4) the State Patrol retirement plan, established by chapter 352B;

(5) the elective state officers retirement plan, established by chapter 352C;

(6) the unclassified state employees retirement program, established by chapter 352D;

(7) the general employees retirement plan of the Public Employees Retirement Association, established by chapter 353, ~~including the MERF division of the Public Employees Retirement Association;~~

(8) the public employees police and fire plan of the Public Employees Retirement Association, established by chapter 353;

(9) the local government correctional service retirement plan of the Public Employees Retirement Association, established by chapter 353E;

(10) the Teachers Retirement Association, established by chapter 354;

(11) the St. Paul Teachers Retirement Fund Association, established by chapter 354A; and

(12) the judges retirement fund, established by chapter 490.

Sec. 22. Minnesota Statutes 2014, section 356.32, subdivision 2, is amended to read:

Subd. 2. **Covered retirement plans.** The provisions of this section apply to the following retirement plans:

(1) the general state employees retirement plan of the Minnesota State Retirement System, established under chapter 352;

(2) the correctional state employees retirement plan of the Minnesota State Retirement System, established under chapter 352;

(3) the State Patrol retirement plan, established under chapter 352B;

(4) the general employees retirement plan of the Public Employees Retirement Association, established under chapter 353, ~~including the MERF division of the Public Employees Retirement Association;~~

(5) the public employees police and fire plan of the Public Employees Retirement Association, established under chapter 353;

(6) the Teachers Retirement Association, established under chapter 354; and

(7) the St. Paul Teachers Retirement Fund Association, established under chapter 354A.

Sec. 23. Minnesota Statutes 2014, section 356.401, subdivision 3, is amended to read:

Subd. 3. **Covered retirement plans.** The provisions of this section apply to the following retirement plans:

(1) the legislators retirement plan, established by chapter 3A, including constitutional officers as specified in that chapter;

(2) the general state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;

(3) the correctional state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;

(4) the State Patrol retirement plan, established by chapter 352B;

(5) the unclassified state employees retirement program, established by chapter 352D;

(6) the general employees retirement plan of the Public Employees Retirement Association, established by chapter 353, ~~including the MERF division of the Public Employees Retirement Association;~~

(7) the public employees police and fire plan of the Public Employees Retirement Association, established by chapter 353;

(8) the public employees defined contribution plan, established by chapter 353D;

(9) the local government correctional service retirement plan of the Public Employees Retirement Association, established by chapter 353E;

(10) the voluntary statewide lump-sum volunteer firefighter retirement plan, established by chapter 353G;

(11) the Teachers Retirement Association, established by chapter 354;

(12) the St. Paul Teachers Retirement Fund Association, established by chapter 354A;

(13) the individual retirement account plan, established by chapter 354B;

(14) the higher education supplemental retirement plan, established by chapter 354C; and

(15) the judges retirement fund, established by chapter 490.

Sec. 24. Minnesota Statutes 2014, section 356.407, subdivision 2, is amended to read:

Subd. 2. **Covered funds.** The provisions of this section apply to the following retirement funds:

(1) the general employees retirement plan of the Public Employees Retirement Association established under chapter 353, ~~including the MERF division of the Public Employees Retirement Association;~~

(2) the public employees police and fire plan of the Public Employees Retirement Association established under chapter 353;

(3) the State Patrol retirement plan established under chapter 352B;

(4) the legislators retirement plan established under chapter 3A;

(5) the elective state officers retirement plan established under chapter 352C; and

(6) the Teachers Retirement Association established under chapter 354.

Sec. 25. Minnesota Statutes 2014, section 356.415, subdivision 2, is amended to read:

Subd. 2. **Covered retirement plans.** The provisions of this section apply to the following retirement plans:

(1) the legislators retirement plan established under chapter 3A, including constitutional officers as specified in that chapter;

(2) the correctional state employees retirement plan of the Minnesota State Retirement System established under chapter 352;

(3) the general state employees retirement plan of the Minnesota State Retirement System established under chapter 352;

(4) the State Patrol retirement plan established under chapter 352B;

(5) the general employees retirement plan of the Public Employees Retirement Association established under chapter 353, ~~including the MERF division of the Public Employees Retirement Association;~~

(6) the public employees police and fire retirement plan of the Public Employees Retirement Association established under chapter 353;

(7) the local government correctional employees retirement plan of the Public Employees Retirement Association established under chapter 353E;

(8) the teachers retirement plan established under chapter 354; and

(9) the judges retirement plan established under chapter 490.

Sec. 26. Minnesota Statutes 2014, section 356.461, subdivision 2, is amended to read:

Subd. 2. **Covered plans.** This section applies to the following retirement plans:

(1) the legislators retirement plan, established under chapter 3A, including constitutional officers as specified in that chapter;

(2) the correctional state employees retirement plan of the Minnesota State Retirement System, established under chapter 352;

(3) the general state employees retirement plan of the Minnesota State Retirement System, established under chapter 352;

(4) the State Patrol retirement plan, established under chapter 352B;

(5) the unclassified state employees retirement program of the Minnesota State Retirement System, established under chapter 352D;

(6) the judges retirement plan, established under chapter 490;

(7) the general employees retirement plan of the Public Employees Retirement Association, established under chapter 353, ~~including the MERF division of the Public Employees Retirement Association;~~

(8) the public employees police and fire retirement plan of the Public Employees Retirement Association, established under chapter 353;

(9) the local government correctional service retirement plan of the Public Employees Retirement Association, established under chapter 353E; and

(10) the Teachers Retirement Association, established under chapter 354.

Sec. 27. Minnesota Statutes 2014, section 356.465, subdivision 3, is amended to read:

Subd. 3. **Covered retirement plans.** The provisions of this section apply to the following retirement plans:

(1) the general state employees retirement plan of the Minnesota State Retirement System established under chapter 352;

(2) the correctional state employees retirement plan of the Minnesota State Retirement System established under chapter 352;

(3) the State Patrol retirement plan established under chapter 352B;

(4) the legislators retirement plan established under chapter 3A;

(5) the judges retirement plan established under chapter 490;

(6) the general employees retirement plan of the Public Employees Retirement Association established under chapter 353, ~~including the MERF division of the Public Employees Retirement Association;~~

(7) the public employees police and fire plan of the Public Employees Retirement Association established under chapter 353;

(8) the teachers retirement plan established under chapter 354;

(9) the St. Paul Teachers Retirement Fund Association established under chapter 354A; and

(10) the local government correctional service retirement plan of the Public Employees Retirement Association established under chapter 353E.

Sec. 28. Minnesota Statutes 2014, section 480.181, subdivision 2, is amended to read:

Subd. 2. **Election to retain insurance and benefits; retirement.** (a) Before a person is transferred to state employment under this section, the person may elect to do either or both of the following:

(1) keep life insurance; hospital, medical, and dental insurance; and vacation and sick leave benefits and accumulated time provided by the county instead of receiving benefits from the state under the judicial branch personnel rules; or

(2) remain a member of the general employees retirement plan of the Public Employees Retirement Association ~~or the MERF division of the Public Employees Retirement Association~~ instead of joining the Minnesota State Retirement System.

Employees who make an election under clause (1) remain on the county payroll, but the state shall reimburse the county on a quarterly basis for the salary and cost of the benefits provided by the county. The state shall make the employer contribution on behalf of employees who make an election under clause (2) to the general employees retirement plan of the Public Employees Retirement Association or the employer contribution under section ~~353.50~~ 353.27, subdivision ~~7~~ 3c, paragraphs (c) and (d), to the ~~MERF division~~ general employees retirement fund of the Public Employees Retirement Association ~~on behalf of employees who make an election under clause (2) for any employees who were members of the former Minneapolis Employees Retirement Fund on June 24, 2010.~~

(b) An employee who makes an election under paragraph (a), clause (1), may revoke the election, once, at any time, but if the employee revokes the election, the employee cannot make another election. An employee who makes an election under paragraph (a), clause (2), may revoke the election at any time within six months after the person becomes a state employee. Once an employee revokes this election, the employee cannot make another election.

(c) The Supreme Court, after consultation with the Judicial Council, the commissioner of management and budget, and the executive directors of the Public Employees Retirement Association and the Minnesota State Retirement Association shall adopt procedures for making elections under this section.

(d) The Supreme Court shall notify all affected employees of the options available under this section. The executive directors of the Public Employees Retirement Association and the Minnesota State Retirement System shall provide counseling to affected employees on the effect of making an election to remain a member of the Public Employees Retirement Association.

Sec. 29. **MERF DIVISION MERGER INTO PERA-GENERAL.**

The MERF division and division account are merged into the general employees retirement plan and fund of the Public Employees Retirement Association as provided under Minnesota Statutes 2014, section 353.50, subdivision 9, and no longer exist as a component part of the association or of the general employees retirement plan. The general employees retirement plan of the Public Employees Retirement Association is the successor in interest of the former Minneapolis Employees Retirement Fund under Minnesota Statutes 2014, section 353.50, subdivision 5. The beneficial title for the assets of the former MERF division account is combined with the beneficial title for the assets of the general employees retirement plan and is vested undivided in the benefit recipients of the general employees retirement plan. The liabilities of the general employees retirement fund include the liabilities under Minnesota Statutes 2014, section 353.50, subdivision 6.

Sec. 30. **REPEALER.**

Minnesota Statutes 2014, sections 353.01, subdivision 49; 353.27, subdivision 1a; 353.50, subdivisions 1, 2, 3, 4, 5, 7, 8, 9, 10; and 354.71, are repealed.

Sec. 31. **EFFECTIVE DATE.**

Unless otherwise specified, this article is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to retirement; modifying actuarial assumptions; modifying postretirement adjustment triggers; modifying contribution stabilizers; amending police and firefighter retirement state supplemental aid; creating a monthly benefit division of the statewide volunteer firefighter retirement plan; adopting recommendations of the volunteer firefighter relief association working group; modifying local firefighter relief associations; making small group retirement changes; making administrative changes to the Minnesota State Retirement System, Teachers

Retirement Association, and Public Employees Retirement Association; making technical and conforming changes; merging the Minneapolis Employees Retirement Fund Division into PERA-General; requiring a state financial contribution to fund the merger; permanently extending supplemental fire state aid to volunteer firefighter relief associations; amending Minnesota Statutes 2014, sections 3A.03, subdivision 2; 11A.17, subdivision 2; 69.051, subdivision 1a; 69.80; 256D.21; 352.01, subdivisions 2a, 11, 13a, 15; 352.017, subdivision 2; 352.021, subdivisions 1, 3, 4; 352.029, subdivision 2; 352.04, subdivisions 8, 9; 352.045; 352.22, subdivisions 8, 10; 352.23; 352.27; 352.75, subdivision 2; 352.87, subdivision 8; 352.91, subdivision 3e; 352.955, subdivision 3; 352B.011, subdivision 3; 352B.013, subdivision 2; 352B.07; 352B.085; 352B.086; 352B.10, subdivision 5; 352B.105; 352B.11, subdivision 4; 352B.25; 352D.02, subdivision 1; 352D.05, subdivision 4; 352D.11, subdivision 2; 352D.12; 353.01, subdivisions 2a, 2b, 6, 10, 11a, 16, 17, 28, 36, 48; 353.0161, subdivision 2, by adding a subdivision; 353.0162; 353.017, subdivision 2; 353.03, subdivision 3; 353.031, subdivisions 5, 10; 353.05; 353.06; 353.27, subdivisions 1, 3b, 7a, 10, 12, 12a, by adding a subdivision; 353.28, subdivision 5; 353.29, subdivision 7; 353.33, subdivisions 6, 13; 353.34, subdivision 1; 353.35, subdivision 1; 353.37, subdivision 1; 353.46, subdivisions 2, 6; 353.50, subdivision 6; 353.505; 353.64, subdivisions 7a, 8, 9, 10; 353.656, subdivisions 1a, 1b, 2, 4, 5a; 353D.03, subdivision 3; 353D.071, subdivision 2; 353E.06, subdivisions 5, 6; 353F.01; 353F.02, subdivisions 3, 5a; 353F.04, subdivision 2; 353F.051, subdivisions 1, 2, 3; 353G.01, subdivisions 6, 7, 11, 12, by adding subdivisions; 353G.02; 353G.03; 353G.04; 353G.05; 353G.06; 353G.07; 353G.08; 353G.09; 353G.10; 353G.11; 353G.115; 353G.12, subdivision 2, by adding a subdivision; 353G.13; 353G.14; 353G.15; 353G.16; 354.05, subdivisions 10, 13, 25; 354.07, subdivision 5; 354.092, subdivision 4; 354.42, subdivisions 1a, 4b, 4d; 354.44, subdivisions 8, 9; 354.445; 354.45, subdivision 1a; 354.48, subdivision 3; 354.51, subdivisions 1, 5; 354.52, subdivision 4c; 354.55, subdivision 10; 354.72, subdivision 2; 354A.011, subdivision 6; 354A.092; 354A.093, subdivision 6; 354A.096; 354A.108; 354A.12, subdivision 3c; 354A.29, subdivisions 7, 8, 9; 354A.31, subdivision 7; 354A.38, subdivision 3; 355.01, subdivision 3j; 355.07; 356.195, subdivision 2; 356.214, subdivision 1; 356.215, subdivisions 1, 8, 11, 18; 356.245; 356.30, subdivision 3; 356.302, subdivision 7; 356.303, subdivision 4; 356.32, subdivisions 1, 2; 356.40; 356.401, subdivision 3; 356.407, subdivisions 1, 2; 356.415, subdivisions 1, 1a, 1c, 1d, 1e, 1f, 2; 356.431; 356.44; 356.461, subdivision 2; 356.465, subdivision 3; 356.50, subdivision 2; 356.551, subdivision 2; 356.62; 356.635, subdivision 9, by adding a subdivision; 356B.10, subdivisions 2, 3, 4, 5, 6, 7; 423A.02, subdivision 1b; 423A.022, subdivision 5; 424A.001, subdivision 10, by adding a subdivision; 424A.002, subdivision 1; 424A.016, subdivision 4; 424A.02, subdivisions 3, 3a, 9a; 424A.05, subdivisions 2, 3; 424A.092, subdivisions 3, 6; 424A.093, subdivisions 5, 6; 480.181, subdivision 2; 490.121, subdivision 4; 490.1211; 490.124, subdivision 12; proposing coding for new law in Minnesota Statutes, chapter 353G; repealing Minnesota Statutes 2014, sections 352.271; 352.75, subdivisions 1, 3, 4, 5, 6; 352.76; 352.91, subdivisions 3a, 3b; 352B.29; 353.01, subdivision 49; 353.025; 353.27, subdivision 1a; 353.50, subdivisions 1, 2, 3, 4, 5, 7, 8, 9, 10; 353.83; 353.84; 353.85; 353D.03, subdivision 4; 354.146, subdivisions 1, 3; 354.33, subdivisions 5, 6; 354.39; 354.55, subdivisions 13, 16, 19; 354.58; 354.71; 354A.35, subdivision 2a; 354A.42; 356.405; 356.49, subdivision 2; 424A.03, subdivision 3."

With the recommendation that when so amended the bill be re-referred to the Committee on Rules and Legislative Administration.

The report was adopted.

Sanders from the Committee on Government Operations and Elections Policy to which was referred:

H. F. No. 2054, A bill for an act relating to clean water; modifying membership of the Clean Water Council; amending Minnesota Statutes 2014, section 114D.30, subdivision 2.

Reported the same back with the recommendation that the bill be placed on the General Register.

The report was adopted.

Pursuant to Joint Rule 2.03 and in accordance with Senate Concurrent Resolution No. 4, H. F. No. 2054 was re-referred to the Committee on Rules and Legislative Administration.

Sanders from the Committee on Government Operations and Elections Policy to which was referred:

H. F. No. 2215, A bill for an act relating to natural resources; requiring identification of high priority areas for wetland replacement; amending Minnesota Statutes 2014, section 103B.3355.

Reported the same back with the recommendation that the bill be placed on the General Register.

The report was adopted.

Pursuant to Joint Rule 2.03 and in accordance with Senate Concurrent Resolution No. 4, H. F. No. 2215 was re-referred to the Committee on Rules and Legislative Administration.

Sanders from the Committee on Government Operations and Elections Policy to which was referred:

H. F. No. 2235, A bill for an act relating to workers' compensation; adopting recommendations of the workers' compensation advisory council regarding inpatient hospital payments; authorizing rulemaking; requiring a report; amending Minnesota Statutes 2014, section 176.136, subdivision 1b; proposing coding for new law in Minnesota Statutes, chapter 176.

Reported the same back with the recommendation that the bill be placed on the General Register.

The report was adopted.

Pursuant to Joint Rule 2.03 and in accordance with Senate Concurrent Resolution No. 4, H. F. No. 2235 was re-referred to the Committee on Rules and Legislative Administration.

Sanders from the Committee on Government Operations and Elections Policy to which was referred:

H. F. No. 2236, A bill for an act relating to the Metropolitan Council; providing for metropolitan county commissioners to serve as members of the Metropolitan Council; modifying the vote required to approve Metropolitan Council policies, plans, and budgets; modifying the Metropolitan Land Planning Act to eliminate authority of the Metropolitan Council to require local comprehensive plan amendments in response to council policies, plans, and system statements; establishing a blue ribbon commission to study and make recommendations on metropolitan governance; appropriating money; amending Minnesota Statutes 2014, sections 473.123, subdivisions 1, 4, by adding subdivisions; 473.145; 473.175, subdivisions 1, 2; 473.851; 473.856; 473.858, subdivision 1; 473.859, subdivisions 3, 4; 473.864, subdivision 2; 473.865, subdivision 2; 473.87; repealing Minnesota Statutes 2014, sections 473.123, subdivisions 2a, 3, 3a, 3e; 473.175, subdivision 3; 473.857; 473.864, subdivision 1; 473.866; Laws 1994, chapter 628, article 1, section 8.

Reported the same back with the following amendments:

Page 4, line 9, strike "assure conformance" and insert "conform"

Page 4, line 10, after the period, insert "Within 120 days following receipt of the council's comments and resolution, the local government unit shall notify the council whether the local government unit will amend its local comprehensive plan."

Page 4, after line 20, insert:

"Sec. 9. Minnesota Statutes 2014, section 473.206, is amended to read:

473.206 LOCAL ORDINANCES.

Each county, city or town in the metropolitan area shall be provided with standards, criteria and suggested model ordinances and may, after review and comment by the Metropolitan Council, adopt ordinances which provide for the protection of the resources that are the subject of the standards, criteria, and model ordinances. The council shall not require any changes or amendments to the ordinances submitted unless specifically authorized by law."

Page 5, line 12, strike "determines necessary for" and insert "recommends" and strike "to"

Page 10, delete lines 25 to 31

Page 10, line 32, delete "8" and insert "6"

Page 11, line 4, delete "18" and insert "19"

Page 11, line 10, delete "16 and 18" and insert "17 and 19"

Page 11, line 11, delete "16" and insert "17"

Page 11, line 14, delete "17" and insert "18"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 9, delete "appropriating money;"

Correct the title numbers accordingly

With the recommendation that when so amended the bill be placed on the General Register.

The report was adopted.

Pursuant to Joint Rule 2.03 and in accordance with Senate Concurrent Resolution No. 4, H. F. No. 2236 was re-referred to the Committee on Rules and Legislative Administration.

SECOND READING OF HOUSE BILLS

H. F. No. 844 was read for the second time.

SECOND READING OF SENATE BILLS

S. F. Nos. 5, 100, 495, 997, 1406, 1455 and 1535 were read for the second time.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House Files were introduced:

Baker; Anderson, P.; Miller; Swedzinski; Backer; Lueck; Johnson, B.; Schomacker; Nornes; Kiel and Hamilton introduced:

H. F. No. 2261, A bill for an act relating to capital investment; appropriating money for the Minnesota Poultry Testing Laboratory in Willmar; authorizing the sale and issuance of state bonds.

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

Bly introduced:

H. F. No. 2262, A bill for an act relating to agriculture; temporarily lifting the monetary mediation threshold for poultry producers directly affected by avian influenza.

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

Bly introduced:

H. F. No. 2263, A bill for an act relating to agriculture; appropriating money to the farm advocates program and the farmer assistance network for assistance to turkey producers directly affected by avian influenza.

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

Sundin introduced:

H. F. No. 2264, A bill for an act relating to higher education; modifying the process for electing members of the Board of Regents of the University of Minnesota; providing for recommendations by congressional district legislative delegation; requiring ranked choice voting at the joint convention to elect regents; amending Minnesota Statutes 2014, sections 137.0245, subdivisions 1, 4; 137.0246, subdivision 2, by adding subdivisions.

The bill was read for the first time and referred to the Committee on Higher Education Policy and Finance.

Murphy, M.; Simonson and Schultz introduced:

H. F. No. 2265, A bill for an act relating to capital investment; appropriating money for airport improvements in Duluth; authorizing the sale and issuance of state bonds.

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

Murphy, M.; Simonson and Schultz introduced:

H. F. No. 2266, A bill for an act relating to capital investment; appropriating money for construction of an amphitheater at the Lake Superior Zoo in Duluth; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance.

Loonan introduced:

H. F. No. 2267, A bill for an act relating to insurance; limiting certain remedies of uninsured motorists; amending Minnesota Statutes 2014, section 65B.51, subdivision 3.

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform.

Gruenhagen introduced:

H. F. No. 2268, A bill for an act relating to capital investment; appropriating money for replacement of the Lake Titlow Dam; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Environment and Natural Resources Policy and Finance.

Thissen 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 Speaker pro tempore Davids.

MESSAGES FROM THE SENATE

The following message was received from the Senate:

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate File, herewith transmitted:

S. F. No. 2101.

JOANNE M. ZOFF, Secretary of the Senate

FIRST READING OF SENATE BILLS

S. F. No. 2101, A bill for an act relating to state government; appropriating money for agriculture, environment, natural resources, jobs, and economic development; providing for animal health and agricultural utilization research; making policy and technical changes to various agricultural related provisions, including provisions related to pesticide control, plant protection, nursery law, seeds, and loans; modifying license exclusions for the direct sale of certain prepared food; establishing the Agriculture Research, Education, Extension, and Technology Transfer Board; establishing the Industrial Hemp Development Act; providing for incentive payments and grants; modifying

disposition of certain revenue; providing for pilot programs; establishing the farm opportunity loan program; modifying fee provisions; creating accounts; modifying recreational vehicle provisions; modifying aquatic invasive species provisions; modifying state park and trail provisions; modifying timber and land sale provisions; modifying provisions for reclamation of lands; modifying game and fish laws; modifying the Water Law; regulating water quality standards; regulating chemicals of high concern in children's products; modifying solid waste provisions; making policy changes to labor and industry, employment and economic development, Iron Range resources, and the Bureau of Mediation Services; requiring studies and reports; requiring rulemaking; amending Minnesota Statutes 2014, sections 13.43, subdivision 6; 13.643, subdivision 1; 13.7411, subdivision 8; 16C.144, by adding subdivisions; 18B.01, subdivisions 28, 29; 18B.32, subdivision 1; 18B.33, subdivision 1; 18B.34, subdivision 1; 18G.10, subdivisions 3, 4; 18H.02, subdivision 20, by adding subdivisions; 18H.06, subdivision 2; 18J.01; 18J.02; 18J.03; 18J.04, subdivisions 1, 2, 3, 4; 18J.05, subdivisions 1, 2, 6; 18J.06; 18J.07, subdivisions 3, 4, 5; 18J.09; 18J.11, subdivision 1, by adding a subdivision; 21.81, by adding subdivisions; 21.82, subdivisions 2, 4; 21.85, subdivision 2, by adding a subdivision; 21.89, subdivision 2; 41B.03, subdivision 6, by adding a subdivision; 41B.04, subdivision 17; 41B.043, subdivision 3; 41B.045, subdivisions 3, 4; 41B.046, subdivision 5; 41B.047, subdivisions 1, 4; 41B.048, subdivision 6; 41B.049, subdivision 4; 41B.055, subdivision 3; 41B.056, subdivision 2; 41B.06; 45.0135, by adding a subdivision; 60D.215, subdivision 2; 65B.44, by adding a subdivision; 72B.092, subdivision 1; 80A.84; 84.415, subdivision 7; 84.82, subdivisions 2a, 6; 84.92, subdivisions 8, 9, 10; 84.922, subdivision 5; 84D.01, by adding a subdivision; 84D.13, subdivision 5; 84D.15, subdivision 3; 85.015, by adding a subdivision; 85.055, subdivision 1; 85.32, subdivision 1; 86B.401, subdivision 3; 87A.10; 88.6435, subdivision 4; 90.14; 90.193; 93.20, subdivision 18; 94.16, subdivision 3; 97A.055, subdivision 4b; 97B.301, by adding a subdivision; 97C.301, by adding a subdivision; 103B.101, by adding a subdivision; 103B.3355; 103F.612, subdivision 2; 103G.005, by adding a subdivision; 103G.222, subdivisions 1, 3; 103G.2242, subdivisions 1, 2, 3, 4, 12, 14, 15; 103G.2251; 115A.1415, subdivision 16; 115A.557, subdivision 2; 115C.09, subdivision 1; 116.07, subdivision 4d; 116.9401; 116.9402; 116.9403; 116.9405; 116.9406; 116J.394; 116J.8738, subdivision 3, by adding a subdivision; 116L.05, subdivision 5; 116L.17, subdivision 4; 123B.53, subdivision 1; 179A.041, by adding subdivisions; 216B.1694, subdivision 3; 216B.62, subdivision 3b; 268.035, subdivisions 6, 21b, 26, 30; 268.051, subdivision 7; 268.07, subdivisions 2, 3b; 268.085, subdivisions 1, 2; 268.095, subdivisions 1, 10; 268.105, subdivisions 3, 7; 268.136, subdivision 1; 268.194, subdivision 1; 298.018, subdivision 1; 298.22, subdivisions 1, 3, 4, 5, 6, 10, 11; 298.221; 298.2211, subdivision 3; 298.222; 298.223; 298.225, subdivision 2; 298.227; 298.28, subdivisions 4, 9a, 9d, 11, 15; 298.292, subdivision 2; 298.293; 298.2961, subdivision 3; 299F.01, by adding a subdivision; 326B.092, subdivision 7; 326B.096; 326B.106, subdivision 1, by adding a subdivision; 326B.13, subdivision 8; 326B.986, subdivisions 5, 8; 332.31, subdivisions 3, 6; 341.321; 375.30, subdivision 2; Laws 1994, chapter 493, section 1; Laws 2014, chapter 308, article 6, section 14, subdivision 5; Laws 2014, chapter 312, article 2, section 14; proposing coding for new law in Minnesota Statutes, chapters 13; 17; 28A; 41A; 41B; 65B; 80A; 84; 84D; 92; 103B; 103F; 116; 116J; 116L; 116U; 179; 268A; proposing coding for new law as Minnesota Statutes, chapter 18K; repealing Minnesota Statutes 2014, sections 17.115; 28A.15, subdivisions 9, 10; 41A.12, subdivision 4; 84.68; 86B.13, subdivisions 2, 4; 298.298; Laws 2010, chapter 215, article 3, section 3, subdivision 6, as amended.

The bill was read for the first time.

Garofalo moved that S. F. No. 2101 and H. F. No. 105, now on the General Register, be referred to the Chief Clerk for comparison. The motion prevailed.

MOTIONS AND RESOLUTIONS

Wagenius moved that the name of Newton be added as an author on H. F. No. 411. The motion prevailed.

Fischer moved that the name of Dean, M., be added as an author on H. F. No. 1110. The motion prevailed.

McDonald moved that the name of Ward be added as an author on H. F. No. 1609. The motion prevailed.

Atkins moved that the name of Laine be added as an author on H. F. No. 1654. The motion prevailed.

Vogel moved that the name of Lien be added as an author on H. F. No. 2142. The motion prevailed.

Hilstrom moved that the names of Fischer, Schultz and Carlson be added as authors on H. F. No. 2228. The motion prevailed.

Albright moved that the name of Uglem be added as an author on H. F. No. 2236. The motion prevailed.

Anderson, M., moved that the name of Lucero be added as an author on H. F. No. 2256. The motion prevailed.

Anderson, M., moved that the name of Lucero be added as an author on H. F. No. 2258. The motion prevailed.

Anderson, M., moved that the name of Lucero be added as an author on H. F. No. 2259. The motion prevailed.

Lien moved that the name of Kiel be added as an author on H. F. No. 2260. The motion prevailed.

Thissen moved that H. F. No. 718 be stricken from the Calendar for the Day for Saturday, April 25, 2015.

A roll call was requested and properly seconded.

The question was taken on the Thissen motion and the roll was called. There were 59 yeas and 69 nays as follows:

Those who voted in the affirmative were:

Allen	Dehn, R.	Isaacson	Loeffler	Nelson	Simonson
Anzelc	Dill	Johnson, C.	Mahoney	Newton	Slocum
Applebaum	Erhardt	Johnson, S.	Mariani	Norton	Sundin
Atkins	Fischer	Kahn	Marquart	Pelowski	Thissen
Bernardy	Freiberg	Laine	Masin	Pinto	Wagenius
Bly	Hansen	Lenczewski	Metsa	Poppe	Ward
Carlson	Hausman	Lesch	Moran	Rosenthal	Winkler
Clark	Hilstrom	Liebling	Mullery	Schoen	Yarusso
Considine	Hornstein	Lien	Murphy, E.	Schultz	Youakim
Davnie	Hortman	Lillie	Murphy, M.	Selcer	

Those who voted in the negative were:

Albright	Dettmer	Heintzeman	Loonan	Peppin	Swedzinski
Anderson, M.	Drazkowski	Hertaus	Lucero	Petersburg	Theis
Anderson, P.	Erickson	Hoppe	Lueck	Peterson	Torkelson
Anderson, S.	Fabian	Howe	Mack	Pierson	Uglem
Backer	Fenton	Johnson, B.	McDonald	Pugh	Urdahl
Baker	Franson	Kelly	McNamara	Quam	Vogel
Barrett	Green	Kiel	Miller	Rarick	Whelan
Christensen	Gruenhagen	Knoblach	Nash	Runbeck	Wills
Cornish	Gunther	Koznick	Newberger	Sanders	Zerwas
Daniels	Hackbarth	Kresha	Nornes	Schomacker	
Davids	Hamilton	Lohmer	O'Driscoll	Scott	
Dean, M.	Hancock	Loon	O'Neill	Smith	

The motion did not prevail.

ADJOURNMENT

Peppin moved that when the House adjourns today it adjourn until 10:00 a.m., Friday, April 24, 2015. The motion prevailed.

Peppin moved that the House adjourn. The motion prevailed, and Speaker pro tempore Davids declared the House stands adjourned until 10:00 a.m., Friday, April 24, 2015.

PATRICK D. MURPHY, Chief Clerk, House of Representatives

