STATE OF MINNESOTA

NINETIETH SESSION — 2017

THIRTY-FOURTH DAY

SAINT PAUL, MINNESOTA, MONDAY, MARCH 27, 2017

The House of Representatives convened at 11:00 a.m. and was called to order by Tony Albright, Speaker pro tempore.

Prayer was offered by Dr. Randall Berg, Calvary Christian 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
Anderson, P.
Anderson, S.
Applebaum
Bahr, C.
Baker
Barr, R.
Becker-Finn
Bennett
Bernardy
Bliss
Bly
Carlson, L.
Christensen
Cornish
Daniels
Davids
Davnie
Dean, M.
Dehn, R.
Dettmer
Drazkowski
Ecklund
Erickson
Fabian
Fenton
Fischer
Flanagan
Franke
Franson
Freiberg
Garofalo
Green
Grossell
Gruenhagen
Gunther
Haley
Halverson
Hamilton
Hansen
Hausman
Heintzeman
Hertaus
Hilstrom
Hoppe
Hornstein
Hortman
Howe
Jessup
Johnson, B.
Johnson, C.
Johnson, S.
Jurgens
Kiel
Knoblach
Koegel
Koznick
Kunesh-Podein
Layman
Lee
Liebling
Lien
Lillie
Loeffler
Lohmer
Loon
Loonan
Lucero
Lueck
Mahoney
Marquart
Masin
Maye Quade
McDonald
Metsa
Miller
Moran
Murphy, E.
Murphy, M.
Nash
Nelson
Neu
Newberger
Nornes
Olson
O'Neill
Pelowski
Peppin
Petersburg
Peterson
Pierson
Poston
Pryor
Pugh
Quam
Rarick
Runbeck
Sandstede
Sauke
Schomacker
Schultz
Slocum
Smith
Sundin
Theis
Torkelson
Uglem
Urdahl
Vogel
Wagenius
Ward
West
Whelan
Wills
Youakim

A quorum was present.

Allen; Anselmo; Backer; Carlson, A.; Clark; Considine; Daudt; Kresha; Lesch; Mariani; O'Driscoll; Omar; Pinto; Poppe; Rosenthal; Scott; Swedzinski; Thissen and Zerwas were excused.

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 STANDING COMMITTEES AND DIVISIONS

Davids from the Committee on Taxes to which was referred:

H. F. No. 4, A bill for an act relating to taxation; providing a school building bond agricultural property tax credit; modifying the state general levy; providing income tax subtractions for Social Security benefits and contributions to section 529 college savings plans; providing income tax credits for section 529 college savings plans and student loan payments; appropriating money; amending Minnesota Statutes 2016, sections 127A.45, subdivisions 10, 13; 273.1392; 273.1393; 275.025, subdivisions 1, 2, 4; 275.065, subdivision 3; 275.07, subdivision 2; 275.08, subdivision 1b; 276.04, subdivision 2; 290.0132, by adding subdivisions; 290.091, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 273; 290.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1
INDIVIDUAL INCOME, CORPORATE, FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2016, section 13.4967, is amended by adding a subdivision to read:

Subd. 9. **Minnesota housing credit.** Data related to Minnesota housing tax credit certifications and allocations are classified in section 462A.39.

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

Sec. 2. **[41B.0391] BEGINNING FARMER PROGRAM; TAX CREDITS.**

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

(b) "Agricultural assets" means agricultural land, livestock, facilities, buildings, and machinery used for farming in Minnesota.

(c) "Beginning farmer" means a resident of Minnesota who:

(1) is seeking entry, or has entered within the last ten years, into farming;

(2) intends to farm land located within the state borders of Minnesota;

(3) is not and whose spouse is not a family member of the owner of the agricultural assets from whom the beginning farmer is seeking to purchase or rent agricultural assets;

(4) is not and whose spouse is not a family member of a partner, member, shareholder, or trustee of the owner of agricultural assets from whom the beginning farmer is seeking to purchase or rent agricultural assets; and

(5) meets the following eligibility requirements as determined by the authority:

(i) has a net worth that does not exceed the limit provided under section 41B.03, subdivision 3, paragraph (a), clause (2);

(ii) provides the majority of the day-to-day physical labor and management of the farm;

(iii) has, by the judgment of the authority, adequate farming experience or demonstrates knowledge in the type of farming for which the beginning farmer seeks assistance from the authority;

(iv) demonstrates to the authority a profit potential by submitting projected earnings statements;

(v) asserts to the satisfaction of the authority that farming will be a significant source of income for the beginning farmer;

(vi) participates in a financial management program approved by the authority or the commissioner of agriculture; and

(vii) has other qualifications as specified by the authority.

(d) "Family member" means a family member within the meaning of the Internal Revenue Code, section 267(c)(4).

(e) "Farm product" means plants and animals useful to humans and includes, but is not limited to, forage and sod crops, oilseeds, grain and feed crops, dairy and dairy products, poultry and poultry products, livestock, fruits, and vegetables.

(f) "Farming" means the active use, management, and operation of real and personal property for the production of a farm product.

(g) "Owner of agricultural assets" means an individual, trust, or pass-through entity that is the owner in fee of agricultural land or has legal title to any other agricultural asset. Owner of agricultural assets does not mean an equipment dealer, livestock dealer defined in section 17A.03, subdivision 7, or comparable entity that is engaged in the business of selling agricultural assets for profit and that is not engaged in farming as its primary business activity.

(h) "Share rent agreement" means a rental agreement in which the principal consideration given to the owner of agricultural assets is a predetermined portion of the production of farm products produced from the rented agricultural assets and which provides for sharing production costs or risk of loss, or both.

Subd. 2. **Tax credit for owners of agricultural assets.** (a) An owner of agricultural assets may take a credit against the tax due under chapter 290 for the sale or rental of agricultural assets to a beginning farmer. An owner of agricultural assets may take a credit equal to:

(1) five percent of the sale price of the agricultural asset;

(2) ten percent of the gross rental income in each of the first, second, and third years of a rental agreement; or

(3) 15 percent of the cash equivalent of the gross rental income in each of the first, second, and third years of a share rent agreement.

(b) A qualifying rental agreement includes cash rent of agricultural assets or a share rent agreement. The agricultural asset must be rented at prevailing community rates as determined by the authority. The credit may be claimed only after approval and certification by the authority.

(c) An owner of agricultural assets or beginning farmer may terminate a rental agreement, including a share rent agreement, for reasonable cause upon approval of the authority. If a rental agreement is terminated without the fault of the owner of agricultural assets, the tax credits shall not be retroactively disallowed. If an agreement is terminated with fault by the owner of agricultural assets, any prior tax credits claimed under this subdivision by the owner of agricultural assets shall be disallowed and must be repaid to the commissioner of revenue.

(d) The credit is limited to the liability for tax as computed under chapter 290 for the taxable year. If the amount of the credit determined under this section for any taxable year exceeds this limitation, the excess is a beginning farmer incentive credit carryover according to section 290.06, subdivision 37.

Subd. 3. **Beginning farmer management tax credit.** (a) A beginning farmer may take a credit against the tax due under chapter 290 for participating in a financial management program approved by the authority. The credit is equal to 100 percent of the cost of participating in the program. The credit is available for up to three years while the farmer is in the program. The authority shall maintain a list of approved financial management programs and establish a procedure for approving equivalent programs that are not on the list.

(b) The credit is limited to the liability for tax as computed under chapter 290 for the taxable year. If the amount of the credit determined under this section for any taxable year exceeds this limitation, the excess is a beginning farmer management credit carryover according to section 290.06, subdivision 38.

Subd. 4. **Authority duties.** The authority shall:

(1) approve and certify beginning farmers as eligible for the program under this section;

(2) approve and certify owners of agricultural assets as eligible for the tax credit under subdivision 2;

(3) provide necessary and reasonable assistance and support to beginning farmers for qualification and participation in financial management programs approved by the authority; and

(4) refer beginning farmers to agencies and organizations that may provide additional pertinent information and assistance.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 3. Minnesota Statutes 2016, 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 for estates of decedents dying in 2015; $1,600,000 for estates of decedents dying in 2016; $1,800,000 for estates of decedents dying in 2017; and $2,000,000 for estates of decedents dying in 2018 and 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, 2016.

Sec. 4. Minnesota Statutes 2016, 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. A day does not qualify as a Minnesota day if the taxpayer traveled from a place outside of Minnesota primarily for and essential to obtaining medical care, as defined in Internal Revenue Code, section 213(d)(1)(A), in Minnesota for the taxpayer, spouse, or a dependent of the taxpayer and the travel expense is allowed under section 213(d)(1)(B) of the Internal Revenue Code, and is claimed by the taxpayer as a deductible expense. 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:

(i) an individual or business entity engaged in business as a certified financial planner, registered investment adviser, licensed insurance producer or agent, or registered securities broker-dealer representative; or

(ii) a financial institution providing services related to trust or estate administration, investment management, or financial planning; 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, 2016, except the amendment to paragraph (b) is effective for taxable years beginning after December 31, 2017.

Sec. 5. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision to read:

Subd. 14. **Equity and opportunity donations to qualified foundations.** The amount of the deduction under section 170 of the Internal Revenue Code that represents contributions to a qualified foundation under section 290.0693 is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 6. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision to read:

Subd. 15. **First-time home buyer savings account.** The amount for a first-time home buyer savings account required by section 462D.06, subdivision 2, is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 7. Minnesota Statutes 2016, section 290.0132, subdivision 4, is amended to read:

Subd. 4. **Education expenses.** (a) Subject to the limits in paragraph (b), the following amounts paid to others for ~~each qualifying child are a subtraction:~~ education-related expenses, as defined in section 290.0674, subdivision 1, less any amount used to claim the credit under section 290.0674, are a subtraction.

~~(1) education-related expenses; plus~~

~~(2) tuition and fees paid to attend a school described in section 290.0674, subdivision 1, clause (4), that are not included in education-related expenses; less~~

~~(3) any amount used to claim the credit under section 290.0674.~~

(b) The maximum subtraction allowed under this subdivision is:

(1) $1,625 for each qualifying child in a prekindergarten educational program or in kindergarten through grade 6; and

(2) $2,500 for each qualifying child in grades 7 through 12.

(c) The definitions in section 290.0674, subdivision 1, apply to this subdivision.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 8. Minnesota Statutes 2016, section 290.0132, subdivision 14, is amended to read:

Subd. 14. **Section 179 expensing.** ~~In each of the five taxable years immediately following the taxable year in which an addition is required under section 290.0131, subdivision 10, or 290.0133, subdivision 12, for a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under section 290.0131, subdivision 10, or 290.0133, subdivision 12, for 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 taxable year of the addition, is a subtraction. If the net operating loss exceeds the addition for the taxable year, a subtraction is not allowed under this subdivision.~~ The current year section 179 allowance under section 290.0804, subdivision 1, is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 9. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 23. **Contributions to 529 plan.** (a) The amount equal to the contributions made during the taxable year to one or more accounts in plans qualifying under section 529 of the Internal Revenue Code, reduced by any withdrawals from accounts during the taxable year, is a subtraction.

(b) The subtraction under this subdivision does not include amounts rolled over from other college savings plan accounts.

(c) The subtraction under this subdivision must not exceed $3,000 for married couples filing joint returns and $1,500 for all other filers, and is limited to individuals who do not claim the credit under section 290.0684.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 10. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 24. **Social Security benefits.** The amount of Social Security benefits, as provided in section 290.0803, is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 11. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 25. **Discharge of indebtedness; education loans.** (a) The amount equal to the discharge of indebtedness of the taxpayer is a subtraction if:

(1) the indebtedness discharged is a qualified education loan;

(2) the taxpayer incurred the indebtedness to pay for qualified higher education expenses related to attending a graduate degree program; and

(3) the indebtedness was discharged under section 136A.1791, or following the taxpayer's completion of an income-driven repayment plan.

(b) For the purposes of this subdivision, "qualified education loan" and "qualified higher education expenses" have the meanings given in section 221 of the Internal Revenue Code.

(c) For purposes of this subdivision, "income-driven repayment plan" means a payment plan established by the United States Department of Education that sets monthly student loan payments based on income and family size under United States Code, title 20, section 1087e, or similar authority and specifically includes, but is not limited to:

(1) the income-based repayment plan under United States Code, title 20, section 1098e;

(2) the income contingent repayment plan established under United States Code, title 20, section 1087e, subsection (e); and

(3) the PAYE program or REPAYE program established by the Department of Education under administrative regulations.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 12. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 26. **Carryover section 179 allowance.** The carryover section 179 allowance under section 290.0804, subdivision 2, is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 13. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 27. **First-time home buyer savings account.** (a) The amount for contributions to and earnings on a first-time home buyer savings account allowed by section 462D.06, subdivision 1, is a subtraction.

(b) The subtraction allowed under this subdivision for a taxable year is limited to $7,500, or $15,000 for married joint filers. For a taxpayer whose adjusted gross income, as defined in section 62 of the Internal Revenue Code, for the taxable year exceeds $125,000, or $250,000 for married joint filers, the maximum subtraction is reduced $1 for each $4 of adjusted gross income in excess of that threshold.

(c) The adjusted gross income thresholds under paragraph (b) are annually adjusted for inflation. Effective for taxable year 2018, the commissioner shall adjust the dollar amount of the income thresholds at which the maximum credit begins to be reduced under paragraph (b) by the percentage determined under section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2016" is substituted for the word "1992." For 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner under this subdivision is not a "rule" and is not subject to the Administrative Procedure Act in chapter 14. The threshold amount as adjusted must be rounded to the nearest $100 amount. If the amount ends in $50, the amount is rounded up to the nearest $100 amount.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 14. Minnesota Statutes 2016, section 290.0133, is amended by adding a subdivision to read:

Subd. 15. **Equity and opportunity donations to qualified foundations.** The amount of the deduction under section 170 of the Internal Revenue Code that represents contributions to a qualified foundation under section 290.0693 is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 15. **[290.016] CONFORMITY TO FEDERAL TAX EXTENDERS BY ADMINISTRATIVE ACTION.**

Subdivision 1. **Legislative purpose.** (a) The legislature intends this section to provide an ongoing mechanism for conforming the Minnesota individual income and corporate franchise taxes and the property tax refund and homestead credit refund programs to federal tax legislation enacted after the legislature has adjourned that extends existing provisions of federal law, if the provisions affect a taxable year that ends before the legislature is scheduled to reconvene in regular session. Congress has regularly enacted changes of that type that affect computation of Minnesota tax through its links to federal law. The federal changes consist mainly of extending provisions that reduce revenues and are scheduled to expire. Because Minnesota law is linked to federal law as of a specific date, taxpayers and the Department of Revenue must assume that Minnesota law does not include the effect of these federal changes even though the legislature regularly adopts most of the federal provisions retroactively in the next legislative session. This situation undermines compliance and administration of Minnesota taxes, causing delay, uncertainty, and added costs. This section provides an administrative mechanism to conform to most of these federal changes. The legislature's intent is to conform to the federal tax extenders, including minor modifications of them, and to set aside the necessary state budget resources to do so.

(b) By expressing its intent regarding specific federal provisions and indicating how to treat each federal extender provision, the legislature is exercising its legislative power and is not delegating to Congress or the commissioner the authority to determine Minnesota tax law. The legislature believes that this section is consistent with the Minnesota Supreme Court's ruling in the case of Wallace v. Commissioner of Taxation, 289 Minn. 220 (1971).

Subd. 2. **Federal tax conformity account established; transfer.** (a) A federal tax conformity account is established in the general fund. Money in the account is available for transfer to the general fund to offset the reduction in general fund revenues resulting from conforming Minnesota tax law to federal law under this section.

(b) $35,000,000 is transferred from the general fund to the federal tax conformity account, effective July 1, 2017.

(c) Each year, within ten days after receiving notice of the amount from the commissioner, the commissioner of management and budget shall transfer from the account to the general fund the amount the commissioner determines is required under subdivision 4.

Subd. 3. **Eligible federal tax preferences.** For purposes of this section and section 290.01, the term "eligible federal tax preferences" means any of the following items that are not in effect under the Internal Revenue Code for future taxable years beginning after December 31, 2016:

(1) discharge of qualified principal residence indebtedness under section 108(a)(1)(E) of the Internal Revenue Code;

(2) mortgage insurance premiums treated as qualified residence interest under section 163(h)(3)(E) of the Internal Revenue Code;

(3) qualified tuition and related expenses under section 222 of the Internal Revenue Code;

(4) reversion of the ten percent adjusted gross income threshold used in determining the itemized deductions of the expenses of medical care under section 213 of the Internal Revenue Code to 7.5 percent, without regard to whether the reversion applies to all individuals or is limited to individuals who have attained the age of 65;

(5) classification of certain race horses as three-year property under section 168(e)(3)(A)(i) and (ii) of the Internal Revenue Code;

(6) the seven-year recovery period for motorsports entertainment complexes under section 168(i)(15) of the Internal Revenue Code;

(7) the accelerated depreciation for business property on an Indian reservation under section 168(j) of the Internal Revenue Code;

(8) the election to expense mine safety equipment under section 179E of the Internal Revenue Code;

(9) the special expensing rules for certain film and television productions under section 181 of the Internal Revenue Code;

(10) the special allowance for second-generation biofuel plant property under section 168(l) of the Internal Revenue Code;

(11) the energy efficient commercial buildings deduction under section 179D of the Internal Revenue Code;

(12) the five-year recovery period for property described in section 168(e)(3)(B)(vi)(I) of the Internal Revenue Code and qualifying for an energy credit under section 48(a)(3)(A) of the Internal Revenue Code; and

(13) the amount of the additional section 179 allowance in an empowerment zone under section 1397A of the Internal Revenue Code.

Subd. 4. **Designation of qualifying federal conformity items.** (a) If, after final adjournment of a regular session of the legislature, Congress enacts a law that extends one or more of the eligible federal tax preferences to taxable years beginning during the calendar year in which the legislature adjourned, the commissioner shall prepare a list of qualifying federal conformity items and publish it on the Department of Revenue's Web site within 30 days following enactment of the law. In preparing the list, the commissioner shall estimate the change in revenue resulting from allowing the eligible federal tax preferences, including the effect of subdivision 6, for the current and succeeding fiscal year only. The commissioner shall not include an item on the list of qualifying federal conformity items if the commissioner estimates that its inclusion would reduce general fund revenues for the current and succeeding fiscal year by more than the balance in the federal tax conformity account.

(b) The commissioner shall consider the provisions of subdivision 6 as the first item to include on the list of qualifying conformity items. The commissioner shall apply the following priorities in determining which additional items to include:

(1) the effect of all eligible federal tax preferences on computation of federal adjusted gross income under this chapter and household income under chapter 290A, is the first priority;

(2) the effect of the federal law on computation of Minnesota tax credits is the second priority;

(3) the items in subdivision 3, clauses (5) to (13), in that order, are the third priority; and

(4) the items in subdivision 3, clauses (1) to (4), in that order, are the last priority.

(c) In determining whether to include an eligible federal tax preference on the list of qualifying federal conformity items, the commissioner may include items in which nonmaterial changes were made in the federal law extending allowance of the eligible federal tax preferences, compared to the provision that was in effect for the prior federal taxable year. For purposes of this determination, nonmaterial changes are limited to changes that are estimated to increase or decrease Minnesota tax revenues by no more than $1,000,000 for the affected eligible federal tax preference item for the taxable year.

(d) Within ten days after the commissioner's final determination of qualifying federal conformity items under this subdivision, the commissioner shall notify the commissioner of management and budget, in writing, of the amounts of the federal tax conformity account transfers under subdivision 2.

Subd. 5. **Provisions in effect.** (a) For purposes of determining tax and credits under this chapter, including the taxes under sections 290.091 and 290.0921, and household income under chapter 290A, qualifying federal conformity items and bonus depreciation rules under subdivision 6 apply for the designated taxable year and the provisions of this chapter apply as if the definition of the Internal Revenue Code under section 290.01, subdivision 31, included the amendments to the qualifying federal conformity items.

(b) The commissioner shall administer the taxes under this chapter and refunds under chapter 290A as if Minnesota had conformed to the federal definitions of net income, adjusted gross income, and tax credits that affect computation of Minnesota tax or refunds resulting from extension of the qualifying federal conformity items.

(c) For purposes of this subdivision and subdivision 6, "designated taxable year" means a taxable year that begins during a calendar year in which an eligible federal tax preference is enacted after the legislature adjourned its regular session and is effective for taxable years beginning during that calendar year.

Subd. 6. **Bonus depreciation; 80 percent rule applies.** If, following final adjournment of a regular session of the legislature, Congress enacts a law that extends application of the depreciation special allowances under section 168(k) of the Internal Revenue Code to taxable years beginning during the same calendar year, the allowance must be determined using the rules under sections 290.0131, subdivision 9, and 290.0133, subdivision 11, for the designated taxable year; and the rules under sections 290.0132, subdivision 9, and 290.0134, subdivision 13, for the five tax years immediately following the designated taxable year.

Subd. 7. **Forms preparation.** If the provisions of subdivisions 3 and 4 apply to a taxable year, the commissioner shall prepare forms and instructions that reflect the qualifying federal conformity items and bonus depreciation rules under subdivision 6, if applicable, for the taxable year consistent with the provisions of this section.

Subd. 8. **Draft legislation.** For a taxable year for which the commissioner publishes a list of qualifying federal conformity items under this section, the commissioner shall provide the chairs and ranking minority members of the legislative committees with jurisdiction over taxes with draft legislation that would conform Minnesota Statutes to the qualifying federal conformity items and any other conformity items that the commissioner recommends be adopted, including application to taxable years beyond those to which this section applies. The draft legislation is intended to make the statutes consistent with application of the designated qualifying federal conformity items under this section for the convenience of members of the public. Failure to pass the draft legislation does not affect computation of Minnesota tax liability for the affected taxable years under this section.

Subd. 9. **Administrative Procedure Act.** Designation of qualifying federal conformity items or any other action of the commissioner under this section is not a rule and is not subject to the Administrative Procedure Act under chapter 14, including section 14.386.

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

Sec. 16. Minnesota Statutes 2016, section 290.06, is amended by adding a subdivision to read:

Subd. 2g. **First-time home buyer savings account.** In addition to the tax computed under subdivision 2c, an additional amount of tax applies equal to the additional tax computed for the taxable year for the account holder of a first-time home buyer account under section 462D.06, subdivision 3.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 17. Minnesota Statutes 2016, section 290.06, subdivision 22, is amended to read:

Subd. 22. **Credit for taxes paid to another state.** (a) A taxpayer who is liable for taxes based on net income to another state, as provided in paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7, paragraph (b), and who is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code, modified by the addition required by section 290.0131, subdivision 2, and the subtraction allowed by section 290.0132, subdivision 2, to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section 290.17, subdivision 5, the credit is determined by multiplying the tax payable under this chapter by the ratio derived from dividing the total net income subject to tax in the other state by the taxpayer's Minnesota taxable income.

(d)(1) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state on the gross income earned within the other state subject to tax under this chapter~~, nor shall~~; and

(2) the allowance of the credit does not reduce the taxes paid under this chapter to an amount less than what would be assessed if ~~such income amount was~~ the gross income earned within the other state were excluded from taxable net income.

(e) In the case of the tax assessed on a lump-sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state on the lump-sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032. To the extent the total lump-sum distribution defined in section 290.032, subdivision 1, includes lump-sum distributions received in prior years or is all or in part an annuity contract, the reduction to the tax on the lump-sum distribution allowed under section 290.032, subdivision 2, includes tax paid to another state that is properly apportioned to that distribution.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state. The taxpayer must submit sufficient proof to show entitlement to a credit.

(g) For the purposes of this subdivision, a resident shareholder of a corporation treated as an "S" corporation under section 290.9725, must be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to another state. For the purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income.

(h) For the purposes of this subdivision, a resident partner of an entity taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the partner in an amount equal to the partner's pro rata share of any net income tax paid by the partnership to another state. For purposes of the preceding sentence, the term "net income" tax means any tax imposed on or measured by a partnership's net income.

(i) For the purposes of this subdivision, "another state":

(1) includes:

(i) the District of Columbia; and

(ii) a province or territory of Canada; but

(2) excludes Puerto Rico and the several territories organized by Congress.

(j) The limitations on the credit in paragraphs (b), (c), and (d), are imposed on a state by state basis.

(k) For a tax imposed by a province or territory of Canada, the tax for purposes of this subdivision is the excess of the tax over the amount of the foreign tax credit allowed under section 27 of the Internal Revenue Code. In determining the amount of the foreign tax credit allowed, the net income taxes imposed by Canada on the income are deducted first. Any remaining amount of the allowable foreign tax credit reduces the provincial or territorial tax that qualifies for the credit under this subdivision.

(l) If the amount of the credit which a qualifying individual is eligible to receive under this section for tax paid to a qualifying state, disregarding the limitation in paragraph (d), clause (2), exceeds the tax due under this chapter, the commissioner shall refund the excess to the individual. An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

For purposes of this paragraph, "qualifying individual" means a Minnesota resident under section 290.01, subdivision 7, paragraph (a), who received compensation during the taxable year for the performance of personal or professional services within a qualifying state, and "qualifying state" means a state with which an agreement under section 290.081 is not in effect for the taxable year but was in effect for a taxable year beginning before January 1, 2010.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 18. Minnesota Statutes 2016, section 290.06, is amended by adding a subdivision to read:

Subd. 37. **Beginning farmer incentive credit.** (a) A beginning farmer incentive credit is allowed against the tax due under this chapter for the sale or rental of agricultural assets to a beginning farmer according to section 41B.0391, subdivision 2.

(b) The credit may be claimed only after approval and certification by the Rural Finance Authority according to section 41B.0391.

(c) The credit is limited to the liability for tax, as computed under this chapter, for the taxable year. If the amount of the credit determined under this subdivision for any taxable year exceeds this limitation, the excess is a beginning farmer incentive credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year is carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this paragraph must not exceed the taxpayer's liability for tax, less the beginning farmer incentive credit for the taxable year.

(d) Credits allowed to a partnership, a limited liability company taxed as a partnership, an S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each based on the partner's, member's, shareholder's, or owner's share of the entity's assets or as specially allocated in the organizational documents or any other executed agreement, as of the last day of the taxable year.

(e) For a nonresident or part-year resident, the credit under this section must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

(f) Notwithstanding the approval and certification by the Rural Finance Authority under section 41B.0391, the commissioner may utilize any audit and examination powers under chapter 270C or 289A 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.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 19. Minnesota Statutes 2016, section 290.06, is amended by adding a subdivision to read:

Subd. 38. **Beginning farmer management credit.** (a) A taxpayer who is a beginning farmer may take a credit against the tax due under this chapter for participation in a financial management program according to section 41B.0391, subdivision 3.

(b) The credit may be claimed only after approval and certification by the Rural Finance Authority according to section 41B.0391.

(c) The credit is limited to the liability for tax, as computed under this chapter, for the taxable year. If the amount of the credit determined under this subdivision for any taxable year exceeds this limitation, the excess is a beginning farmer management credit carryover to each of the three succeeding taxable years. The entire amount of the excess unused credit for the taxable year is carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this paragraph must not exceed the taxpayer's liability for tax, less the beginning farmer management credit for the taxable year.

(d) For a part-year resident, the credit under this section must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

(e) Notwithstanding the approval and certification by the Rural Finance Authority under section 41B.0391, the commissioner may utilize any audit and examination powers under chapter 270C or 289A 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.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 20. Minnesota Statutes 2016, 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 290.0132, subdivision 10, 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 290.0132, subdivisions 11 and 12, 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 $50,000, 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 $50,000 for taxpayers with one qualified individual, or $1,200 minus five percent of federal adjusted gross income in excess of $50,000 for taxpayers with two or more qualified individuals, but in no case is the credit less than zero.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 21. Minnesota Statutes 2016, section 290.067, subdivision 2b, is amended to read:

Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of the income threshold at which the maximum credit begins to be reduced under subdivision ~~2~~ 1 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 ~~"1999"~~ "2016" shall be substituted for the word "1992." For ~~2001~~ 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1999~~ 2016, to the 12 months ending on August 31, ~~2000~~ 2017, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision must not be considered a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The threshold amount as adjusted must be rounded to the nearest $10 amount. If the amount ends in $5, the amount is rounded up to the nearest $10 amount.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 22. Minnesota Statutes 2016, 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) 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) 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) 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 under this clause exclude any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle~~.~~; and

(5) fees charged for enrollment in a prekindergarten educational program, to the extent not used to claim the credit under section 290.067.

For purposes of this section, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code, but is limited to children who have attained at least the age of three during the taxable year.

For purposes of this section, "prekindergarten educational program" means:

(1) prekindergarten programs established by a school district under chapter 124D;

(2) preschools, nursery schools, and early childhood development programs licensed by the Department of Human Services and accredited by the National Association for the Education of Young Children or National Early Childhood Program Accreditation;

(3) Montessori programs affiliated with or accredited by the American Montessori Society or American Montessori International; and

(4) child care programs provided by family day care providers holding a current early childhood development credential approved by the commissioner of human services.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 23. Minnesota Statutes 2016, section 290.0674, subdivision 2, is amended to read:

Subd. 2. **Limitations.** (a) For claimants with income not greater than ~~$33,500~~ $42,000, the maximum credit allowed for a family is ~~$1,000~~ $1,500 multiplied by the number of qualifying children in a prekindergarten educational program or in kindergarten through grade 12 in the family. The maximum credit ~~for families with one qualifying child in kindergarten through grade 12~~ is reduced by $1 for each ~~$4~~ $10 of household income over ~~$33,500, and the maximum credit for families with two or more qualifying children in kindergarten through grade 12 is reduced by $2 for each $4 of household income over $33,500~~ $42,000, 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).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 24. Minnesota Statutes 2016, section 290.0674, is amended by adding a subdivision to read:

Subd. 6. **Inflation adjustment.** 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 income threshold 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 "2016" shall be substituted for the word "1992." For 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The 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 under the Administrative Procedure Act.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 25. Minnesota Statutes 2016, section 290.068, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** A corporation, partners in a partnership, or shareholders in a corporation treated as an "S" corporation under section 290.9725 are 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, 2016.

Sec. 26. Minnesota Statutes 2016, section 290.068, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of this section, the following terms have the meanings given.

(a) "Qualified research expenses" means (i) qualified research expenses and basic research payments as defined in section 41(b) and (e) of the Internal Revenue Code, except it does not include expenses incurred for qualified research or basic research conducted outside the state of Minnesota pursuant to section 41(d) and (e) of the Internal

Revenue Code; and (ii) contributions to a nonprofit corporation established and operated pursuant to the provisions of chapter 317A for the purpose of promoting the establishment and expansion of business in this state, provided the contributions are invested by the nonprofit corporation for the purpose of providing funds for small, technologically innovative enterprises in Minnesota during the early stages of their development.

(b) "Qualified research" means qualified research as defined in section 41(d) of the Internal Revenue Code, except that the term does not include qualified research conducted outside the state of Minnesota.

(c) "Base amount" means base amount as defined in section 41(c) of the Internal Revenue Code, except that the average annual gross receipts must be calculated using Minnesota sales or receipts under section 290.191 and the definitions contained in clauses (a) and (b) shall apply.

(d) "Liability for tax" means the liability for tax under this chapter, other than the tax under section 290.0922, reduced by the sum of the nonrefundable credits allowed under this chapter, but excluding any carryover credit under subdivision 3.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 27. Minnesota Statutes 2016, section 290.068, subdivision 3, is amended to read:

Subd. 3. **Limitation; carryover.** (a) Except as provided in subdivision 6a, the credit ~~for a taxable year beginning before January 1, 2010, and after December 31, 2012,~~ shall not exceed the liability for tax. For a person subject to tax under section 290.06, subdivision 1, "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,~~ includes the liability for tax 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, 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, 2016.

Sec. 28. Minnesota Statutes 2016, 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 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) The provisions of this paragraph apply to taxable years beginning after December 31, 2016. A taxpayer is allowed a refund equal to the least of the following:

(1) $100,000;

(2) the sum of the maximum refundable limits allocated to the taxpayer as a shareholder of an S corporation and as a partner of a partnership under paragraph (c) for the taxable year; or

(3) the excess of the amount of the credit allowed under this section for qualified research expenses incurred in the taxable year over the taxpayer's liability for tax, including after satisfying the tax liabilities of any other member of the unitary group under subdivision 3, paragraph (a).

(c) For an S corporation or partnership, a maximum refundable limit of $100,000 applies at the entity level. The S corporation or partnership must allocate its maximum refundable limit to each of its shareholders or members for the taxable year. The allocation may be made in any manner provided in the organizational documents or any other executed agreement as of the last day of the taxable year. If no provision is made in those documents or by agreement, the allocation must be made in the same manner provided in subdivision 4 for allocation of the credit. Within 60 days after the close of the taxable year, the S corporation or partnership must report to each shareholder or partner the allocated share of the maximum refundable limit for each shareholder or partner. The commissioner may require reporting, including the time and manner for reporting, of the allocated amounts to the commissioner.

(d) The excess of the amount allowed as a refund under this subdivision to the taxpayer is a carryover under subdivision 3.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 29. **[290.0682] 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 in principal and interest on qualified education loans.

(f) "Postsecondary educational institution" means a public or nonprofit postsecondary institution eligible for state student aid under section 136A.103 or, if the institution is not located in this state, a public or nonprofit 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.

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, if any;

(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; or

(4) $750.

(c) For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(d) In the case of a married couple, each spouse is eligible for the credit in this section.

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, 2016.

Sec. 30. **[290.0683] MINNESOTA HOUSING TAX CREDIT.**

Subdivision 1. **Definitions.** For purposes of this section:

(1) "entity" means a partnership, limited liability company taxed as a partnership, S corporation, or property with multiple owners;

(2) "entity member" means a partner, member, shareholder, or owner;

(3) "taxpayer" means a taxpayer as defined in section 290.01, subdivision 6, or a taxpayer as defined in section 297I.01, subdivision 16; and

(4) terms defined in section 462A.39 have the meanings given in that section.

Subd. 2. **Credit allowed.** (a) A taxpayer is allowed a credit against the taxes imposed under this chapter and chapter 297I. The credit equals the amount allocated to the taxpayer and indicated on the eligibility statement issued to the taxpayer under section 462A.39, subdivision 3. The taxpayer may claim the amount allocated in the year in which the credit is allocated and in each of the five following taxable years.

(b) A taxpayer eligible for the credit must submit to the commissioner a copy of the eligibility statement issued by the agency or suballocator with respect to the qualified Minnesota project, a copy of the project owner's tax return that must be filed as required under chapter 289A, and any other information required by the commissioner.

(c) Credits granted to an entity are passed through to the entity members based on each entity member's share of the entity's assets or as specially allocated in the organizational documents as of the last day of the taxable year in which the eligibility statement was issued. If a Minnesota housing tax credit is allowed to an entity with multiple tiers of ownership, the credit is passed through to entity members pro rata or as specially allocated in the organizational documents as of the last day of the taxable year in which the eligibility statement was issued at each ownership tier.

Subd. 3. **Limitations; carryover.** (a) A credit allowed under this section may not exceed liability for tax under this chapter and chapter 297I.

(b) If the amount of the credit under this section exceeds the limitation under paragraph (a), the excess is a credit carryover to each of the 11 succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried.

(c) Credits under this subdivision apply against liability after any net operating loss carryover incorporated in the calculation of federal taxable income.

Subd. 4. **Audit powers.** Notwithstanding the eligibility statement issued by the agency or a suballocator under section 462A.38, the commissioner may utilize any audit and examination powers under chapter 270C or 289A 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 and that the owner is in compliance with the compliance agreement.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 31. **[290.0684] SECTION 529 COLLEGE SAVINGS PLAN CREDIT.**

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

(b) "Federal adjusted gross income" has the meaning given under section 62(a) of the Internal Revenue Code.

(c) "Qualified higher education expenses" has the meaning given in section 529 of the Internal Revenue Code.

Subd. 2. **Credit allowed.** (a) A credit is allowed to a resident individual against the tax imposed by this chapter. The credit is not allowed to an individual who is eligible to be claimed as a dependent, as defined in sections 151 and 152 of the Internal Revenue Code.

(b) The amount of the credit allowed equals 50 percent of the amount contributed in a taxable year to one or more accounts in plans qualifying under section 529 of the Internal Revenue Code, reduced by any withdrawals from accounts made during the taxable year. The maximum credit is $500, subject to the phaseout in paragraphs (c) and (d). In no case is the credit less than zero.

(c) For individual filers, the maximum credit is reduced by two percent of adjusted gross income in excess of $75,000.

(d) For married couples filing a joint return, the maximum credit is phased out as follows:

(1) for married couples with adjusted gross income in excess of $75,000, but not more than $100,000, the maximum credit is reduced by one percent of adjusted gross income in excess of $75,000;

(2) for married couples with adjusted gross income in excess of $100,000, but not more than $135,000, the maximum credit is $250; and

(3) for married couples with adjusted gross income in excess of $135,000, the maximum credit is $250, reduced by one percent of adjusted gross income in excess of $135,000.

(e) The income thresholds in paragraphs (c) and (d) used to calculate the maximum credit must be adjusted for inflation. The commissioner shall adjust the income thresholds 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 "2016" is substituted for the word "1992." For 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, 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 subject to chapter 14, 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. **Revocation.** If an individual makes a withdrawal of contributions for a purpose other than to pay for qualified higher education expenses, then:

(1) contributions used to claim the credit are considered to be the first contributions withdrawn; and

(2) any credit allowed for the contributions is revoked and must be repaid by the individual in the taxable year in which the withdrawal is made.

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, 2016.

Sec. 32. Minnesota Statutes 2016, section 290.0685, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An eligible individual is allowed a credit against the tax imposed by this chapter equal to $2,000 for each birth for which a certificate of birth resulting in stillbirth has been issued under section 144.2151. The credit under this section is allowed only in the taxable year in which the stillbirth occurred ~~and if the child would have been a dependent of the taxpayer as defined in section 152 of the Internal Revenue Code~~.

(b) 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).

(c) For purposes of this section, "eligible individual" means:

(1) the individual who gave birth to the child and who is also listed as a parent on the certificate of birth resulting in stillbirth; or

(2) if no individual meets the requirements of clause (1), then the first parent listed on the certificate of birth resulting in stillbirth.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2015.

Sec. 33. **[290.0686] 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 person who:

(1) holds a teaching license issued by the licensing division in the Department of Education on behalf of the Minnesota Board of Teaching both when the teacher begins the master's degree program and when the teacher completes the master's degree program;

(2) began a master's degree program after June 30, 2017; 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 the lesser of $2,500 or the amount the individual paid for tuition, fees, books, and instructional materials necessary to completing the master's degree program and for which the individual did not receive reimbursement from an employer or scholarship.

(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.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 34. **[290.0687] EMPLOYEE CREDIT FOR CERTAIN EMPLOYER-PROVIDED FITNESS FACILITY EXPENSES.**

Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax imposed by this chapter for employer-provided fitness facility expenses. The credit equals $2.50 for each qualifying month, and the maximum credit is $30. In the case of a married couple filing a joint return, each spouse is eligible for the credit in this section. The credit may not exceed the liability for tax under this chapter.

(b) The credit is allowed to an individual whose employer either:

(1) pays a portion of any fees, dues, or membership expenses on behalf of the employee to a fitness facility; or

(2) reimburses the employee for direct payment of fees, dues, or membership expenses made by the employee to a fitness facility.

(c) For purposes of this section, "qualifying month" means a month in which an individual uses the fitness facility for the preservation, maintenance, encouragement, or development of physical fitness on at least eight days.

(d) For purposes of this section, "fitness facility" means a facility located in the state that:

(1) 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;

(2) is not a private club owned and operated by its members;

(3) does not offer hunting, sailing, horseback riding, or outdoor golf facilities;

(4) does not have an overall function and purpose that makes the fitness facility incidental;

(5) is compliant with antidiscrimination laws under chapter 363A and applicable federal antidiscrimination laws; and

(6) is located off the employer's premises.

(e) The commissioner shall prescribe the form and manner in which eligibility for the credit is determined.

Subd. 2. **Limitation.** The credit under this section applies only if the employer's payment of fees, dues, or membership expenses to a fitness facility is 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.

Subd. 3. **Nonresidents and part-year residents.** For a nonresident or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 35. **[290.0693] EQUITY AND OPPORTUNITY IN EDUCATION TAX CREDIT.**

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

(b) "Eligible student" means a student who:

(1) resides in Minnesota;

(2) is a member of a household that has total annual income during the year prior to initial receipt of a qualified scholarship, without consideration of the benefits under this program that does not exceed an amount equal to two times the income standard used to qualify for a reduced-price meal under the National School Lunch Program; and

(3) meets one of the following criteria:

(i) attended a school, as defined in section 120A.22, subdivision 4, in the semester preceding initial receipt of a qualified scholarship;

(ii) is younger than age seven and not enrolled in kindergarten or first grade in the semester preceding initial receipt of a qualified scholarship;

(iii) previously received a qualified scholarship under this section; or

(iv) lived in Minnesota for less than a year prior to initial receipt of a qualified scholarship.

(c) "Equity and opportunity in education donation" means a donation to a qualified foundation that awards qualified scholarships or makes qualified grants or to a qualified public school foundation.

(d) "Household" means household as used to determine eligibility under the National School Lunch Program.

(e) "National School Lunch Program" means the program in United States Code, title 42, section 1758.

(f) "Qualified charter school" means a charter elementary or secondary school in Minnesota at which at least 30 percent of students qualify for a free or reduced-price meal under the National School Lunch Program.

(g) "Qualified foundation" means a nonprofit organization granted an exemption from the federal income tax under section 501(c)(3) of the Internal Revenue Code that has been approved as a qualified foundation by the commissioner of revenue under subdivision 5.

(h) "Qualified grant" means a grant from a qualified foundation to a qualified charter school for use in support of the school's mission of educating students in academics, arts, or athletics, including transportation.

(i) "Qualified public school foundation" means a qualified foundation formed for the primary purpose of supporting one or more public schools or school districts in Minnesota at which at least 30 percent of students qualify for a free or reduced-price meal under the National School Lunch Program.

(j) "Qualified scholarship" means a payment from a qualified foundation to or on behalf of the parent or guardian of an eligible student for payment of tuition for enrollment in grades kindergarten through 12 at a qualified school. A qualified scholarship must not exceed an amount greater than 70 percent of the state average general education revenue under section 126C.10, subdivision 1, per pupil unit.

(k) "Qualified school" means a school operated in Minnesota that is a nonpublic elementary or secondary school in Minnesota wherein a resident may legally fulfill the state's compulsory attendance laws that is not operated for profit, and that adheres to the provisions of United States Code, title 42, section 1981, and chapter 363A.

(l) "Total annual income" means the income measure used to determine eligibility under the National School Lunch Program.

Subd. 2. **Credit allowed.** (a) An individual or corporate taxpayer who has been issued a credit certificate under subdivision 3 is allowed a credit against the tax due under this chapter equal to 70 percent of the amount of the equity and opportunity donation made during the taxable year to the qualified foundation, including a qualified public school foundation, designated on the taxpayer's credit certificate. No credit is allowed if the taxpayer designates a specific child as the beneficiary of the contribution. No credit is allowed to a taxpayer for an equity and opportunity in education donation made before the taxpayer was issued a credit certificate as provided in subdivision 3.

(b) The maximum annual credit allowed is:

(1) $21,000 for married joint filers for a one-year donation of $30,000;

(2) $10,500 for other individual filers for a one-year donation of $15,000; and

(3) $105,000 for corporate filers for a one-year donation of $150,000.

(c) A taxpayer must provide a copy of the receipt provided by the qualified foundation when claiming the credit for the donation if requested by the commissioner.

(d) The credit is limited to the liability for tax under this chapter, including the tax imposed by sections 290.0921 and 290.0922.

(e) If the amount of the credit under this subdivision for any taxable year exceeds the limitations under paragraph (d), the excess is a credit carryover to each of the five succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried. The amount of the unused credit that may be added under this paragraph may not exceed the taxpayer's liability for tax, less the credit for the taxable year. No credit may be carried to a taxable year more than five years after the taxable year in which the credit was earned.

Subd. 3. **Application for credit certificate.** (a) The commissioner must make applications for tax credits for 2018 available on the department's Web site by January 1, 2018. Applications for subsequent years must be made available by January 1 of the taxable year.

(b) A taxpayer must apply to the commissioner for an equity and opportunity in education tax credit certificate. The application must be in the form and manner specified by the commissioner. The application must designate the qualified foundation to which the taxpayer intends to make a donation, and if the donation is for the purpose of awarding qualified scholarships, awarding qualified grants, or to a qualified public school foundation. The commissioner must begin accepting applications for a taxable year on January 1. The commissioner must issue tax credit certificates under this section on a first-come, first-served basis until the maximum statewide credit amounts have been reached. The certificates must list the qualified foundation, or the qualified public school foundation, the taxpayer designated on the application, and if the donation is to be used for awarding qualified scholarships, awarding qualified grants, or making expenditures in support of one or more public schools or school districts.

(c) The maximum statewide credit amount for tax credits for donations to qualified foundations for the purpose of awarding qualified scholarships is $27,000,000 for taxable years beginning after December 31, 2017, and before January 1, 2019, and $13,500,000 per taxable year for taxable years beginning after December 31, 2018.

(d) The maximum statewide credit amount for donations to qualified foundations for the purpose of awarding qualified grants and for donations to qualified public school foundations is $3,000,000 for taxable years beginning after December 31, 2017, and before January 1, 2019, and $1,500,000 per taxable year for taxable years beginning after December 31, 2018.

(e) Any portion of a taxable year's credits for which a tax credit certificate is not issued does not cancel and may be carried forward to subsequent taxable years.

(f) The commissioner must not issue a tax credit certificate for an amount greater than the limits in subdivision 2.

(g) The commissioner must not issue a credit certificate for an application that designates a qualified foundation that the commissioner has barred from participation as provided in subdivision 5.

Subd. 4. **Responsibilities of qualified foundations.** (a) An entity that is eligible to be a qualified foundation must apply to the commissioner by September 15 of the year preceding the year in which it will first receive donations that qualify for a credit under this section. The application must be in the form and manner prescribed by the commissioner. The application must:

(1) demonstrate to the commissioner that the entity is exempt from the federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code;

(2) demonstrate the entity's financial accountability by submitting its most recent audited financial statement prepared by a certified public accountant firm licensed under chapter 326A using the Statements on Auditing Standards issued by the Audit Standards Board of the American Institute of Certified Public Accountants; and

(3) specify if the entity intends to award qualified scholarships, award qualified grants, or if the entity is a qualified public school foundation. An entity may award both qualified scholarships and qualified grants.

(b) A qualified foundation must provide to taxpayers who make donations or commitments to donate a receipt or verification on a form approved by the commissioner.

(c) A qualified foundation that awards qualified scholarships must:

(1) award qualified scholarships to eligible students;

(2) not restrict the availability of scholarships to students of one qualified school;

(3) not charge a fee of any kind for a child to be considered for a scholarship; and

(4) require a qualified school receiving payment of tuition through a scholarship funded by contributions qualifying for the tax credit under this section to sign an agreement that it will not use different admissions standards for a student with a qualified scholarship.

(d) A qualified foundation that awards qualified scholarships must, in each year it awards qualified scholarships to eligible students to enroll in a qualified school, obtain from the qualified school documentation that the school:

(i) complies with all health and safety laws or codes that apply to nonpublic schools;

(ii) holds a valid occupancy permit if required by its municipality;

(iii) certifies that it adheres to the provisions of chapter 363A and United States Code, title 42, section 1981; and

(iv) provides academic accountability to parents of students in the program by regularly reporting to the parents on the student's progress.

A qualified foundation must make the documentation available to the commissioner on request.

(e) A qualified foundation must, by June 1 of each year following a year in which it receives donations, provide the following information to the commissioner:

(1) financial information that demonstrates the financial viability of the qualified foundation, if it is to receive donations of $150,000 or more during the year;

(2) documentation that it has conducted criminal background checks on all of its employees and board members and has excluded from employment or governance any individuals who might reasonably pose a risk to the appropriate use of contributed funds;

(3) consistent with paragraph (f), document that it has used amounts received as donations to provide qualified scholarships, to make qualified grants, or to make expenditures in support of one or more public schools or school districts, as specified on the tax credit certificates issued for the donations, within one calendar year of the calendar year in which it received the donation;

(4) if the qualified foundation awards qualified scholarships, a list of qualified schools that enrolled eligible students to whom the qualified foundation awarded qualified scholarships;

(5) if the qualified foundation makes qualified grants, a list of qualified charter schools to which the qualified foundation made qualified grants;

(6) if the qualified foundation is a qualified public school foundation, a list of expenditures made in support of the mission of one or more public schools or school districts of educating students in academics, arts, or athletics, including transportation; and

(7) the following information prepared by a certified public accountant regarding donations received in the previous calendar year:

(i) the total number and total dollar amount of donations received from taxpayers;

(ii) the dollar amount of donations used for administrative expenses, as allowed by paragraph (f);

(iii) if the qualified foundation awarded qualified scholarships, the total number and dollar amount of qualified scholarships awarded;

(iv) if the qualified foundation made qualified grants, the total number and dollar amount of qualified grants made; and

(v) if the qualified foundation is a qualified public school foundation, the total number and dollar amount of expenditures made in support of the mission of one or more public schools or school districts of educating students in academics, arts, or athletics, including transportation.

(f) The foundation may use up to five percent of the amounts received as donations for reasonable administrative expenses, including but not limited to fund-raising, scholarship tracking, and reporting requirements.

Subd. 5. **Responsibilities of commissioner.** (a) The commissioner must make applications for an entity to be approved as a qualified foundation for a taxable year available on the department's Web site by August 1 of the year preceding the taxable year. The commissioner must approve an application that provides the documentation required in subdivision 4, paragraph (a), clauses (1) to (3), within 60 days of receiving the application. The commissioner must notify a foundation that provides incomplete documentation and the foundation may resubmit its application within 30 days.

(b) By November 15 of each year, the commissioner must post on the department's Web site the names and addresses of qualified foundations for the next taxable year. For each qualified foundation, the list must indicate if the foundation intends to award qualified scholarships, award qualified grants, or is a qualified public school foundation. The commissioner must regularly update the names and addresses of any qualified foundations that have been barred from participating in the program.

(c) The commissioner must prescribe a standardized format for a receipt to be issued by a qualified foundation to a taxpayer to indicate the amount of a donation received and of a commitment to make a donation.

(d) The commissioner must prescribe a standardized format for qualified foundations to report the information required under subdivision 4, paragraph (e).

(e) The commissioner may conduct either a financial review or audit of a qualified foundation upon finding evidence of fraud or intentional misreporting. If the commissioner determines that the qualified foundation committed fraud or intentionally misreported information, the qualified foundation is barred from further program participation.

(f) If a qualified foundation fails to submit the documentation required under subdivision 4, paragraph (e), by June 1, the commissioner must notify the qualified foundation by July 1. A qualified foundation that fails to submit the required information by August 1 is barred from participation for the next taxable year.

(g) If a qualified foundation fails to comply with the requirements of subdivision 4, paragraph (e), the commissioner must by September 1 notify the qualified foundation that it has until November 1 to document that it has remedied its noncompliance. A qualified foundation that fails to document that it has remedied its noncompliance by November 1 is barred from participation for the next taxable year.

(h) A qualified foundation barred under paragraph (f) or (g) may become eligible to participate by submitting the required information in future years.

(i) Determinations of the commissioner under this subdivision are not considered rules and are not subject to the Administrative Procedures Act in chapter 14.

EFFECTIVE DATE. This section is effective the day following final enactment for donations made and credits allowed in taxable years beginning after December 31, 2017.

Sec. 36. **[290.0803] SOCIAL SECURITY SUBTRACTION.**

(a) An individual is allowed a subtraction from federal taxable income equal to Social Security benefits to the extent included in federal taxable income. The subtraction under this section is reduced by the amount of provisional income over a threshold amount, but in no case is the subtraction less than zero. For married couples filing joint returns and surviving spouses the threshold is $72,000. For all other filers the threshold is $56,000.

(b) For purposes of this section, "provisional income" means modified adjusted gross income, as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of the amount of Social Security benefits received during the taxable year.

(c) Notwithstanding the thresholds provided in paragraph (a), for taxable years beginning after December 31, 2016, and before January 1, 2019, the threshold for married couples filing joint returns and surviving spouses is $61,000 and the threshold for all other filers is $46,500.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 37. **[290.0804] SECTION 179 SUBTRACTION.**

Subdivision 1. **Current year section 179 allowance.** (a) In each of the five taxable years immediately following the taxable year in which an addition is required under section 290.0131, subdivision 10, or its predecessor provisions, the current year allowance equals one-fifth of the addition made by the taxpayer under section 290.0131, subdivision 10.

(b) For a shareholder of 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 taxable year of the addition and, if the net operating loss exceeds the addition for the taxable year, the current year allowance is zero.

(c) A taxpayer is allowed a current year section 179 allowance subtraction from federal taxable income under section 290.0132, subdivision 14, as determined under this subdivision.

Subd. 2. **Carryover section 179 allowance.** (a) For purposes of this subdivision, the current year allowance under subdivision 1 is the last modification allowed under section 290.0132 in determining net income. If the amount allowed under subdivision 1 exceeds net income computed without regard to the current year allowance, then the excess is a carryover allowance in each of the ten succeeding taxable years. The entire amount of the carryover allowance is carried first to the earliest taxable year to which the carryover may be carried, and then to each succeeding year to which the carryover may be carried.

(b) If applying paragraph (a) to a taxable year beginning after December 31, 2013, and before January 1, 2017, would result in a carryover allowance in that year, the taxpayer may use the resulting amount as a carryover allowance starting in a taxable year beginning after December 31, 2016, and the first year of the ten-year period under paragraph (a) is taxable year 2017.

(c) A taxpayer is allowed a carryover section 179 allowance subtraction under section 290.0132, subdivision 26, as determined under this subdivision.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 38. Minnesota Statutes 2016, 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 290.0131, subdivision 2; and

(6) the amount of addition required by section 290.0131, subdivisions 9 to 11;

less the sum of the amounts determined under the following:

(1) interest income as defined in section 290.0132, subdivision 2;

(2) an overpayment of state income tax as provided by section 290.0132, subdivision 3, 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 290.0132, subdivisions 7, 9 to 15, 17, ~~and~~ 21<u>, and 24 to 27</u>; 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.

<u>**EFFECTIVE DATE.**</u> <u>This section is effective for taxable years beginning after December 31, 2016.</u>

Sec. 39. Minnesota Statutes 2016, section 291.005, subdivision 1, as amended by Laws 2017, chapter 1, section 8, 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 16, 2016.

(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, 2016.

Sec. 40. Minnesota Statutes 2016, section 291.016, subdivision 3, is amended to read:

Subd. 3. **Subtraction.** 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), whichever is less,~~ decedent's applicable federal exclusion amount under section 2010(c)(2) 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~~:~~.

~~(1) $1,200,000 for estates of decedents dying in 2014;~~

~~(2) $1,400,000 for estates of decedents dying in 2015;~~

~~(3) $1,600,000 for estates of decedents dying in 2016;~~

~~(4) $1,800,000 for estates of decedents dying in 2017; and~~

~~(5) $2,000,000 for estates of decedents dying in 2018 and thereafter.~~

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2016.

Sec. 41. Minnesota Statutes 2016, 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 and thereafter:

~~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) For estates of decedents dying in 2018 and thereafter:~~

Amount of Minnesota Taxable Estate	Rate of Tax
Not over ~~$2,000,000~~ $7,100,000	~~None~~ 13 percent
~~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~~ $923,000 plus 13.6 percent of the excess over $7,100,000
Over $8,100,000 but not over $9,100,000	~~$781,000~~ $1,059,000 plus 14.4 percent of the excess over $8,100,000
Over $9,100,000 but not over $10,100,000	~~$925,000~~ $1,203,000 plus 15.2 percent of the excess over $9,100,000
Over $10,100,000	~~$1,077,000~~ $1,355,000 plus 16 percent of the excess over $10,100,000

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2016.

Sec. 42. Minnesota Statutes 2016, section 297I.20, is amended by adding a subdivision to read:

Subd. 4. **Minnesota housing tax credit.** An insurance company may claim a credit against the premiums tax imposed under this chapter equal to the amount indicated on the eligibility statement issued to the company under section 462A.39, subdivision 3. If the amount of the credit exceeds the liability for tax under this chapter, the excess is a credit carryover to each of the 11 succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. This credit does not affect the calculation of police and fire aid under section 69.021.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 43. **[462A.39] MINNESOTA HOUSING TAX CREDIT.**

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

(b) "Compliance agreement" means an agreement:

(1) between the owner of a qualified Minnesota project and the agency or suballocator;

(2) that is recorded as an affordable housing restriction on the real property on which the qualified Minnesota project is located; and

(3) that requires the project to be operated under the requirements of this section for the compliance period.

The agreement may be subordinated to the lien of a bank or other institutional lender providing financing to the qualified Minnesota project upon the request of the bank or lender.

(c) "Compliance period" means the 15-year period beginning with the first taxable year a credit is allowed under this section.

(d) "Eligibility statement" means a statement issued by the agency or suballocator to the owner certifying that a project is a qualified Minnesota project and documenting allocation of the Minnesota housing tax credit. The eligibility statement must specify the annual amount of the credit allocated to the project for the taxable year and for the five following taxable years and be in a form prescribed by the commissioner of the agency, in consultation with the commissioner of revenue.

(e) "Federal low-income housing tax credit" means the federal tax credit provided in section 42 of the Internal Revenue Code.

(f) "Greater Minnesota" means the area of Minnesota located outside of the metropolitan area as defined in section 473.121, subdivision 2.

(g) "Internal Revenue Code" has the meaning given in section 290.01, subdivision 31.

(h) "Minnesota credit period" means the six taxable years beginning in the taxable year in which a credit is allocated under subdivision 2.

(i) "Owner" means the owner of a qualified Minnesota project.

(j) "Qualified Minnesota project" means a low-income housing project that is:

(1) located in Minnesota;

(2) financed with tax-exempt bonds pursuant to section 42(i)(2) of the Internal Revenue Code;

(3) determined by the agency to be eligible for a federal low-income housing tax credit without regard to whether or not a federal low-income housing credit is allocated to the project; and

(4) a project for which the owner has entered into a compliance agreement with the agency or the suballocator that is enforceable by state and local agencies.

(k) "Suballocator" means an allocating agency, other than the agency, of low-income federal housing credits and credits under this section as provided in section 462A.222.

(l) "Taxpayer" has the meaning given in section 290.0683, subdivision 1.

(m) Terms not otherwise defined in this subdivision have the meanings given in section 42 of the Internal Revenue Code.

Subd. 2. **Minnesota housing tax credit; allocation.** (a) The agency and all suballocators may annually allocate credits during a four-year period beginning January 1, 2017, and ending December 31, 2020. The amount of credits that may be allocated each year is the sum of:

(1) $7,000,000; and

(2) any unused tax credits, if any, for the preceding calendar years.

(b) The agency shall allocate credits only to qualified Minnesota projects that the agency determines:

(1) are eligible for the federal low-income housing tax credit; and

(2) are not financially feasible without the credit.

(c) The agency must allocate 50 percent of the total amount allocated to qualified Minnesota projects in greater Minnesota.

(d) The agency may not allocate more than one credit to any one qualified Minnesota project.

(e) The allocation to any one qualified Minnesota project equals one-sixth of the total federal low-income housing tax credit allowable over the ten-year federal credit period, without regard to whether the project was allowed a federal low-income housing tax credit.

Subd. 3. **Credit allowed.** When the agency or a suballocator allocates a credit amount to the owner of a project, the agency or suballocator must issue an eligibility statement to the owner. The owner may claim the amount allocated in each year of the Minnesota credit period.

Subd. 4. **Credit duration.** Except for unused credits carried forward under section 290.0683, the agency may allocate a credit and issue an eligibility statement to a taxpayer for a Minnesota housing tax credit for a project one time, with the credit allowed in each year of the Minnesota credit period.

Subd. 5. **Recapture; repayment.** (a) If within the Minnesota credit period the agency or suballocator finds that a qualified project issued an eligibility statement is not meeting the terms of the compliance agreement, the owner must repay the following percentage of the credit awarded to the project by the agency or the suballocator:

Year of the compliance period:	Percentage of credit required to be repaid:
First	100 percent
Second	83 percent
Third	66 percent
Fourth	49 percent
Fifth	32 percent
Sixth and later	16 percent

(b) No holder of the credit other than the owner is responsible for repayment of the credit.

(c) Amounts repaid under this subdivision are credited to the general fund.

Subd. 6. **Data privacy.** Data related to Minnesota housing tax credits are nonpublic data, or private data on individuals, as defined in section 13.02, subdivision 9 or 12, except that for each eligibility statement issued under subdivision 3 the location of the qualified Minnesota housing project is public.

Subd. 7. **Report.** (a) By January 15 of each year following a year in which the agency allocates a credit under this section, the agency shall submit a written report to the chairs and ranking minority members of the legislative committees with jurisdiction over housing and taxes, in compliance with sections 3.195 and 3.197, on the success and efficiency of the Minnesota housing tax credit program.

(b) The report must:

(1) specify the number of qualified Minnesota projects that were allocated tax credits in the year and the total number of housing units supported in each project;

(2) provide descriptive information about each qualified Minnesota housing project that was allocated credits, including:

(i) the geographic location of the project; and

(ii) demographic information about residents intended to be served by the project, including household type, income levels, and rents or set-asides; and

(3) provide housing market and demographic information that demonstrates how the qualified Minnesota projects that were allocated tax credits address the need for affordable housing in the communities they serve as well as information about any remaining disparities in affordability of housing in those communities.

EFFECTIVE DATE. This section is effective the day following final enactment with credit allocations allowed for taxable years beginning after December 31, 2016.

Sec. 44. **[462D.01] CITATION.**

This chapter may be cited as the "First-Time Home Buyer Savings Account Act."

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

Sec. 45. **[462D.02] DEFINITIONS.**

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

Subd. 2. **Account holder.** "Account holder" means an individual who establishes, individually or jointly with one or more other individuals, a first-time home buyer savings account.

Subd. 3. **Allowable closing costs.** "Allowable closing costs" means a disbursement listed on a settlement statement for the purchase of a single-family residence in Minnesota by a qualified beneficiary.

Subd. 4. **Commissioner.** "Commissioner" means the commissioner of revenue.

Subd. 5. **Eligible costs.** "Eligible costs" means the down payment and allowable closing costs for the purchase of a single-family residence in Minnesota by a qualified beneficiary. Eligible costs include paying for the cost of construction of or financing the construction of a single-family residence.

Subd. 6. **Financial institution.** "Financial institution" means a bank, bank and trust, trust company with banking powers, savings bank, savings association, or credit union, organized under the laws of this state, any other state, or the United States; an industrial loan and thrift under chapter 53 or the laws of another state and authorized to accept deposits; or a money market mutual fund registered under the federal Investment Company Act of 1940 and regulated under rule 2a-7, promulgated by the Securities and Exchange Commission under that act.

Subd. 7. **First-time home buyer.** "First-time home buyer" means an individual, and if married, the individual's spouse, who has no present ownership interest in a principal residence during the three-year period ending on the earlier of:

(1) the date of the purchase of the single-family residence funded, in part, with proceeds from the first-time home buyer savings account; or

(2) the close of the taxable year for which a subtraction is claimed under sections 290.0132 and 462D.06.

Subd. 8. **First-time home buyer savings account.** "First-time home buyer savings account" or "account" means an account with a financial institution that an account holder designates as a first-time home buyer savings account, as provided in section 462D.03, to pay or reimburse eligible costs for the purchase of a single-family residence by a qualified beneficiary.

Subd. 9. **Internal Revenue Code.** "Internal Revenue Code" has the meaning given in section 290.01.

Subd. 10. **Principal residence.** "Principal residence" has the meaning given in section 121 of the Internal Revenue Code.

Subd. 11. **Qualified beneficiary.** "Qualified beneficiary" means a first-time home buyer who is a Minnesota resident and is designated as the qualified beneficiary of a first-time home buyer savings account by the account holder.

Subd. 12. **Single-family residence.** "Single-family residence" means a single-family residence located in this state and owned and occupied by or to be occupied by a qualified beneficiary as the qualified beneficiary's principal residence, which may include a manufactured home, trailer, mobile home, condominium unit, townhome, or cooperative.

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

Sec. 46. **[462D.03] ESTABLISHMENT OF ACCOUNTS.**

Subdivision 1. **Accounts established.** An individual may open an account with a financial institution and designate the account as a first-time home buyer savings account to be used to pay or reimburse the designated qualified beneficiary's eligible costs.

Subd. 2. **Designation of qualified beneficiary.** (a) The account holder must designate a first-time home buyer as the qualified beneficiary of the account by April 15 of the year following the taxable year in which the account was established. The account holder may be the qualified beneficiary. The account holder may change the designated qualified beneficiary at any time, but no more than one qualified beneficiary may be designated for an account at any one time. For purposes of the one beneficiary restriction, a married couple qualifies as one beneficiary. Changing the designated qualified beneficiary of an account does not affect computation of the ten-year period under section 462D.06, subdivision 2.

(b) The commissioner shall establish a process for account holders to notify the state that permits recording of the account, the account holder or holders, any transfers under section 462D.04, subdivision 2, and the designated qualified beneficiary for each account. This may be done upon filing the account holder's income tax return or in any other way the commissioner determines to be appropriate.

Subd. 3. **Joint account holders.** An individual may jointly own a first-time home buyer account with another person if the joint account holders file a married joint income tax return.

Subd. 4. **Multiple accounts.** (a) An individual may be the account holder of more than one first-time home buyer savings account, but must not hold or own multiple accounts that designate the same qualified beneficiary.

(b) An individual may be designated as the qualified beneficiary on more than one first-time home buyer savings account.

Subd. 5. **Contributions.** Only cash may be contributed to a first-time home buyer savings account. Individuals other than the account holder may contribute to an account. No limitation applies to the amount of contributions that may be made to or retained in a first-time home buyer savings account.

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

Sec. 47. **[462D.04] ACCOUNT HOLDER RESPONSIBILITIES.**

Subdivision 1. **Expenses; reporting.** The account holder must:

(1) not use funds in a first-time home buyer savings account to pay expenses of administering the account, except that a service fee may be deducted from the account by the financial institution in which the account is held; and

(2) submit to the commissioner, in the form and manner required by the commissioner:

(i) detailed information regarding the first-time home buyer savings account, including a list of transactions for the account during the taxable year and the Form 1099 issued by the financial institution for the account for the taxable year; and

(ii) upon withdrawal of funds from the account, a detailed account of the eligible costs for which the account funds were expended and a statement of the amount of funds remaining in the account, if any.

Subd. 2. **Transfers.** An account holder may withdraw funds, in whole or part, from a first-time home buyer savings account and deposit the funds in another first-time home buyer savings account held by a different financial institution or the same financial institution.

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

Sec. 48. **[462D.05] FINANCIAL INSTITUTIONS.**

(a) A financial institution is not required to take any action to ensure compliance with this chapter, including to:

(1) designate an account, designate qualified beneficiaries, or modify the financial institution's account contracts or systems in any way;

(2) track the use of money withdrawn from a first-time home buyer savings account;

(3) allocate funds in a first-time home buyer savings account among joint account holders or multiple qualified beneficiaries; or

(4) report any information to the commissioner or any other government that is not otherwise required by law.

(b) A financial institution is not responsible or liable for:

(1) determining or ensuring that an account satisfies the requirements of this chapter or that its funds are used for eligible costs; or

(2) reporting or remitting taxes or penalties related to the use of a first-time home buyer savings account.

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

Sec. 49. **[462D.06] SUBTRACTION; ADDITION; ADDITIONAL TAX.**

Subdivision 1. **Subtraction.** (a) An account holder is allowed a subtraction from federal taxable income equal to the sum of:

(1) the amount the individual contributed to a first-time home buyer savings account during the taxable year not to exceed $5,000, or $10,000 for a married couple filing a joint return; and

(2) interest or dividends earned on the first-time home buyer savings account during the taxable year.

(b) The subtraction under paragraph (a) is allowed each year in which a contribution is made for the ten taxable years including and following the taxable year in which the account was established. The total subtraction for all taxable years and for all first-time home buyer accounts established by the individual for a qualified beneficiary is limited to $50,000. No person other than the account holder who deposits funds in a first-time home buyer savings account is allowed a subtraction under this section.

Subd. 2. **Addition.** (a) An account holder must add to federal taxable income the sum of the following amounts:

(1) any amount withdrawn from a first-time home buyer savings account during the taxable year and used neither to pay eligible costs nor for a transfer permitted under section 462D.04, subdivision 2; and

(2) any amount remaining in the first-time home buyer savings account at the close of the tenth taxable year after the taxable year in which the account was established.

(b) For an account that received a transfer under section 462D.04, subdivision 2, the ten-year period under paragraph (a), clause (2), ends at the close of the earliest taxable year that applies to either account under that clause.

Subd. 3. **Additional tax.** The account holder is liable for an additional tax equal to ten percent of the addition under subdivision 2 for the taxable year. This amount must be added to the amount due under section 290.06. The tax under this subdivision does not apply to:

(1) a withdrawal because of the account holder's or designated qualified beneficiary's death or disability; and

(2) a disbursement of assets of the account under federal bankruptcy law.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 50. **RECAPTURE TAX; EMINENT DOMAIN.**

The tax under Minnesota Statutes, section 291.03, subdivision 11, does not apply to acquisition of title or possession of the qualified property by a federal, state, or local government unit, or any other entity with the power of eminent domain for a public purpose, as defined in Minnesota Statutes, section 117.025, subdivision 11, within the three-year holding period.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after June 30, 2011, and before January 1, 2017.

Sec. 51. **REPEALER.**

(a) Minnesota Statutes 2016, sections 289A.10, subdivision 1a; 289A.12, subdivision 18; 289A.18, subdivision 3a; 289A.20, subdivision 3a; and 291.03, subdivisions 8, 9, 10, and 11, are repealed.

(b) Minnesota Statutes 2016, section 290.067, subdivision 2, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective retroactively for estates of decedents dying after December 31, 2016. Paragraph (b) is effective for taxable years beginning after December 31, 2016.

ARTICLE 2
PROPERTY TAX

Section 1. Minnesota Statutes 2016, section 40A.18, subdivision 2, is amended to read:

Subd. 2. **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) For purposes of paragraph (a), clauses (2) and (3), "existing" ~~in clauses (2) and (3)~~ means existing on August 1, 1989.

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

Sec. 2. **[103C.333] COUNTY LEVY AUTHORITY.**

Notwithstanding any other law to the contrary, a county levying a tax under section 103C.331 shall not include any taxes levied under those authorities in the levy certified under section 275.07, subdivision 1, paragraph (a). A county levying under section 103C.331 shall separately certify that amount, and the auditor shall extend that levy as a special taxing district levy under sections 275.066 and 275.07, subdivision 1, paragraph (b).

EFFECTIVE DATE. This section is effective for certifications made in 2017 and thereafter.

Sec. 3. Minnesota Statutes 2016, section 272.02, subdivision 23, is amended to read:

Subd. 23. **Secondary liquid agricultural chemical containment ~~facilities~~.** Secondary containment tanks, cache basins, and ~~that portion of the structure needed for the containment facility used to confine agricultural chemicals as defined in section 18D.01, subdivision 3, as required by the commissioner of agriculture under chapter 18B or 18C,~~ berms used by a reseller to contain agricultural chemical spills from primary storage containers and prevent runoff or leaching of liquid agricultural chemicals as defined in section 18D.01, subdivision 3, are exempt. For purposes of this subdivision, "reseller" means a person licensed by the commissioner of agriculture under section 18B.316 or 18C.415.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016 provided that nothing in this section shall cause property that was classified as exempt property for taxes payable in 2016 to lose its exempt status for taxes payable in that year.

Sec. 4. Minnesota Statutes 2016, section 272.02, subdivision 86, is amended to read:

Subd. 86. **Apprenticeship training facilities.** All or a portion of a building used exclusively for a state-approved apprenticeship program through the Department of Labor and Industry is exempt if:

(1) it is owned by a nonprofit organization or a nonprofit trust, and operated by a nonprofit organization or a nonprofit trust;

(2) the program participants receive no compensation; and

(3) it is located:

(i) in the Minneapolis and St. Paul standard metropolitan statistical area as determined by the 2000 federal census;

(ii) in a city outside the Minneapolis and St. Paul standard metropolitan statistical area that has a population of 7,400 or greater according to the most recent federal census; or

(iii) in a township that has a population greater than ~~2,000~~ 1,400 but less than 3,000 determined by the 2000 federal census and the building was previously used by a school and was exempt for taxes payable in 2010.

Use of the property for advanced skills training of incumbent workers does not disqualify the property for the exemption under this subdivision. This exemption includes up to five acres of the land on which the building is located and associated parking areas on that land, except that if the building meets the requirements of clause (3), item (iii), then the exemption includes up to ten acres of land on which the building is located and associated parking areas on that land. If a parking area associated with the facility is used for the purposes of the facility and for other purposes, a portion of the parking area shall be exempt in proportion to the square footage of the facility used for purposes of apprenticeship training.

Sec. 5. Minnesota Statutes 2016, section 272.02, is amended by adding a subdivision to read:

Subd. 100. **Electric generation facility; personal property.** (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property that is part of an electric generation facility with more than 35 megawatts and less than 40 megawatts of installed capacity and that meets the requirements of this subdivision is exempt from taxation and payments in lieu of taxation. The facility must:

(1) be designed to utilize natural gas as a primary fuel;

(2) be owned and operated by a municipal power agency as defined in section 453.52, subdivision 8;

(3) be located within 800 feet of an existing natural gas pipeline;

(4) satisfy a resource deficiency identified in an approved integrated resource plan filed under section 216B.2422;

(5) be located outside the metropolitan area as defined under section 473.121, subdivision 2; and

(6) have received, by resolution, the approval of the governing bodies of the city and county in which it is located for the exemption of personal property provided by this subdivision.

(b) Construction of the facility must have been commenced after January 1, 2015, and before January 1, 2017. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

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

Sec. 6. Minnesota Statutes 2016, section 272.0213, is amended to read:

272.0213 LEASED SEASONAL-RECREATIONAL LAND.

(a) ~~A county board may elect, by resolution, to~~ Qualified lands, as defined in this section, are exempt from taxation, including the tax under section 273.19~~, qualified lands~~. "Qualified lands" for purposes of this section means ~~property~~ land that:

(1) is owned by a county, city, town, or the state; and

(2) is rented by the entity for noncommercial seasonal-recreational ~~or~~, noncommercial seasonal-recreational residential use~~; and~~, or class 1c commercial seasonal-recreational residential use.

~~(3) was rented for the purposes specified in clause (2) and was exempt from taxation for property taxes payable in 2008.~~

(b) Lands owned by the federal government and rented for noncommercial seasonal-recreational ~~or~~, noncommercial seasonal-recreational residential, or class 1c commercial seasonal-recreational residential use are exempt from taxation, including the tax under section 273.19.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2018.

Sec. 7. Minnesota Statutes 2016, section 272.029, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For the purposes of this section, the term:

(1) "wind energy conversion system" has the meaning given in section 216C.06, subdivision 19, and also includes a substation that is used and owned by one or more wind energy conversion facilities;

(2) "large scale wind energy conversion system" means a wind energy conversion system of more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b);

(3) "medium scale wind energy conversion system" means a wind energy conversion system of over two and not more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b); and

(4) "small scale wind energy conversion system" means a wind energy conversion system of two megawatts and under, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b).

(b) For systems installed and contracted for after January 1, 2002, the total size of a wind energy conversion system under this subdivision shall be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of one wind energy conversion system shall be combined with the nameplate capacity of any other wind energy conversion system that is:

(1) located within five miles of the wind energy conversion system;

(2) constructed within the same calendar year as the wind energy conversion system; and

(3) under common ownership.

In the case of a dispute, the commissioner of commerce shall determine the total size of the system~~, and shall draw all reasonable inferences in favor of combining the systems~~.

(c) In making a determination under paragraph (b), the commissioner of commerce may determine that two wind energy conversion systems are under common ownership when the underlying ownership structure contains ~~similar~~ <u>the same</u> persons or entities, even if the ownership shares differ between the two systems. Wind energy conversion systems are not under common ownership solely because the same person or entity provided equity financing for the systems<u>. Wind energy conversion systems that were determined by the commissioner of commerce to be eligible for a renewable energy production incentive under section 216C.41 are not under common ownership unless a change in the qualifying owner was made to an owner of another wind energy conversion system subsequent to the determination by the commissioner of commerce</u>.

<u>**EFFECTIVE DATE.**</u> <u>This section is effective the day following final enactment.</u>

Sec. 8. Minnesota Statutes 2016, section 272.162, is amended to read:

272.162 RESTRICTIONS ON TRANSFERS OF SPECIFIC PARTS.

Subdivision 1. **Conditions restricting transfer.** When a deed or other instrument conveying a parcel of land is presented to the county auditor for transfer or division under sections 272.12, 272.16, and 272.161, the auditor shall not transfer or divide the land or its net tax capacity in the official records and shall not certify the instrument as provided in section 272.12, if:

(a) The land conveyed is less than a whole parcel of land as charged in the tax lists;

(b) The part conveyed appears within the area of application of municipal <u>or county</u> subdivision regulations adopted and filed under <u>section 394.35 or</u> section 462.36, subdivision 1; and

(c) The part conveyed is part of or constitutes a subdivision as defined in section 462.352, subdivision 12.

Subd. 2. **Conditions allowing transfer.** (a) Notwithstanding the provisions of subdivision 1, the county auditor may transfer or divide the land and its net tax capacity and may certify the instrument if the instrument contains a certification by the clerk of the municipality or designated county planning official:

~~(a)~~ (1) that the municipality's or county's subdivision regulations do not apply;

~~(b)~~ (2) that the subdivision has been approved by the governing body of the municipality or county; or

~~(c)~~ (3) that the restrictions on the division of taxes and filing and recording have been waived by resolution of the governing body of the municipality or county in the particular case because compliance would create an unnecessary hardship and failure to comply would not interfere with the purpose of the regulations.

(b) If any of the conditions for certification by the municipality or county as provided in this subdivision exist and the municipality or county does not certify that they exist within 24 hours after the instrument of conveyance has been presented to the clerk of the municipality or designated county planning official, the provisions of subdivision 1 do not apply.

(c) If an unexecuted instrument is presented to the municipality or county and any of the conditions for certification by the municipality or county as provided in this subdivision exist, the unexecuted instrument must be certified by the clerk of the municipality or the designated county planning official.

Subd. 3. **Applicability of restrictions.** (a) This section does not apply to the exceptions set forth in section 272.12.

(b) This section applies only to land within municipalities or counties which choose to be governed by its provisions. A municipality or county may choose to have this section apply to the property within its boundaries by filing a certified copy of a resolution of its governing body making that choice with the auditor and recorder of the county in which it is located.

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

Sec. 9. Minnesota Statutes 2016, section 273.124, subdivision 3a, is amended to read:

Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or association is entitled to occupy a lot within the park, the corporation or association may claim homestead treatment for the park. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land.

(b) The manufactured home park shall be entitled to homestead treatment if all of the following criteria are met:

(1) the occupant or the cooperative corporation or association is paying the ad valorem property taxes and any special assessments levied against the land and structure either directly, or indirectly through dues to the corporation or association; and

(2) the corporation or association organized under chapter 308A or 308B is wholly owned by persons having a right to occupy a lot owned by the corporation or association.

(c) A charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, qualifies for homestead treatment with respect to a manufactured home park if its members hold residential participation warrants entitling them to occupy a lot in the manufactured home park.

(d) "Homestead treatment" under this subdivision means the classification rate provided for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5), item (ii)~~.~~, and the homestead market value exclusion under section 273.13, subdivision 35, does not apply ~~and the property taxes assessed against the park shall not be included in the determination of taxes payable for rent paid under section 290A.03~~.

EFFECTIVE DATE. This section is effective beginning with claims for taxes payable in 2018.

Sec. 10. Minnesota Statutes 2016, 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)~~ (iii) 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) Noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

(d) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

(e) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(g) Agricultural property of a family farm corporation, joint family farm venture, family farm limited liability company, or partnership operating a family farm as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the property consists of at least 40 acres including undivided government lots and correctional 40's;

(2) a shareholder, member, or partner of that entity is actively farming the agricultural property;

(3) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;

(4) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and

(5) that shareholder, member, or partner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

Homestead treatment applies under this paragraph for property leased to a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm if legal title to the property is in the name of an individual who is a member, shareholder, or partner in the entity.

(h) To be eligible for the special agricultural homestead under this subdivision, an initial full application must be submitted to the county assessor where the property is located. Owners and the persons who are actively farming the property shall be required to complete only a one-page abbreviated version of the application in each subsequent year provided that none of the following items have changed since the initial application:

(1) the day-to-day operation, administration, and financial risks remain the same;

(2) the owners and the persons actively farming the property continue to live within the four townships or city criteria and are Minnesota residents;

(3) the same operator of the agricultural property is listed with the Farm Service Agency;

(4) a Schedule F or equivalent income tax form was filed for the most recent year;

(5) the property's acreage is unchanged; and

(6) none of the property's acres have been enrolled in a federal or state farm program since the initial application.

The owners and any persons who are actively farming the property must include the appropriate Social Security numbers, and sign and date the application. If any of the specified information has changed since the full application was filed, the owner must notify the assessor, and must complete a new application to determine if the property continues to qualify for the special agricultural homestead. The commissioner of revenue shall prepare a standard reapplication form for use by the assessors.

(i) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by the August 2007 floods;

(2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele, Wabasha, or Winona;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2007 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the August 2007 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the owner must notify the assessor by December 1, 2008. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(j) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the March 2009 floods;

(2) the property is located in the county of Marshall;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2008 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 2009 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

EFFECTIVE DATE. This section is effective beginning for property taxes payable in 2018.

Sec. 11. Minnesota Statutes 2016, section 273.124, subdivision 21, is amended to read:

Subd. 21. **Trust property; homestead.** Real or personal property, including agricultural property, held by a trustee under a trust is eligible for classification as homestead property if the property satisfies the requirements of paragraph (a), (b), (c), ~~or~~ (d), or (e).

(a) The grantor or surviving spouse of the grantor of the trust occupies and uses the property as a homestead.

(b) A relative or surviving relative of the grantor who meets the requirements of subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph (d), in the case of agricultural property, occupies and uses the property as a homestead.

(c) A family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm in which the grantor or the grantor's surviving spouse is a shareholder, member, or partner rents the property; and, either (1) a shareholder, member, or partner of the corporation, joint farm venture, limited liability company, or partnership occupies and uses the property as a homestead; or (2) the property is at least 40 acres, including undivided government lots and correctional 40's, and a shareholder, member, or partner of the tenant-entity is actively farming the property on behalf of the corporation, joint farm venture, limited liability company, or partnership.

(d) A person who has received homestead classification for property taxes payable in 2000 on the basis of an unqualified legal right under the terms of the trust agreement to occupy the property as that person's homestead and who continues to use the property as a homestead; or, a person who received the homestead classification for taxes payable in 2005 under paragraph (c) who does not qualify under paragraph (c) for taxes payable in 2006 or thereafter but who continues to qualify under paragraph (c) as it existed for taxes payable in 2005.

(e) The qualifications under subdivision 14, paragraph (b), clause (i), are met. For purposes of this paragraph, "owner" means the grantor of the trust or the surviving spouse of the grantor.

(f) For purposes of this subdivision, the following terms have the meanings given them:

(1) "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land;

(2) "agricultural land" has the meaning given in section 273.13, subdivision 23, except that the phrases "owned by same person" or "under the same ownership" as used in that subdivision mean and include contiguous tax parcels owned by:

(i) an individual and a trust of which the individual, the individual's spouse, or the individual's deceased spouse is the grantor; or

(ii) different trusts of which the grantors of each trust are any combination of an individual, the individual's spouse, or the individual's deceased spouse; and

~~For purposes of this subdivision,~~ (3) "grantor" ~~is defined as~~ means the person creating or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written instrument or through the exercise of a power of appointment.

(g) Noncontiguous land is included as part of a homestead under this subdivision, only if the homestead is classified as class 2a, as defined in section 273.13, subdivision 23, 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.

EFFECTIVE DATE. This section is effective beginning for property taxes payable in 2018.

Sec. 12. Minnesota Statutes 2016, section 273.125, subdivision 8, is amended to read:

Subd. 8. **Manufactured homes; sectional structures.** (a) In this section, "manufactured home" means a structure transportable in one or more sections, which is built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and contains the plumbing, heating, air conditioning, and electrical systems in it. Manufactured home includes any accessory structure that is an addition or supplement to the manufactured home and, when installed, becomes a part of the manufactured home.

(b) Except as provided in paragraph (c), a manufactured home that meets each of the following criteria must be valued and assessed as an improvement to real property, the appropriate real property classification applies, and the valuation is subject to review and the taxes payable in the manner provided for real property:

(1) the owner of the unit holds title to the land on which it is situated;

(2) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the Manufactured Home Building Code in sections 327.31 to 327.34, and rules adopted under those sections, or is affixed to the land like other real property in the taxing district; and

(3) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(c) A manufactured home that meets each of the following criteria must be assessed at the rate provided by the appropriate real property classification but must be treated as personal property, and the valuation is subject to review and the taxes payable in the manner provided in this section:

(1) the owner of the unit is a lessee of the land under the terms of a lease, or the unit is located in a manufactured home park but is not the homestead of the park owner;

(2) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the Manufactured Home Building Code contained in sections 327.31 to 327.34, and the rules adopted under those sections, or is affixed to the land like other real property in the taxing district; and

(3) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(d) Sectional structures must be valued and assessed as an improvement to real property if the owner of the structure holds title to the land on which it is located or is a qualifying lessee of the land under section 273.19. In this paragraph "sectional structure" means a building or structural unit that has been in whole or substantial part manufactured or constructed at an off-site location to be wholly or partially assembled on site alone or with other units and attached to a permanent foundation.

(e) The commissioner of revenue may adopt rules under the Administrative Procedure Act to establish additional criteria for the classification of manufactured homes and sectional structures under this subdivision.

(f) A storage shed, deck, or similar improvement constructed on property that is leased or rented as a site for a manufactured home, sectional structure, park trailer, or travel trailer is taxable as provided in this section. In the case of property that is leased or rented as a site for a travel trailer, a storage shed, deck, or similar improvement on the site that is considered personal property under this paragraph is taxable only if its total estimated market value is over ~~$1,000~~ $10,000. The property is taxable as personal property to the lessee of the site if it is not owned by the owner of the site. The property is taxable as real estate if it is owned by the owner of the site. As a condition of permitting the owner of the manufactured home, sectional structure, park trailer, or travel trailer to construct improvements on the leased or rented site, the owner of the site must obtain the permanent home address of the lessee or user of the site. The site owner must provide the name and address to the assessor upon request.

Sec. 13. Minnesota Statutes 2016, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first $500,000 of market value of class 1a property has a net classification rate of one percent of its market value; and the market value of class 1a property that exceeds $500,000 has a classification rate of 1.25 percent of its market value.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by:

(1) any person who is blind as defined in section 256D.35, or the blind person and the blind person's spouse;

(2) any person who is permanently and totally disabled or by the disabled person and the disabled person's spouse; or

(3) the surviving spouse of a permanently and totally disabled veteran homesteading a property classified under this paragraph for taxes payable in 2008.

Property is classified and assessed under clause (2) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph, and that the property is not eligible for the valuation exclusion under subdivision 34.

Property is classified and assessed under paragraph (b) only if the commissioner of revenue or the county assessor certifies that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first $50,000 market value of class 1b property has a net classification rate of .45 percent of its market value. The remaining market value of class 1b property has a classification rate using the rates for class 1a or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real and personal property that abuts public water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by the Department of Natural Resources, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort

~~even if~~, whether the title to the homestead is held by the corporation, partnership, or limited liability company, or by a shareholder of a corporation who owns the resort, a partner in a partnership who owns the resort, or a member of a limited liability company who owns the resort. For purposes of this paragraph, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 1c property and the other would be eligible to be classified as a class 1c property if it was used as the homestead of the owner, both properties will be assessed as a single class 1c property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first $600,000 of market value is tier I, the next $1,700,000 of market value is tier II, and any remaining market value is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, 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 as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c 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 1c.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same classification rates as class 1a property under paragraph (a).

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2018.

Sec. 14. Minnesota Statutes 2016, 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 local, 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. For purposes of this section, a local conservation program means a program administered by a town, statutory or home rule charter city, or county, including a watershed district, water management organization, or soil and water conservation district, in which landowners voluntarily enroll land and receive incentive payments in exchange for use or other restrictions placed on the land. 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.

(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 assessment year 2018.

Sec. 15. Minnesota Statutes 2016, 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:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property~~,~~ ~~and a single family dwelling, garage,~~;

(2) single-family dwellings including garages and the surrounding one acre of property on ~~a~~ nonhomestead ~~farm~~ farms classified under subdivision 23, paragraph (b); and

(3) condominium-type storage units having individual legal descriptions that are not used for commercial purposes.

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, and (vii) 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. The commissioner of veterans affairs must provide a list of congressionally chartered veterans organizations to the commissioner of revenue by June 30, 2017, and by January 1, 2018, and each year thereafter.

(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 assessed in 2017 and payable in 2018.

Sec. 16. Minnesota Statutes 2016, 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), and a spouse must notify the assessor if there is a change in the spouse's marital status, ownership of the property, or use of the property as a permanent residence.

(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~~ of the first assessment year for which the exclusion is sought. For an application received after July 1 ~~of any calendar year~~, the exclusion shall become effective for the following assessment year. Except as provided in paragraph (c), the owner of a property that has been accepted for a valuation exclusion must notify the assessor if there is a change in ownership of the property or in the use of the property as a homestead.

(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) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit under paragraph (b), clause (2), for eight taxes payable years or until the spouse remarries or sells, transfers, or otherwise disposes of the property if:

(1) the spouse files a first-time application within two years of the death of the service member or by June 1, 2019, whichever is later;

(2) upon the death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides there;

(3) the veteran met the honorable discharge requirements of paragraph (a); and

(4) the United States Department of Veterans Affairs certifies that:

(i) the veteran met the total (100 percent) and permanent disability requirement under paragraph (b), clause (2); or

(ii) the spouse has been awarded dependency and indemnity compensation.

(l) 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.

(m) By July 1, the county veterans service officer must certify the disability rating of each veteran receiving the benefit under paragraph (b) to the assessor.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2018.

Sec. 17. **[274.132] PROPERTY OVERVALUED.**

Subdivision 1. **Valuation appeals.** Notwithstanding any other law to the contrary, when the value of a property is reduced by a local, special, or county board of appeal and equalization, the state board of equalization, an order from the Minnesota Tax Court, or an abatement to correct an error in valuation, a property owner may appeal the valuation of the property for the taxes payable year immediately preceding the year for which the value is reduced, provided that the valuation of the property for the immediately preceding taxes payable year was not previously appealed. An appeal under this subdivision may only be taken to the Minnesota Tax Court.

Subd. 2. **Credit for overpayment of tax.** (a) The county auditor shall credit any refund determined by the Minnesota Tax Court under subdivision 1 against the succeeding year's tax payable on the property according to the following schedule:

(1) if the refund is less than 25 percent of the total tax payable on the property for the current year, it shall be credited to the tax payable on the property in the succeeding taxes payable year; or

(2) if the refund is 25 percent or more of the total tax payable on the property for the current year, beginning in the succeeding taxes payable year, it shall be credited to the tax payable on the property at a rate of 25 percent of the property taxes due per year until credited in full.

(b) The credit under this subdivision shall reduce the tax payable to each jurisdiction in proportion to the total tax payable on the property.

EFFECTIVE DATE. This section is effective for appeals, orders, and abatements in 2018 and thereafter.

Sec. 18. Minnesota Statutes 2016, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy ~~base amount is $592,000,000~~ for commercial-industrial property is $713,050,000 for taxes payable in ~~2002~~ 2018 and thereafter. ~~For taxes payable in subsequent years, the levy base amount is increased 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.~~ The state general levy for seasonal-recreational property is $43,130,000 for taxes payable in 2018 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 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.

EFFECTIVE DATE. This section is effective for taxes payable in 2018 and thereafter.

Sec. 19. Minnesota Statutes 2016, section 275.025, subdivision 2, is amended to read:

Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section, "commercial-industrial tax capacity" means the tax capacity of all taxable property classified as class 3 or class 5(1) under section 273.13, ~~except for~~ excluding:

(1) the tax capacity attributable to the first $200,000 of market value of each parcel of commercial-industrial property 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, clauses (1) and (2), shall apply in determining the portion of a property eligible to be considered within the first $200,000 of market value.

EFFECTIVE DATE. This section is effective for taxes payable in 2018 and thereafter.

Sec. 20. Minnesota Statutes 2016, section 275.025, subdivision 4, is amended to read:

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.

EFFECTIVE DATE. This section is effective for taxes payable in 2018 and thereafter.

Sec. 21. Minnesota Statutes 2016, section 275.025, is amended by adding a subdivision to read:

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 for taxes payable in 2018 and thereafter.

Sec. 22. Minnesota Statutes 2016, section 275.066, is amended to read:

275.066 SPECIAL TAXING DISTRICTS; DEFINITION.

For the purposes of property taxation and property tax state aids, the term "special taxing districts" includes the following entities:

(1) watershed districts under chapter 103D;

(2) sanitary districts under sections 442A.01 to 442A.29;

(3) regional sanitary sewer districts under sections 115.61 to 115.67;

(4) regional public library districts under section 134.201;

(5) park districts under chapter 398;

(6) regional railroad authorities under chapter 398A;

(7) hospital districts under sections 447.31 to 447.38;

(8) St. Cloud Metropolitan Transit Commission under sections 458A.01 to 458A.15;

(9) Duluth Transit Authority under sections 458A.21 to 458A.37;

(10) regional development commissions under sections 462.381 to 462.398;

(11) housing and redevelopment authorities under sections 469.001 to 469.047;

(12) port authorities under sections 469.048 to 469.068;

(13) economic development authorities under sections 469.090 to 469.1081;

(14) Metropolitan Council under sections 473.123 to 473.549;

(15) Metropolitan Airports Commission under sections 473.601 to 473.679;

(16) Metropolitan Mosquito Control Commission under sections 473.701 to 473.716;

(17) Morrison County Rural Development Financing Authority under Laws 1982, chapter 437, section 1;

(18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section 6;

(19) East Lake County Medical Clinic District under Laws 1989, chapter 211, sections 1 to 6;

(20) Floodwood Area Ambulance District under Laws 1993, chapter 375, article 5, section 39;

(21) Middle Mississippi River Watershed Management Organization under sections 103B.211 and 103B.241;

(22) emergency medical services special taxing districts under section 144F.01;

(23) a county levying under the authority of section 103B.241, 103B.245, ~~or~~ 103B.251, or 103C.331;

(24) Southern St. Louis County Special Taxing District; Chris Jensen Nursing Home under Laws 2003, First Special Session chapter 21, article 4, section 12;

(25) an airport authority created under section 360.0426; and

(26) any other political subdivision of the state of Minnesota, excluding counties, school districts, cities, and towns, that has the power to adopt and certify a property tax levy to the county auditor, as determined by the commissioner of revenue.

Sec. 23. Minnesota Statutes 2016, section 276.017, subdivision 3, is amended to read:

Subd. 3. **~~United States Postal Service postmark~~ Proof of timely payment.** The postmark or registration mark of the United States Postal Service qualifies as proof of timely mailing ~~for this section~~. ~~If the payment is sent by United States registered mail, the date of registration is the postmark date. If the payment is sent by United States certified mail, the date of the United States Postal Service postmark on the receipt given to the person presenting the payment for delivery is the date of mailing.~~ Mailing, or the time of mailing, may also be established by a delivery service's records or other available evidence ~~except that~~. The postmark of a private postage meter or internet stamp may not be used as proof of a timely mailing made under this section.

Sec. 24. Minnesota Statutes 2016, 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 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. In order for the first half of the tax due on class 3a property to be paid after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, without penalty, the owner of the property must attach an affidavit to the payment attesting to compliance with the income provision of this subdivision~~ 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 2018.

Sec. 25. Minnesota Statutes 2016, section 279.01, subdivision 2, is amended to read:

Subd. 2. **Abatement of penalty.** (a) The county board may, with the concurrence of the county treasurer, delegate to the county treasurer the power to abate the penalty provided for late payment of taxes in the current year. Notwithstanding section 270C.86, if any county board so elects, the county treasurer may abate the penalty on finding that the imposition of the penalty would be unjust and unreasonable.

(b) The county treasurer shall abate the penalty provided for late payment of taxes in the current year if the property tax payment is delivered by mail to the county treasurer and the envelope containing the payment is postmarked by the United States Postal Service within one business day of the due date prescribed under this section, but only if the property owner requesting the abatement has not previously received an abatement of penalty for late payment of tax under this paragraph.

EFFECTIVE DATE. This section is effective for property taxes payable in 2018 and thereafter.

Sec. 26. Minnesota Statutes 2016, 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, and class 2b rural vacant land, 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. (a) Except as provided in paragraph (b), this section is effective beginning with taxes payable in 2018.

(b) For property in the northern forest region, the provisions in this section applicable to class 2b rural vacant land are effective beginning with taxes payable in 2019.

Sec. 27. Minnesota Statutes 2016, section 279.37, is amended by adding a subdivision to read:

Subd. 1b. **Conditions.** The county auditor may offer on a voluntary basis financial literacy counseling as part of entering into a confession of judgment. The county auditor may fund the financial literacy counseling using the fee in subdivision 8. The counseling shall not be at taxpayer expense.

Sec. 28. Minnesota Statutes 2016, section 281.17, is amended to read:

281.17 PERIOD ~~FOR~~ OF REDEMPTION.

(a) Except for properties described in paragraphs (b) and (c), or properties for which the period of redemption has been limited under sections 281.173 and 281.174, the ~~following periods for~~ period of redemption ~~apply.~~

~~The period of redemption~~ for ~~all~~ lands sold to the state at a tax judgment sale shall be three years from the date of sale to the state of Minnesota.

~~The period of redemption for homesteaded lands as defined in section 273.13, subdivision 22, located in a targeted neighborhood as defined in Laws 1987, chapter 386, article 6, section 4, and sold to the state at a tax judgment sale is three years from the date of sale.~~

(b) The period of redemption for all lands located in a targeted ~~neighborhood~~ community as defined in ~~Laws 1987, chapter 386, article 6, section 4~~ section 469.201, subdivision 10, except homesteaded lands as defined in section 273.13, subdivision 22, is one year from the date of sale.

(c) The period of redemption for all real property constituting a mixed municipal solid waste disposal facility that is a qualified facility under section 115B.39, subdivision 1, is one year from the date of the sale to the state of Minnesota.

(d) In determining the period of redemption, the county must use the property's classification and homestead classification for the assessment year on which the tax judgment is based. Any change in the property's classification or homestead classification after the assessment year on which the tax judgment is based does not affect the period of redemption.

Sec. 29. Minnesota Statutes 2016, section 281.173, subdivision 2, is amended to read:

Subd. 2. **Summons and complaint.** Any city, county, housing and redevelopment authority, port authority, or economic development authority, in which the premises are located may commence an action in district court to reduce the period otherwise allowed for redemption under this chapter. The action must be commenced by the filing of a complaint, naming as defendants the record fee owners or the owner's personal representative, or the owner's heirs as determined by a court of competent jurisdiction, contract for deed purchasers, mortgagees, assigns of any of the above, the taxpayers as shown on the records of the county auditor, the Internal Revenue Service of the United States and the Revenue Department of the state of Minnesota if tax liens against the owners or contract for deed purchasers have been recorded or filed; and any other person the plaintiff determines should be made a party. The action shall be filed in district court for the county in which the premises are located. The complaint must identify the premises by legal description. The complaint must allege (1) that the premises are abandoned, (2) that the tax judgment sale pursuant to section 280.01 has been made, and (3) notice of expiration of the time for redemption has not been given.

The complaint must request an order reducing the redemption period to five weeks. When the complaint has been filed, the court shall issue a summons commanding the person or persons named in the complaint to appear before the court on a day and at a place stated in the summons. The appearance date shall be not less than 15 nor more than 25 days from the date of the issuing of the summons. A copy of the filed complaint must be attached to the summons.

Sec. 30. Minnesota Statutes 2016, section 281.174, subdivision 3, is amended to read:

Subd. 3. **Summons and complaint.** Any city, county, housing and redevelopment authority, port authority, or economic development authority in which the property is located may commence an action in district court to reduce the period otherwise allowed for redemption under this chapter from the date of the requested order. The action must be commenced by the filing of a complaint, naming as defendants the record fee owners or the owner's personal representative, or the owner's heirs as determined by a court of competent jurisdiction, contract for deed purchasers, mortgagees, assigns of any of the above, the taxpayers as shown on the records of the county auditor, the Internal Revenue Service of the United States and the revenue department of the state of Minnesota if tax liens against the owners or contract for deed purchasers have been recorded or filed, and any other person the plaintiff determines should be made a party. The action shall be filed in district court for the county in which the property is located. The complaint must identify the property by legal description. The complaint must allege (1) that the property is vacant, (2) that the tax judgment sale under section 280.01 has been made, and (3) notice of expiration of the time for redemption has not been given.

The complaint must request an order reducing the redemption period to five weeks. When the complaint has been filed, the court shall issue a summons commanding the person or persons named in the complaint to appear before the court on a day and at a place stated in the summons. The appearance date shall be not less than 15 nor more than 25 days from the date of the issuing of the summons, except that, when the United States of America is a party, the date shall be set in accordance with applicable federal law. A copy of the filed complaint must be attached to the summons.

Sec. 31. **[281.231] MAINTENANCE; EXPENDITURE OF PUBLIC FUNDS.**

If the county auditor provides notice as required by section 281.23, the state, agency, political subdivision, or other entity that becomes the fee owner or manager of a property as a result of forfeiture due to nonpayment of real property taxes is not required to expend public funds to maintain any servitude, agreement, easement, or other encumbrance affecting the property. The fee owner or manager of a property may, at its discretion, spend public funds necessary for the maintenance, security, or management of the property.

Sec. 32. **[281.70] LIMITED RIGHT OF ENTRY.**

Subdivision 1. **Limited right of entry.** If premises described in a real estate tax judgment sale are vacant or unoccupied, the county auditor or a person acting on behalf of the county auditor may, but is not obligated to, enter the premises to protect the premises from waste or trespass until the county auditor is notified that the premises are occupied. An affidavit of the sheriff, the county auditor, or a person acting on behalf of the county auditor describing the premises and stating that the premises are vacant and unoccupied is prima facie evidence of the facts stated in the affidavit. If the affidavit contains a legal description of the premises, the affidavit may be recorded in the office of the county recorder or the registrar of titles in the county where the premises are located.

Subd. 2. **Authorized actions.** (a) The county auditor may take one or more of the following actions to protect the premises from waste or trespass:

(1) install or change locks on doors and windows;

(2) board windows; and

(3) other actions to prevent or minimize damage to the premises from the elements, vandalism, trespass, or other illegal activities.

(b) If the county auditor installs or changes locks on premises under paragraph (a), the county auditor must promptly deliver a key to the premises to the taxpayer or any person lawfully claiming through the taxpayer upon request.

Subd. 3. **Costs.** Costs incurred by the county auditor in protecting the premises from waste or trespass under this section may be added to the delinquent taxes due. The costs may bear interest to the extent provided, and interest may be added to the delinquent taxes due.

Subd. 4. **Scope.** The actions authorized under this section are in addition to, and do not limit or replace, any other rights or remedies available to the county auditor under Minnesota law.

Sec. 33. Minnesota Statutes 2016, section 282.01, subdivision 4, is amended to read:

Subd. 4. **Sale~~:~~; method~~,~~; requirements~~,~~; effects.** (a) 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.

(b) For sales occurring on or after July 1, 1982, the unpaid balance of the purchase price is subject to interest at the rate determined pursuant to section 549.09. The unpaid balance of the purchase price for sales occurring after December 31, 1990, is subject to interest at the rate determined in section 279.03, subdivision 1a. The interest rate is subject to change each year on the unpaid balance in the manner provided for rate changes in section 549.09 or 279.03, subdivision 1a, whichever, is applicable. Interest on the unpaid contract balance on sales occurring before July 1, 1982, is payable at the rate applicable to the sale at the time that the sale occurred.

(c) Notwithstanding subdivision 7, a county board may by resolution provide for the listing and sale of individual parcels by other means, including through a real estate broker. However, if the buyer under this paragraph could have repurchased a parcel of property under section 282.012 or 282.241, that buyer may not purchase that same parcel of property at the sale under this subdivision for a purchase price less than the sum of all taxes, assessments, penalties, interest, and costs due at the time of forfeiture computed under section 282.251, and any special assessments for improvements certified as of the date of sale. This subdivision shall be liberally construed to encourage the sale and utilization of tax-forfeited land in order to eliminate nuisances and dangerous conditions and to increase compliance with land use ordinances.

Sec. 34. Minnesota Statutes 2016, section 282.01, subdivision 6, is amended to read:

Subd. 6. **Duties of commissioner after sale.** (a) When any sale has been made by the county auditor under sections 282.01 to 282.13, the auditor shall immediately certify to the commissioner of revenue such information relating to such sale, on such forms as the commissioner of revenue may prescribe as will enable the commissioner of revenue to prepare an appropriate deed if the sale is for cash, or keep necessary records if the sale is on terms; and not later than October 31 of each year the county auditor shall submit to the commissioner of revenue a statement of all instances wherein any payment of principal, interest, or current taxes on lands held under certificate, due or to be paid during the preceding calendar years, are still outstanding at the time such certificate is made. When such statement shows that a purchaser or the purchaser's assignee is in default, the commissioner of revenue may instruct the county board of the county in which the land is located to cancel said certificate of sale in the manner provided by subdivision 5, provided that upon recommendation of the county board, and where the circumstances are such that the commissioner of revenue after investigation is satisfied that the purchaser has made every effort reasonable to make payment of both the annual installment and said taxes, and that there has been no willful neglect on the part of the purchaser in meeting these obligations, then the commissioner of revenue may extend the time for the payment for such period as the commissioner may deem warranted, not to exceed one year. On payment in full of the purchase price, appropriate conveyance in fee, in such form as may be prescribed by the attorney general, shall be issued by the commissioner of revenue, which conveyance must be recorded by the county and shall have the force and effect of a patent from the state subject to easements and restrictions of record at the date of the tax judgment sale, including, but without limitation, permits for telephone and electric power lines either by underground cable or conduit or otherwise, sewer and water lines, highways, railroads, and pipe lines for gas, liquids, or solids in suspension.

(b) The commissioner of revenue shall issue an appropriate conveyance in fee upon the receipt of a loan commitment or approval from the county auditor. For purposes of this paragraph, "loan commitment" or "loan approval" means a written commitment or approval to make a mortgage loan from a lender approved to make mortgage loans in Minnesota. The conveyance shall be issued to the county auditor where the land is located. Upon receipt of the conveyance, the county auditor shall hold the conveyance until such time as the conveyance is requested from a title company licensed to do business in Minnesota. If a request for the conveyance is not made within 45 days of the date the conveyance is issued by the commissioner of revenue, the county auditor shall return the conveyance to the commissioner. The title company making the request for the conveyance shall certify to the county auditor that the conveyance is necessary to close the purchase of the subject property within five days of the request. If the conveyance is delivered to the title company and the closing does not occur within five days of the request, the title company shall immediately return the conveyance to the county auditor, and upon receipt, the county auditor shall return the deed to the commissioner of revenue. The commissioner of revenue shall destroy all deeds returned by the county auditor pursuant to this subdivision.

Sec. 35. Minnesota Statutes 2016, section 282.01, is amended by adding a subdivision to read:

Subd. 13. **Online auction.** A county board, or a county auditor if the auditor has been delegated such authority under section 282.135, may sell tax-forfeited lands through an online auction. When an online auction is used to sell tax-forfeited lands, the county auditor shall post a physical notice of the online auction and shall publish a notice of the online auction on its Web site not less than ten days before the online auction begins, in addition to any other notice required.

EFFECTIVE DATE. This section is effective for sales of tax-forfeited property that occur on or after August 1, 2017.

Sec. 36. Minnesota Statutes 2016, section 282.016, is amended to read:

282.016 PROHIBITED PURCHASERS.

(a) A county auditor, county treasurer, county attorney, court administrator of the district court, county assessor, supervisor of assessments, deputy or clerk or an employee of such officer, a commissioner for tax-forfeited lands or an assistant to such commissioner, must not become a purchaser, either personally or as an agent or attorney for another person, of the properties offered for sale under the provisions of this chapter in the county for which the person performs duties. ~~A person prohibited from purchasing property under this section must not directly or indirectly have another person purchase it on behalf of the prohibited purchaser for the prohibited purchaser's benefit or gain.~~

(b) Notwithstanding paragraph (a), such officer, deputy, clerk, or employee or commissioner for tax-forfeited lands or assistant to such commissioner may (1) purchase lands owned by that official at the time the state became the absolute owner thereof or (2) bid upon and purchase forfeited property offered for sale under the alternate sale procedure described in section 282.01, subdivision 7a.

(c) In addition to the persons identified in paragraph (a), a county auditor may prohibit other persons and entities from becoming a purchaser, either personally or as an agent or attorney for another person or entity, of the properties offered for sale under this chapter in the following circumstances: (1) the person or entity owns another property within the county for which there are delinquent taxes owing; (2) the person or entity has held a rental license in the county and the license has been revoked within the last five years; (3) the person or entity has been the vendee of a contract for purchase of a property offered for sale under this chapter, which contract has been canceled within the last five years; or (4) the person or entity owns another property within the county for which there is an unresolved housing code violation, including an unpaid charge or fine.

(d) A person prohibited from purchasing property under this section must not directly or indirectly have another person purchase it on behalf of the prohibited purchaser for the prohibited purchaser's benefit or gain.

Sec. 37. Minnesota Statutes 2016, section 282.018, subdivision 1, is amended to read:

Subdivision 1. **Land on or adjacent to public waters.** (a) All land which is the property of the state as a result of forfeiture to the state for nonpayment of taxes, regardless of whether the land is held in trust for taxing districts, and which borders on or is adjacent to meandered lakes and other public waters and watercourses, and the live timber growing or being thereon, is hereby withdrawn from sale except as hereinafter provided. The authority having jurisdiction over the timber on any such lands may sell the timber as otherwise provided by law for cutting and removal under such conditions as the authority may prescribe in accordance with approved, sustained yield forestry practices. The authority having jurisdiction over the timber shall reserve such timber and impose such conditions as the authority deems necessary for the protection of watersheds, wildlife habitat, shorelines, and scenic features. Within the area in Cook, Lake, and St. Louis counties described in the Act of Congress approved July 10, 1930 (46 Stat. 1020), the timber on tax-forfeited lands shall be subject to like restrictions as are now imposed by that act on federal lands.

(b) Of all tax-forfeited land bordering on or adjacent to meandered lakes and other public waters and watercourses and so withdrawn from sale, a strip two rods in width, the ordinary high-water mark being the waterside boundary thereof, and the land side boundary thereof being a line drawn parallel to the ordinary high-water mark and two rods distant landward therefrom, hereby is reserved for public travel thereon, and whatever the conformation of the shore line or conditions require, the authority having jurisdiction over such lands shall reserve a wider strip for such purposes.

(c) Any tract or parcel of land which has 150 feet or less of waterfront may be sold by the authority having jurisdiction over the land, in the manner otherwise provided by law for the sale of such lands, if the authority determines that it is in the public interest to do so. If the authority having jurisdiction over the land is not the commissioner of natural resources, the land may not be offered for sale without the prior approval of the commissioner of natural resources.

(d) Where the authority having jurisdiction over lands withdrawn from sale under this section is not the commissioner of natural resources, the authority may submit proposals for disposition of the lands to the commissioner. The commissioner of natural resources shall evaluate the lands and their public benefits and make recommendations on the proposed dispositions to the committees of the legislature with jurisdiction over natural resources. The commissioner shall include any recommendations of the commissioner for disposition of lands withdrawn from sale under this section over which the commissioner has jurisdiction. The commissioner's recommendations may include a public sale, sale to a private party, acquisition by the Department of Natural Resources for public purposes, or a cooperative management agreement with, or transfer to, another unit of government.

(e) Notwithstanding this subdivision, a county may sell property governed by this section upon written authorization from the commissioner of natural resources. Prior to the sale or conveyance of lands under this subdivision, the county board must give notice of its intent to meet for that purpose as provided in section 282.01, subdivision 1.

Sec. 38. Minnesota Statutes 2016, section 282.02, is amended to read:

282.02 LIST OF LANDS FOR SALE; NOTICE; ONLINE AUCTIONS PERMITTED.

(a) Immediately after classification and appraisal of the land, and after approval by the commissioner of natural resources when required pursuant to section 282.01, subdivision 3, the county board shall provide and file with the county auditor a list of parcels of land to be offered for sale. This list shall contain a description of the parcels of land and the appraised value thereof. The auditor shall publish a notice of the intended public sale of such parcels of land and a copy of the resolution of the county board fixing the terms of the sale, if other than for cash only, by publication once a week for two weeks in the official newspaper of the county, the last publication to be not less than ten days previous to the commencement of the sale.

(b) The notice shall include the parcel's description and appraised value. The notice shall also indicate the amount of any special assessments which may be the subject of a reassessment or new assessment or which may result in the imposition of a fee or charge pursuant to sections 429.071, subdivision 4, 435.23, and 444.076. The county auditor shall also mail notice to the owners of land adjoining the parcel to be sold. For purposes of this section, "owner" means the taxpayer as listed in the records of the county auditor.

(c) If the county board ~~of St. Louis or Koochiching Counties~~ determines that the sale shall take place in a county facility other than the courthouse, the notice shall specify the facility and its location. If the county board determines that the sale shall take place as an online auction under section 282.01, subdivision 13, the notice shall specify the auction Web site and the date of the auction.

EFFECTIVE DATE. This section is effective for sales of tax-forfeited property that occur on or after August 1, 2017.

Sec. 39. Minnesota Statutes 2016, section 282.241, subdivision 1, is amended to read:

Subdivision 1. **Repurchase requirements.** The owner at the time of forfeiture, or the owner's heirs, devisees, or representatives, or any person to whom the right to pay taxes was given by statute, mortgage, or other agreement, may repurchase any parcel of land claimed by the state to be forfeited to the state for taxes unless before the time repurchase is made the parcel is sold under installment payments, or otherwise, by the state as provided by law, or is under mineral prospecting permit or lease, or proceedings have been commenced by the state or any of its political subdivisions or by the United States to condemn the parcel of land. The parcel of land may be repurchased for the sum of all delinquent taxes and assessments computed under section 282.251, together with penalties, interest, and costs, that accrued or would have accrued if the parcel of land had not forfeited to the state. Except for property which was homesteaded on the date of forfeiture, repurchase is permitted during ~~one year~~ six months only from the date of forfeiture, and in any case only after the adoption of a resolution by the board of county commissioners determining that by repurchase undue hardship or injustice resulting from the forfeiture will be corrected, or that permitting the repurchase will promote the use of the lands that will best serve the public interest. If the county board has good cause to believe that a repurchase installment payment plan for a particular parcel is unnecessary and not in the public interest, the county board may require as a condition of repurchase that the entire repurchase price be paid at the time of repurchase. A repurchase is subject to any easement, lease, or other encumbrance granted by the state before the repurchase, and if the land is located within a restricted area established by any county under Laws 1939, chapter 340, the repurchase must not be permitted unless the resolution approving the repurchase is adopted by the unanimous vote of the board of county commissioners.

The person seeking to repurchase under this section shall pay all maintenance costs incurred by the county auditor during the time the property was tax-forfeited.

EFFECTIVE DATE. This section is effective January 1, 2018.

Sec. 40. Minnesota Statutes 2016, section 282.322, is amended to read:

282.322 FORFEITED LANDS LIST.

The county board of any county may file a list of forfeited lands with the county auditor, if the board is of the opinion that such lands may be acquired by the state or any municipal subdivision ~~thereof~~ of the state for public purposes. Upon the filing of ~~such~~ the list of forfeited lands, the county auditor shall withhold said lands from repurchase. If no proceeding ~~shall be~~ is started to acquire such lands by the state or some municipal subdivision ~~thereof~~ of the state within one year after the filing of ~~such~~ the list of forfeited lands, the county board shall withdraw ~~said~~ the list and thereafter, if the property was classified as nonhomestead at the time of forfeiture, the owner shall have ~~one year~~ not more than six months in which to repurchase.

EFFECTIVE DATE. This section is effective January 1, 2018.

Sec. 41. Minnesota Statutes 2016, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, ~~and for homesteads which are~~ including manufactured homes located in a manufactured home community owned by a cooperative organized under chapter 308A or 308B, and park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include 17 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.124, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before December 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

EFFECTIVE DATE. This section is effective beginning with claims for taxes payable in 2018.

Sec. 42. Minnesota Statutes 2016, 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 365 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, 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, 2017.

Sec. 43. Minnesota Statutes 2016, 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) For purposes of paragraph (a), clauses (2) and (3), "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. 44. Minnesota Statutes 2016, section 504B.285, subdivision 1, is amended to read:

Subdivision 1. **Grounds.** (a) The person entitled to the premises may recover possession by eviction when:

(1) any person holds over real property:

(i) after a sale of the property on an execution or judgment; ~~or~~

(ii) after the expiration of the time for redemption on foreclosure of a mortgage, or after termination of contract to convey the property; or

(iii) after the expiration of the time for redemption on a real estate tax judgment sale;

(2) any person holds over real property after termination of the time for which it is demised or leased to that person or to the persons under whom that person holds possession, contrary to the conditions or covenants of the lease or agreement under which that person holds, or after any rent becomes due according to the terms of such lease or agreement; or

(3) any tenant at will holds over after the termination of the tenancy by notice to quit.

(b) A landlord may not commence an eviction action against a tenant or authorized occupant solely on the basis that the tenant or authorized occupant has been the victim of any of the acts listed in section 504B.206, subdivision 1, paragraph (a). Nothing in this paragraph should be construed to prohibit an eviction action based on a breach of the lease.

Sec. 45. Minnesota Statutes 2016, section 504B.365, subdivision 3, is amended to read:

Subd. 3. **Removal and storage of property.** (a) If the defendant's personal property is to be stored in a place other than the premises, the officer shall remove all personal property of the defendant at the expense of the plaintiff.

(b) The defendant must make immediate payment for all expenses of removing personal property from the premises. If the defendant fails or refuses to do so, the plaintiff has a lien on all the personal property for the reasonable costs and expenses incurred in removing, caring for, storing, and transporting it to a suitable storage place.

(c) The plaintiff may enforce the lien by detaining the personal property until paid. If no payment has been made for 60 days after the execution of the order to vacate, the plaintiff may dispose of the property or hold a public sale as provided in sections 514.18 to 514.22.

(d) If the defendant's personal property is to be stored on the premises, the officer shall enter the premises, breaking in if necessary, and the plaintiff may remove the defendant's personal property. Section 504B.271 applies to personal property removed under this paragraph. The plaintiff must prepare an inventory and mail a copy of the inventory to the defendant's last known address or, if the defendant has provided a different address, to the address provided. The inventory must be prepared, signed, and dated in the presence of the officer and must include the following:

(1) a list of the items of personal property and a description of their condition;

(2) the date, the signature of the plaintiff or the plaintiff's agent, and the name and telephone number of a person authorized to release the personal property; and

(3) the name and badge number of the officer.

(e) The officer must retain a copy of the inventory.

(f) The plaintiff is responsible for the proper removal, storage, and care of the defendant's personal property and is liable for damages for loss of or injury to it caused by the plaintiff's failure to exercise the same care that a reasonably careful person would exercise under similar circumstances.

(g) The plaintiff shall notify the defendant of the date and approximate time the officer is scheduled to remove the defendant, family, and personal property from the premises. The notice must be sent by first class mail. In addition, the plaintiff must make a good faith effort to notify the defendant by telephone. The notice must be mailed as soon as the information regarding the date and approximate time the officer is scheduled to enforce the order is known to the plaintiff, except that the scheduling of the officer to enforce the order need not be delayed because of the notice requirement. The notice must inform the defendant that the defendant and the defendant's personal property will be removed from the premises if the defendant has not vacated the premises by the time specified in the notice.

Sec. 46. 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 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 applies to taxes payable in 2018 and thereafter, and is effective the day after the Carlton County Board of Commissioners and its chief clerical officer timely complete their compliance with section 645.021, subdivisions 2 and 3.

Sec. 47. **SOCCER STADIUM PROPERTY TAX EXEMPTION; SPECIAL ASSESSMENT.**

Any real or personal property acquired, owned, leased, controlled, used, or occupied by the city of St. Paul for the primary purpose of providing a stadium for a Major League Soccer team is declared to be acquired, owned, leased, controlled, used, and occupied for public, governmental, and municipal purposes, and is exempt from ad valorem taxation by the state or any political subdivision of the state, provided that the properties are subject to special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the properties from the improvement. In determining the special benefit received by the properties, no possible use of any of the properties in any manner different from their intended use for providing a Major League Soccer stadium at the time may be considered. Notwithstanding Minnesota Statutes, section 272.01, subdivision 2, or 273.19, real or personal property subject to a lease or use agreement between the city and another person for uses related to the purposes of the operation of the stadium and related parking facilities is exempt from taxation regardless of the length of the lease or use agreement. This section, insofar as it provides an exemption or special treatment, does not apply to any real property that is leased for residential, business, or commercial development or other purposes different from those necessary to the provision and operation of the stadium.

EFFECTIVE DATE. This section is effective upon approval by the St. Paul City Council and compliance with Minnesota Statutes, section 645.021.

Sec. 48. **LEGISLATIVE PROPERTY TAX REFORM WORKING GROUP.**

Subdivision 1. **Membership.** (a) The Legislative Property Tax Reform Working Group is created and consists of the following members:

(1) two representatives appointed by the chair of the tax committee of the house of representatives;

(2) two representatives appointed by the minority leader of the tax committee of the house of representatives;

(3) two senators appointed by the chair of the senate tax committee; and

(4) two senators appointed by the minority leader of the senate tax committee.

(b) Any vacancy shall be filled by appointment of the appointing authority for the vacating member.

(c) Members shall be appointed by July 1, 2017.

Subd. 2. **Duties.** The working group must perform the duties described in section 48.

Subd. 3. **First meeting; chair.** The first appointee of the chair of the house of representatives tax committee must convene the initial meeting of the working group by July 21, 2017. The members of the working group must elect a chair and vice-chair from the members of the working group at the first meeting.

Subd. 4. **Staff.** Legislative staff of the house of representatives and senate shall provide administrative and research support. The working group may request the assistance of staff from the Department of Revenue and Department of Education as necessary to facilitate its work.

Subd. 5. **Report.** The working group must submit a report by February 15, 2018, to the chairs and ranking minority members of the committees in the senate and house of representatives with primary jurisdiction over taxes, presenting two or more alternatives for reform of Minnesota's property tax system.

Subd. 6. **Sunset.** The working group shall sunset the day following the submission of the report under subdivision 5.

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

Sec. 49. **PROPOSALS FOR REFORM OF MINNESOTA'S PROPERTY TAX SYSTEM.**

The Legislative Property Tax Reform Working Group must develop proposals to restructure Minnesota's property tax system for legislative consideration. The proposals must provide for a system that reduces the complexity and cost of Minnesota's property tax system to increase transparency and understanding for taxpayers and assessors while minimizing the number of properties that experience severe tax changes. The proposals must include, but are not limited to, a reduction in the number of classifications and tiers in the current property tax system. The proposals may include a transition period of up to five years before the final system elements are fully operational. At least one proposal must be developed where the highest estimated net state cost does not exceed $250,000,000 in the first year that the proposal is fully phased in. At least one proposal must be developed where the highest estimated net state cost does not exceed $500,000,000 in the first year that the proposal is fully phased in. Each proposal should estimate the administrative cost savings to county governments and to the state government.

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

Sec. 50. **REPEALER.**

Minnesota Statutes 2016, sections 270C.9901; and 281.22, are repealed.

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

ARTICLE 3
TAXPAYER EMPOWERMENT

Section 1. Minnesota Statutes 2016, 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~~ 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.

<u>(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.</u>

<u>**EFFECTIVE DATE.**</u> <u>This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.</u>

Sec. 2. Minnesota Statutes 2016, 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. <u>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</u>

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.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 3. Minnesota Statutes 2016, 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 by a city on the first Tuesday after the first Monday in November in either an even-numbered or odd-numbered year. A special election on a question 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 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 4. Minnesota Statutes 2016, 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 or annual meeting 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 5. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 6. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 7. Minnesota Statutes 2016, 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's 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 Minnesota Statutes, 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 2018 and thereafter.

Sec. 8. Minnesota Statutes 2016, 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 2018 and thereafter.

Sec. 9. Minnesota Statutes 2016, 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, 2017, 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.

~~(c)~~ (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. This section is effective August 1, 2017, 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 (1) its nondebt levy certified two years previous to the current year, and (2) 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 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:

(previous payable year)	(current payable year)	(coming payable year)
Total levy	Total levy	Maximum proposed levy
$.......	$.......	$.......

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 2018 and thereafter.

Sec. 11. Minnesota Statutes 2016, 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 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 under Minnesota Statutes, 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 2018 and thereafter.

Sec. 12. Minnesota Statutes 2016, 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 Minnesota Statutes, 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."

~~(d)~~ (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 2018 and thereafter.

Sec. 13. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 14. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 15. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 16. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 17. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 18. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 19. Minnesota Statutes 2016, 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 the council may appropriate the money from the fund to an incorporated community hospital association in the city.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 20. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 21. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 22. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 23. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 24. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 25. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 26. Minnesota Statutes 2016, 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~~ referendum 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 27. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 28. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 29. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 30. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 31. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 32. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 33. Minnesota Statutes 2016, 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. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 34. **REPEALER.**

Minnesota Statutes 2016, section 205.10, subdivision 3, is repealed.

EFFECTIVE DATE. This section is effective August 1, 2017.

ARTICLE 4
SALES AND USE TAXES

Section 1. **[88.068] VOLUNTEER FIRE ASSISTANCE GRANT ACCOUNT.**

A volunteer fire assistance grant account is established in the special revenue fund. Sales taxes allocated under section 297A.94, for making grants under section 88.067, must be deposited in the special revenue fund and credited to the volunteer fire assistance grant account. Money in the account, including interest, is appropriated to the commissioner for making grants under that section.

EFFECTIVE DATE. This section is effective beginning with deposits made in fiscal year 2018.

Sec. 2. Minnesota Statutes 2016, section 128C.24, is amended to read:

128C.24 LEAGUE FUNDS TRANSFER.

Beginning July 1, 2007, the Minnesota State High School League shall annually determine the sales tax savings attributable to section 297A.70, subdivision ~~11~~ 11a, and annually transfer that amount to a nonprofit charitable foundation created for the purpose of promoting high school extracurricular activities. The funds must be used by the foundation to make grants to fund, assist, recognize, or promote high school students' participation in extracurricular activities. The first priority for funding will be grants for scholarships to individuals to offset athletic fees. The foundation must equitably award grants based on considerations of gender balance, school size, and geographic location, to the extent feasible.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2017.

Sec. 3. Minnesota Statutes 2016, section 297A.66, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) To the extent allowed by the United States Constitution and the laws of the United States, "retailer maintaining a place of business in this state," or a similar term, means a retailer:

(1) having or maintaining within this state, directly or by a subsidiary or an affiliate, an office, place of distribution, sales, storage, or sample room or place, warehouse, or other place of business, including the employment of a resident of this state who works from a home office in this state; or

(2) having a representative, including, but not limited to, an affiliate, agent, salesperson, canvasser, ~~or~~ marketplace provider, solicitor, or other third party operating in this state under the authority of the retailer or its subsidiary, for any purpose, including the repairing, selling, delivering, installing, facilitating sales, processing sales, or soliciting of orders for the retailer's goods or services, or the leasing of tangible personal property located in this state, whether the place of business or agent, representative, affiliate, salesperson, canvasser, or solicitor is located in the state permanently or temporarily, or whether or not the retailer, subsidiary, or affiliate is authorized to do business in this state. A retailer is represented by a marketplace provider in this state if the retailer makes sales in this state facilitated by a marketplace provider that maintains a place of business in this state.

(b) "Destination of a sale" means the location to which the retailer makes delivery of the property sold, or causes the property to be delivered, to the purchaser of the property, or to the agent or designee of the purchaser. The delivery may be made by any means, including the United States Postal Service or a for-hire carrier.

(c) "Marketplace provider" means any person who facilitates a retail sale by a retailer by:

(1) listing or advertising for sale by the retailer in any forum, tangible personal property, services, or digital goods that are subject to tax under this chapter; and

(2) either directly or indirectly through agreements or arrangements with third parties collecting payment from the customer and transmitting that payment to the retailer regardless of whether the marketplace provider receives compensation or other consideration in exchange for its services.

(d) "Total taxable retail sales" means the gross receipts from the sale of all tangible goods, services, and digital goods subject to sales and use tax under this chapter.

Sec. 4. Minnesota Statutes 2016, section 297A.66, subdivision 2, is amended to read:

Subd. 2. **Retailer maintaining place of business in this state.** (a) Except as provided in paragraph (b), a retailer maintaining a place of business in this state who makes retail sales in Minnesota or to a destination in Minnesota shall collect sales and use taxes and remit them to the commissioner under section 297A.77.

(b) A retailer with total taxable retail sales to customers in this state of less than $10,000 in the 12-month period ending on the last day of the most recently completed calendar quarter is not required to collect and remit sales tax if it is determined to be a retailer maintaining a place of business in the state solely because it made sales through one or more marketplace providers. The provisions of this paragraph do not apply to a retailer that is or was registered to collect sales and use tax in this state.

Sec. 5. Minnesota Statutes 2016, section 297A.66, subdivision 4, is amended to read:

Subd. 4. **Affiliated entities.** (a) An entity is an "affiliate" of the retailer for purposes of subdivision 1, paragraph (a), if the entity:

(1) ~~the entity~~ uses its facilities or employees in this state to advertise, promote, or facilitate the establishment or maintenance of a market for sales of items by the retailer to purchasers in this state or for the provision of services to the retailer's purchasers in this state, such as accepting returns of purchases for the retailer, providing assistance in resolving customer complaints of the retailer, or providing other services; ~~and~~

(2) ~~the retailer and the entity are related parties.~~ has the same or a similar business name to the retailer and sells, from a location or locations in this state, tangible personal property, digital goods, or services, taxable under this chapter, that are similar to that sold by the retailer;

(3) maintains an office, distribution facility, salesroom, warehouse, storage place, or other similar place of business in this state to facilitate the delivery of tangible personal property, digital goods, or services sold by the retailer to its customers in this state;

(4) maintains a place of business in this state and uses trademarks, service marks, or trade names in this state that are the same or substantially similar to those used by the retailer, and that use is done with the express or implied consent of the holder of the marks or names;

(5) delivers, installs, or assembles tangible personal property in this state, or performs maintenance or repair services on tangible personal property in this state, for tangible personal property sold by the retailer;

(6) facilitates the delivery of tangible personal property to customers of the retailer by allowing the customers to pick up tangible personal property sold by the retailer at a place of business the entity maintains in this state; or

(7) shares management, business systems, business practices, or employees with the retailer, or engages in intercompany transactions with the retailer related to the activities that establish or maintain the market in this state of the retailer.

(b) Two entities are related parties under this section if one of the entities meets at least one of the following tests with respect to the other entity:

(1) one or both entities is a corporation, and one entity and any party related to that entity in a manner that would require an attribution of stock from the corporation to the party or from the party to the corporation under the attribution rules of section 318 of the Internal Revenue Code owns directly, indirectly, beneficially, or constructively at least 50 percent of the value of the corporation's outstanding stock;

(2) one or both entities is a partnership, estate, or trust and any partner or beneficiary, and the partnership, estate, or trust and its partners or beneficiaries own directly, indirectly, beneficially, or constructively, in the aggregate, at least 50 percent of the profits, capital, stock, or value of the other entity or both entities; ~~or~~

(3) an individual stockholder and the members of the stockholder's family (as defined in section 318 of the Internal Revenue Code) owns directly, indirectly, beneficially, or constructively, in the aggregate, at least 50 percent of the value of both entities' outstanding stock~~.~~;

(4) the entities are related within the meaning of subsections (b) and (c) of section 267 or 707(b)(1) of the Internal Revenue Code; or

(5) the entities have one or more ownership relationships and the relationships were designed with a principal purpose of avoiding the application of this section.

(c) An entity is an affiliate under the provisions of this subdivision if the requirements of paragraphs (a) and (b) are met during any part of the 12-month period ending on the first day of the month before the month in which the sale was made.

Sec. 6. Minnesota Statutes 2016, section 297A.66, is amended by adding a subdivision to read:

Subd. 4b. **Collection and remittance requirements for marketplace providers and marketplace retailers.** (a) A marketplace provider shall collect sales and use taxes and remit them to the commissioner under section 297A.77 for all facilitated sales for a retailer, and is subject to audit on the retail sales it facilitates unless either:

(1) the retailer provides a copy of the retailer's registration to collect sales and use tax in this state to the marketplace provider before the marketplace provider facilitates a sale; or

(2) upon inquiry by the marketplace provider or its agent, the commissioner discloses that the retailer is registered to collect sales and use taxes in this state.

(b) Nothing in this subdivision shall be construed to interfere with the ability of a marketplace provider and a retailer to enter into an agreement regarding fulfillment of the requirements of this chapter.

(c) A marketplace provider is not liable under this subdivision for failure to file and collect and remit sales and use taxes if the marketplace provider demonstrates that the error was due to incorrect or insufficient information given to the marketplace provider by the retailer. This paragraph does not apply if the marketplace provider and the marketplace retailer are related as defined in subdivision 4, paragraph (b).

Sec. 7. Minnesota Statutes 2016, 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, 2017.

Sec. 8. Minnesota Statutes 2016, section 297A.67, is amended by adding a subdivision to read:

Subd. 34. **Certain herbicides.** Purchases of herbicides authorized for use pursuant to an invasive aquatic plant management permit as defined under section 103G.615 are exempt if purchased by a lakeshore property owner, an association of lakeshore property owners organized under chapter 317A, or by a contractor hired by a lakeshore owner or association to provide invasive aquatic plant management under the permit. For purposes of this subdivision, "herbicides" means all herbicides that meet the following requirements:

(1) are labeled for use in water;

(2) are registered for use in this state by the Minnesota Department of Agriculture under section 18B.26; and

(3) are listed as one of the herbicides proposed for use on the invasive aquatic plant management permit.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2017.

Sec. 9. Minnesota Statutes 2016, section 297A.68, subdivision 5, is amended to read:

Subd. 5. **Capital equipment.** (a) Capital equipment is exempt.

"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.

(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) 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) 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, 2017.

Sec. 10. Minnesota Statutes 2016, section 297A.68, subdivision 9, is amended to read:

Subd. 9. **Super Bowl admissions and related events.** (a) The granting of the privilege of admission to a world championship football game sponsored by the National Football League ~~is~~ and to related events sponsored by the National Football League or its affiliates, or the Minnesota Super Bowl Host Committee, are exempt.

(b) The sale of nonresidential parking by the National Football League for attendance at a world championship football game sponsored by the National Football League and for related events sponsored by the National Football League or its affiliates, or the Minnesota Super Bowl Host Committee, is exempt. Purchases of nonresidential parking services by the Super Bowl Host Committee are purchases made exempt for resale.

(c) For the purposes of this subdivision:

(1) "related events sponsored by the National Football League or its affiliates" includes but is not limited to preparatory advance visits, NFL Experience, NFL Tailgate, NFL On Location, and NFL House; and

(2) "affiliates" does not include National Football League teams.

EFFECTIVE DATE. The amendments to this section are effective for sales and purchases made after June 30, 2016, and before March 1, 2018.

Sec. 11. Minnesota Statutes 2016, section 297A.68, subdivision 35a, is amended to read:

Subd. 35a. **Telecommunications or pay television services machinery and equipment.** (a) Telecommunications or pay television services machinery and equipment purchased or leased for use directly by a telecommunications or pay television services provider primarily in the provision of telecommunications or pay television services that are ultimately to be sold at retail are exempt, regardless of whether purchased by the owner, a contractor, or a subcontractor.

(b) For purposes of this subdivision, "telecommunications or pay television machinery and equipment" includes, but is not limited to:

(1) machinery, equipment, and fixtures utilized in receiving, initiating, amplifying, processing, transmitting, retransmitting, recording, switching, or monitoring telecommunications or pay television services, such as computers, transformers, amplifiers, routers, bridges, repeaters, multiplexers, and other items performing comparable functions;

(2) machinery, equipment, and fixtures used in the transportation of telecommunications or pay television services, such as radio transmitters and receivers, satellite equipment, microwave equipment, and other transporting media, ~~but not~~ including wire, cable, fiber, poles, or conduit;

(3) ancillary machinery, equipment, and fixtures that regulate, control, protect, or enable the machinery in clauses (1) and (2) to accomplish its intended function, such as auxiliary power supply, test equipment, towers, heating, ventilating, and air conditioning equipment necessary to the operation of the telecommunications or pay television equipment; and software necessary to the operation of the telecommunications or pay television equipment; and

(4) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to qualified machinery or equipment.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2017.

Sec. 12. Minnesota Statutes 2016, section 297A.70, subdivision 4, is amended to read:

Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph (b), to the following "nonprofit organizations" are exempt:

(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~~

(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 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~~.~~; and

(3) an organization that qualifies for an exemption for memberships under subdivision 12 if the item is purchased and used in the performance of the organization's mission.

For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization.

(b) 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 (c).

(c) 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) 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, 2017.

Sec. 13. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision to read:

Subd. 11a. **Minnesota State High School League tickets and admissions.** Tickets and admissions to games, events, and activities sponsored by the Minnesota State High School League under chapter 128C are exempt.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2017.

Sec. 14. Minnesota Statutes 2016, section 297A.70, subdivision 12, is amended to read:

Subd. 12. **YMCA, YWCA, ~~and~~ JCC, and similar memberships.** (a) The sale of memberships, meaning both onetime initiation fees and periodic membership dues, to an association incorporated under section 315.44 or an organization defined under section 315.51, or a nonprofit organization offering similar services are exempt. However, all separate charges made for the privilege of having access to and the use of the association's sports and athletic facilities are taxable.

(b) For purposes of this subdivision, a "nonprofit organization offering similar services" means an organization described in section 501(c)(3) of the Internal Revenue Code, whose mission is to support youth and families through a variety of activities, including membership allowing access to athletic facilities, and who provide free or reduced-price memberships to seniors or low-income persons or families.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2017.

Sec. 15. Minnesota Statutes 2016, 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, 2017.

Sec. 16. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision to read:

Subd. 20. **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, malt liquor and wine as defined in section 340A.101, subdivisions 16, 19, and 27, at the event. The governing board of a statutory or home rule charter city with a population of less than 30,000 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 event must be held on consecutive days, not to exceed ten days in total;

(2) the event must be run either by the city or by a nonprofit organization designated by the city;

(3) 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

(4) 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, 2017.

Sec. 17. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision to read:

Subd. 21. **Ice arenas and rinks.** Sales to organizations that exist primarily for the purpose of operating ice arenas or rinks that are part of the Duluth Heritage Sports Center and are used for youth and high school programs are exempt if the organization is a private, nonprofit corporation exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2017.

Sec. 18. Minnesota Statutes 2016, section 297A.71, subdivision 44, is amended to read:

Subd. 44. **Building materials, capital projects.** (a) Materials and supplies used or consumed in and equipment incorporated into the construction or improvement of a capital project funded partially or wholly under section 297A.9905 are exempt, provided that the project has a total construction cost of at least $40,000,000 within a 24-month period.

(b) Materials and supplies used or consumed in and equipment incorporated into the construction, remodeling, expansion, or improvement of an ice arena or other buildings or facilities owned and operated by the city of Plymouth are exempt. For purposes of this paragraph, "facilities" include municipal streets and facilities associated with streets including but not limited to lighting, curbs and gutters, and sidewalks. The total amount of refund on all building materials, supplies, and equipment that the city may apply for under this paragraph is $2,500,000.

(c) The tax on purchases exempt under this provision must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after January 1, 2013.

Sec. 19. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 49. **Construction materials purchased by contractors; exemption for certain entities.** (a) Building, construction, or reconstruction materials, supplies, and equipment purchased by a contractor, subcontractor, or builder and used or consumed in or 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, and equipment used in 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 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.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2017.

Sec. 20. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 50. **Properties destroyed by fire.** Building materials and supplies used in, and equipment incorporated into, the construction or replacement of real property that is located in Madelia affected by the fire on February 3, 2016, are 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.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2015, and before July 1, 2018.

Sec. 21. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 51. **Properties destroyed by fire.** (a) Building materials and supplies used in, and equipment incorporated into, the construction or replacement of real property that is located in Melrose affected by the fire on September 8, 2016, are exempt.

(b) For sales and purchases made after September 30, 2016, and before April 1, 2017, the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after September 30, 2016, and before January 1, 2019, except that the refund provisions of paragraph (b) are effective for sales and purchases made after September 30, 2016, and before April 1, 2017.

Sec. 22. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 52. **Building materials; Major League Soccer stadium.** Materials and supplies used or consumed in, and equipment incorporated into, the construction of a Major League Soccer stadium and related infrastructure constructed in the city of St. Paul are exempt. This subdivision expires one year after the date the first Major League Soccer game is played in the stadium.

EFFECTIVE DATE. This section is effective for sales and purchases made after the day following final enactment.

Sec. 23. Minnesota Statutes 2016, 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 Minnesota Statutes 2014, 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 Minnesota Statutes 2014, section 297A.71, subdivision 46; and

(iv) an industrial measurement manufacturing and controls facility exempt under Minnesota Statutes 2014, 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~~.~~;

(16) building construction or reconstruction materials, supplies, and equipment purchased by an entity eligible under section 297A.71, subdivision 49;

(17) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 50; and

(18) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 51, paragraph (b).

EFFECTIVE DATE. (a) The amendment adding clause (16) is effective for sales and purchases made after June 30, 2017.

(b) The amendment adding clause (17) is effective retroactively for sales and purchases made after December 31, 2015.

(c) The amendment adding clause (18) is effective retroactively for sales and purchases made after September 30, 2016.

Sec. 24. Minnesota Statutes 2016, 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~~.~~;

(9) for subdivision 1, clause (16), the applicant must be the entity eligible under section 297A.71, subdivision 49;

(10) for subdivision 1, clause (17), the applicant must be the owner or developer of the building or project; and

(11) for subdivision 1, clause (18), the applicant must be the owner or developer of the building or project.

EFFECTIVE DATE. (a) The amendment adding clause (9) is effective for sales and purchases made after June 30, 2017.

(b) The amendment adding clause (10) is effective retroactively for sales and purchases made after December 31, 2015.

(c) The amendment adding clause (11) is effective retroactively for sales and purchases made after September 30, 2016.

Sec. 25. Minnesota Statutes 2016, 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), (16), (17), or (18), 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, 2017.

Sec. 26. Minnesota Statutes 2016, section 297A.75, subdivision 5, is amended to read:

Subd. 5. **Appropriation.** (a) The amount required to make the refunds is annually appropriated to the commissioner.

(b) For fiscal years 2018 and 2019 only, revenues dedicated under the Minnesota Constitution, article XI, section 15, shall not be reduced for any portion of the refunds paid for the following exemptions:

(1) the exemption under section 297A.71, subdivision 44, paragraph (b);

(2) the expansion of the exemption under section 297A.68, subdivision 44, due to section 30; and

(3) the exemptions in section 297A.71, subdivisions 49, 50, and 51.

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

Sec. 27. Minnesota Statutes 2016, section 297A.94, is amended to read:

297A.94 DEPOSIT OF REVENUES.

(a) Except as provided in this section, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed by this chapter in the state treasury and credit them to the general fund.

(b) The commissioner shall deposit taxes in the Minnesota agricultural and economic account in the special revenue fund if:

(1) the taxes are derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project; and

(2) the purchase was made on or after the date on which a conditional commitment was made for a loan guaranty for the project under section 41A.04, subdivision 3.

The commissioner of management and budget shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account must be reduced by any refunds and by the costs incurred by the Department of Revenue to administer and enforce the assessment and collection of the taxes.

(c) The commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance to the general fund.

(d) The commissioner shall deposit the revenues, including interest and penalties, collected under section 297A.64, subdivision 5, in the state treasury and credit them to the general fund. By July 15 of each year the commissioner shall transfer to the highway user tax distribution fund an amount equal to the excess fees collected under section 297A.64, subdivision 5, for the previous calendar year.

(e) 72.43 percent of the revenues, including interest and penalties, transmitted to the commissioner under section 297A.65, must be deposited by the commissioner in the state treasury as follows:

(1) 50 percent of the receipts must be deposited in the heritage enhancement account in the game and fish fund, and may be spent only on activities that improve, enhance, or protect fish and wildlife resources, including conservation, restoration, and enhancement of land, water, and other natural resources of the state;

(2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only for state parks and trails;

(3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only on metropolitan park and trail grants;

(4) three percent of the receipts must be deposited in the natural resources fund, and may be spent only on local trail grants; and

(5) two percent of the receipts must be deposited in the natural resources fund, and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

(f) The revenue dedicated under paragraph (e) may not be used as a substitute for traditional sources of funding for the purposes specified, but the dedicated revenue shall supplement traditional sources of funding for those purposes. Land acquired with money deposited in the game and fish fund under paragraph (e) must be open to public hunting and fishing during the open season, except that in aquatic management areas or on lands where angling easements have been acquired, fishing may be prohibited during certain times of the year and hunting may be prohibited. At least 87 percent of the money deposited in the game and fish fund for improvement, enhancement, or protection of fish and wildlife resources under paragraph (e) must be allocated for field operations.

(g) The commissioner must deposit the revenues, including interest and penalties minus any refunds, derived from the sale of items regulated under section 624.20, subdivision 1, that may be sold to persons 18 years old or older and that are not prohibited from use by the general public under section 624.21, in the state treasury and credit:

(1) 25 percent to the volunteer fire assistance grant account established under section 88.068;

(2) 25 percent to the fire safety account established under section 297I.06, subdivision 3; and

(3) the remainder to the general fund.

For purposes of this paragraph, the percentage of total sales and use tax revenue derived from the sale of items regulated under section 624.20, subdivision 1, that are allowed to be sold to persons 18 years old or older and are not prohibited from use by the general public under section 624.21, is a set percentage of the total sales and use tax revenues collected in the state, with the percentage determined under section 28.

~~(g)~~ (h) The revenues deposited under paragraphs (a) to ~~(f)~~ (g) 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 for sales and purchases made after December 31, 2017.

Sec. 28. **CALCULATION OF THE PERCENT OF SALES TAX REVENUE ATTRIBUTABLE TO THE SALE OF CERTAIN FIREWORKS-RELATED ITEMS.**

By December 1, 2017, the commissioner of revenue must estimate the percentage of total sales tax revenues collected in calendar year 2016 that is attributable to the sales and purchases of items regulated under Minnesota Statutes, section 624.20, subdivision 1, that are allowed to be sold to persons 18 years old or older and that are not prohibited from use by the general public under section 624.21. When making the determination, the commissioner may consult with representatives from producers and retailers, industry trade groups, and the most recently available national and state information. The commissioner's decision is final. The commissioner's determination under this section is not a rule and is not subject to Minnesota Statutes, chapter 14, including section 14.386.

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

Sec. 29. **SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS USED BY A NONPROFIT ECONOMIC DEVELOPMENT CORPORATION.**

Subdivision 1. **Exemption; refund.** Materials and supplies used or consumed in and equipment incorporated into the construction of a retail development consisting of retail space for a grocery store, fueling center, or other retail space by a nonprofit economic development corporation that is a 501(c)(3) organization are exempt from sales and use tax under Minnesota Statutes, chapter 297A, provided that the development is located in a city with no grocery store and the city is at least 20 miles from another city with a grocery store. The exemption applies to materials, supplies, and equipment purchased after January 1, 2013, and before January 1, 2017. The tax must be imposed and collected as if the rate in Minnesota Statutes, section 297A.62, applied and the nonprofit economic development corporation must apply for the refund of the tax in the same manner as provided under Minnesota Statutes, section 297A.75, subdivision 1, clause (11).

Subd. 2. **Appropriation.** The amount required to pay the refunds under subdivision 1 is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective the day following final enactment and applies retroactively to sales and purchases made after January 1, 2013, and before January 1, 2017.

Sec. 30. **EXEMPTION FROM JOB EXPANSION PROGRAM PROVISIONS.**

(a) Notwithstanding the seven-year certification period under Minnesota Statutes, section 116J.8738, subdivision 3, the certification period for an eligible wholesale electronic component distribution center investing a minimum of $200,000,000 and constructing a facility at least 700,000 square feet in size is effective for the ten-year period beginning on the first day of the calendar month immediately following the date that the commissioner informs the business of the award of the benefit.

(b) Notwithstanding the sales tax exemption limitations under Minnesota Statutes, section 116J.8738, subdivision 4, the sales tax exemption for an eligible electronic component distribution center investing a minimum of $200,000,000 and constructing a facility at least 700,000 square feet in size may be authorized up to $5,000,000 annually and up to $30,000,000 during the total period of the agreement.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 31. **CERTAIN REIMBURSEMENT AUTHORIZED; CONSIDERED OPERATING OR CAPITAL EXPENSES.**

Subdivision 1. **Reimbursement authorized.** (a) An amount equivalent to the taxes paid under Minnesota Statutes, chapter 297A, and any local taxes administered by the Department of Revenue, on purchases of tangible personal property, nonresidential parking services, and lodging, as these terms are defined in Minnesota Statutes, chapter 297A, used and consumed in connection with Super Bowl LII or related events sponsored by the National Football League or its affiliates, will be reimbursed by the Minnesota Sports Facilities Authority up to $1,600,000, if made after June 30, 2016, and before March 1, 2018. Only purchases made by the Minnesota Super Bowl Host Committee, the National Football League or its affiliates, or their employees or independent contractors, qualify to be reimbursed under this section.

(b) For purposes of this subdivision:

(1) "employee or independent contractor" means only those employees or independent contractors that make qualifying purchases that are reimbursed by the Minnesota Super Bowl Host Committee or the National Football League or its affiliates; and

(2) "related events sponsored by the National Football League or its affiliates" includes but is not limited to preparatory advance visits, NFL Experience, NFL Tailgate, NFL Honors, and NFL House.

Subd. 2. **Operating reserve and capital reserve fund.** Notwithstanding the requirements of Minnesota Statutes, section 473J.13, subdivisions 2 and 4, up to $1,600,000 of the balance in the operating reserve or capital reserve fund may be used for the purposes of paying reimbursements authorized under subdivision 1.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2016, and before March 1, 2018.

Sec. 32. **REIMBURSEMENTS TO CERTAIN CONSTITUTIONALLY DEDICATED FUNDS FOR EXPANDED SALES TAX EXEMPTIONS.**

The commissioner of management and budget, by June 15 in fiscal years 2018 and 2019 only, shall increase the revenues transferred from the general fund as required under the Minnesota Constitution, article XI, section 15, an amount equal to the estimated amount of reduction to these revenues for that fiscal year due to the enactment of new sales tax exemptions or the expansion of existing sales tax exemptions under sections 7, 8, 10 to 17, and 22, and to changes in tobacco taxes under Minnesota Statutes, chapter 297F, in article 10. The commissioner of revenue shall make the estimate of this revenue reduction by June 1 of each fiscal year and inform the commissioner of management and budget. The appropriations under this section are onetime and not added to the base budget.

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

Sec. 33. **REPORT ON TAXATION OF STADIUM SUITES.**

The commissioner of revenue shall prepare a report on the sales and use tax treatment of the sale of suites and suite licenses in professional athletic facilities in other states. The report must be completed on or before February 1, 2018, and provided to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes. The purpose of the report is to determine the range of sales and use tax treatment of these items across the country, and how Minnesota's current tax treatment of suites and suite licenses fits into that range.

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

Sec. 34. **SEVERABILITY.**

If any provision of sections 3 to 6 or the application thereof is held invalid, such invalidity shall not affect the provisions or applications of the sections that can be given effect without the invalid provisions or applications.

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

Sec. 35. **APPROPRIATION.**

$1,392,258 in fiscal year 2018 is appropriated from the general fund to the commissioner of revenue for a grant to the city of Melrose for the following purposes:

(1) $450,000 for municipal street and utility reconstruction;

(2) $250,000 for unreimbursed costs of hazardous materials removal; and

(3) $692,258 for tax abatements for reconstructed buildings.

The appropriation under this section is onetime and is not added to the base budget.

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

Sec. 36. **<u>EFFECTIVE DATE.</u>**

<u>(a) The provisions of sections 3 to 6 are effective at the earlier of:</u>

<u>(1) a decision by the United States Supreme Court modifying its decision in Quill Corp. v. North Dakota, 504 U.S. 298 (1992) so that a state may require retailers without a physical presence in the state to collect and remit sales tax; or</u>

<u>(2) July 1, 2020.</u>

<u>(b) Notwithstanding paragraph (a) or the provisions of sections 3 to 6, if a federal law is enacted authorizing a state to impose a requirement to collect and remit sales tax on retailers without a physical presence in the state, the commissioner must enforce the provisions of this section and sections 3 to 6 to the extent allowed under federal law.</u>

<u>(c) The commissioner of revenue shall notify the revisor of statutes when either of the provisions in paragraph (a) or (b) apply.</u>

ARTICLE 5
AIDS, CREDITS, AND REFUNDS

Section 1. Minnesota Statutes 2016, section 127A.45, subdivision 10, is amended to read:

Subd. 10. **Payments to school nonoperating funds.** Each fiscal year state general fund payments for a district nonoperating fund must be made at the current year aid payment percentage of the estimated entitlement during the fiscal year of the entitlement. This amount shall be paid in ~~12~~ <u>six</u> equal monthly installments <u>beginning in July</u>. The amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement must be paid prior to October 31 of the following school year. The commissioner may make advance payments of debt service equalization aid and state-paid tax credits for a district's debt service fund earlier than would occur under the preceding schedule if the district submits evidence showing a serious cash flow problem in the fund. The commissioner may make earlier payments during the year and, if necessary, increase the percent of the entitlement paid to reduce the cash flow problem.

<u>EFFECTIVE DATE.</u> <u>This section is effective beginning with fiscal year 2019.</u>

Sec. 2. Minnesota Statutes 2016, section 127A.45, subdivision 13, is amended to read:

Subd. 13. **Aid payment percentage.** Except as provided in subdivisions <u>10,</u> 11, 12, 12a, and 14, each fiscal year, all education aids and credits in this chapter and chapters 120A, 120B, 121A, 122A, 123A, 123B, 124D, 124E, 125A, 125B, 126C, 134, and section 273.1392, shall be paid at the current year aid payment percentage of the estimated entitlement during the fiscal year of the entitlement. For the purposes of this subdivision, a district's estimated entitlement for special education aid under section 125A.76 for fiscal year 2014 and later equals 97.4 percent of the district's entitlement for the current fiscal year. The final adjustment payment, according to subdivision 9, must be the amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement.

<u>EFFECTIVE DATE.</u> <u>This section is effective beginning with fiscal year 2019.</u>

Sec. 3. **[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 reimbursements.** The county auditor shall determine the tax reductions allowed under this section within the county for each taxes payable year and shall certify that amount to the commissioner of revenue as a part of the abstracts of tax lists submitted under section 275.29. Any prior year adjustments shall also be certified on the abstracts of tax lists. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credit under this section must be used to reduce the school district net tax capacity-based property tax as provided in section 273.1393.

Subd. 4. **Payment.** The commissioner of revenue shall certify the total of the tax reductions granted under this section for each taxes payable year within each school district to the commissioner of education, who shall pay the reimbursement amounts to each school district as provided in section 273.1392.

Subd. 5. **Appropriation.** An amount sufficient to make the payments required by this section is annually appropriated from the general fund to the commissioner of education.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2018.

Sec. 4. Minnesota Statutes 2016, section 273.1392, is amended to read:

273.1392 PAYMENT; SCHOOL DISTRICTS.

The amounts of bovine tuberculosis credit reimbursements under section 273.113; conservation tax credits under section 273.119; disaster or emergency reimbursement under sections 273.1231 to 273.1235; ~~homestead and~~ agricultural credits under ~~section~~ sections 273.1384 and 273.1387; aids and credits under section 273.1398; enterprise zone property credit payments under section 469.171; and metropolitan agricultural preserve reduction under section 473H.10 for school districts, shall be certified to the Department of Education by the Department of Revenue. The amounts so certified shall be paid according to section 127A.45, subdivisions 9, 10, and 13.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2018.

Sec. 5. Minnesota Statutes 2016, section 273.1393, is amended to read:

273.1393 COMPUTATION OF NET PROPERTY TAXES.

Notwithstanding any other provisions to the contrary, "net" property taxes are determined by subtracting the credits in the order listed from the gross tax:

(1) disaster credit as provided in sections 273.1231 to 273.1235;

(2) powerline credit as provided in section 273.42;

(3) agricultural preserves credit as provided in section 473H.10;

(4) enterprise zone credit as provided in section 469.171;

(5) disparity reduction credit;

(6) conservation tax credit as provided in section 273.119;

(7) the school bond credit as provided in section 273.1387;

(8) agricultural credit as provided in section 273.1384;

~~(8)~~ (9) taconite homestead credit as provided in section 273.135;

~~(9)~~ (10) supplemental homestead credit as provided in section 273.1391; and

~~(10)~~ (11) the bovine tuberculosis zone credit, as provided in section 273.113.

The combination of all property tax credits must not exceed the gross tax amount.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2018.

Sec. 6. Minnesota Statutes 2016, 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

(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 2018.

Sec. 7. Minnesota Statutes 2016, 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, excluding debt service amounts necessary for repayment of other postemployment benefits under section 475.52, subdivision 6.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2018.

Sec. 8. Minnesota Statutes 2016, 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 (1) the school debt service levy certified under section 275.07, subdivision 2, divided by (2) 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 2018.

Sec. 9. Minnesota Statutes 2016, 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~~ <u>credits</u> under ~~section~~ <u>sections</u> 273.1384 <u>and 273.1387</u>;

(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 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.

<u>**EFFECTIVE DATE.**</u> <u>This section is effective beginning with taxes payable in 2018.</u>

Sec. 10. Minnesota Statutes 2016, section 290A.03, subdivision 11, is amended to read:

Subd. 11. **Rent constituting property taxes.** (a) "Rent constituting property taxes" means ~~17 percent~~ a percentage of the gross rent actually paid in cash, or its equivalent, or the portion of rent paid in lieu of property taxes, in any calendar year by a claimant for the right of occupancy of the claimant's Minnesota homestead in the calendar year, and which rent constitutes the basis, in the succeeding calendar year of a claim for relief under this chapter by the claimant.

(b) The percentage in paragraph (a) is set by major geographic regions as follows:

(1) for the city of Minneapolis, 16.5 percent;

(2) for the city of St. Paul, 14 percent;

(3) for the counties of Anoka; Dakota; Hennepin, excluding the city of Minneapolis; and Ramsey, excluding the city of St. Paul, 15 percent; and

(4) for the remainder of the state, 14 percent.

EFFECTIVE DATE. This section is effective for refunds based on rent paid in 2017 and following years.

Sec. 11. Minnesota Statutes 2016, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, and for homesteads which are park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include ~~17 percent~~ a percentage of the gross rent paid in the preceding year for the site on which the homestead is located. The percentage equals the percentage set under subdivision 11 for the geographic region in which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.124, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before December 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

EFFECTIVE DATE. This section is effective for refunds based on rent paid in 2017 and following years.

Sec. 12. Minnesota Statutes 2016, 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 allocate $3,000,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall allocate this amount among cities on a per capita basis. Allocations 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.

Sec. 13. Minnesota Statutes 2016, section 477A.011, subdivision 34, is amended to read:

Subd. 34. **City revenue need.** (a) For a city with a population equal to or greater than 10,000, "city revenue need" is 1.15 times the sum of (1) 4.59 times the pre-1940 housing percentage; plus (2) 0.622 times the percent of housing built between 1940 and 1970; plus (3) 169.415 times the jobs per capita; plus (4) the sparsity adjustment; plus (5) 307.664.

(b) For a city with a population equal to or greater than 2,500 and less than 10,000, "city revenue need" is 1.15 times the sum of (1) 572.62; plus (2) 5.026 times the pre-1940 housing percentage; minus (3) 53.768 times household size; plus (4) 14.022 times peak population decline; plus (5) the sparsity adjustment.

(c) For a city with a population less than 2,500, "city revenue need" is the sum of (1) 410 plus; (2) 0.367 times the city's population over 100; plus (3) the sparsity adjustment. The city revenue need for a city under this paragraph shall not exceed 630 plus the city's sparsity adjustment.

(d) For a city with a population of at least 2,500 but less than 3,000, the "city revenue need" equals (1) the transition factor times the city's revenue need calculated in paragraph (b); plus (2) 630 times the difference between one and the transition factor. For a city with a population of at least 10,000 but less than ~~10,500~~ 11,000, the "city revenue need" equals (1) the transition factor times the city's revenue need calculated in paragraph (a); plus (2) the city's revenue need calculated under the formula in paragraph (b) times the difference between one and the transition factor. For purposes of the first sentence of this paragraph "transition factor" is 0.2 percent times the amount that the city's population exceeds the ~~minimum threshold in either of the first two sentences~~. For purposes of the second sentence of this paragraph, "transition factor" is 0.1 percent times the amount that the city's population exceeds the minimum threshold.

(e) The city revenue need cannot be less than zero.

(f) For calendar year 2015 and subsequent years, the city revenue need for a city, as determined in paragraphs (a) to (e), is multiplied by the ratio of the annual implicit price deflator for government consumption expenditures and gross investment for state and local governments as prepared by the United States Department of Commerce, for the most recently available year to the 2013 implicit price deflator for state and local government purchases.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2018 and thereafter.

Sec. 14. Minnesota Statutes 2016, section 477A.011, subdivision 45, is amended to read:

Subd. 45. **Sparsity adjustment.** For a city with a population of 10,000 or more, the sparsity adjustment is 100 for any city with an average population density less than 150 per square mile, according to the most recent federal census~~, and~~. For a city with a population less than 10,000, the sparsity adjustment is 200 for any city with an average population density less than 30 per square mile, according to the most recent federal census. The sparsity adjustment is zero for all other cities.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2018 and thereafter.

Sec. 15. **[477A.0126] REIMBURSEMENT OF COUNTY AND TRIBES FOR CERTAIN OUT-OF-HOME PLACEMENT.**

Subdivision 1. **Definition.** For purposes of this section, "out-of-home placement" means 24-hour substitute care for an Indian child as defined by section 260C.007, subdivision 21, placed under chapter 260C and the Indian Child Welfare Act (ICWA), away from the child's parent or guardian and for whom the county social services agency or county correctional agency has been assigned responsibility for the child's placement and care, which includes placement in foster care under section 260C.007, subdivision 18, and a correctional facility pursuant to a court order.

Subd. 2. **Determination of nonfederal share of costs.** (a) By July 1, 2017, each county shall report the following information to the commissioners of human services and corrections:

(1) the separate amounts paid out of the county's social service agency and its corrections budget for out-of-home placement of children under the ICWA in calendar years 2013, 2014, and 2015; and

(2) the number of case days associated with the expenditures from each budget.

The commissioner of human services shall prescribe the format of the report. By July 15, 2017, the commissioner of human services, in consultation with the commissioner of corrections, shall certify to the commissioner of revenue and to the legislative committees with jurisdiction over local government aids and out-of-home placement funding whether the data reported under this subdivision accurately reflect total expenditures by counties for out-of-home placement costs of children under the ICWA.

(b) By January 1, 2018, and each January 1 thereafter, each county shall report to the commissioners of human services and corrections the separate amounts paid out of the county's social service agency and its corrections budget for out-of-home placement of children under the ICWA in the calendar years two years before the current calendar year along with the number of case days associated with the expenditures from each budget. The commissioner of human services shall prescribe the format of the report.

(c) Until the commissioner of human services develops another mechanism for collecting and verifying data on out-of-home placements of children under the ICWA, and the legislature authorizes the use of that data, the data collected under this subdivision must be used to calculate payments under subdivision 3. The commissioner of human services shall certify the nonfederal out-of-home placement costs for the three prior calendar years for each county and the amount of any federal reimbursement received by a tribe under the ICWA for the three prior calendar years to the commissioner of revenue by June 1 of the year before the aid payment.

Subd. 3. **Aid for counties.** For aids payable in calendar year 2018 and thereafter, the amount of reimbursement to each county is a county's proportionate share of the appropriation in subdivision 6 that remains after the aid for tribes has been paid. Each county's proportionate share is based on the county's average nonfederal share of the cost for out-of-home placement of children under the ICWA for the three calendar years that were certified by the commissioner of human services by June 1 of the prior year, provided that the commissioner of human services, in consultation with the commissioner of corrections, certifies to the commissioner of revenue that accurate data are available to make the aid determination under this section. For aids payable in calendar year 2018, each county's proportionate share is based on the county's nonfederal share of the cost for out-of-home placement of children under the ICWA that was certified by the commissioner of human services by July 15, 2017.

Subd. 4. **Aid for tribes.** For aids payable in 2018 and thereafter, the amount of reimbursement to each tribe shall be the greater of:

(1) five percent of the average reimbursement amount received from the federal government for out-of-home placement costs for the three calendar years that were certified by June 1 of the prior year; or

(2) $200,000.

Subd. 5. **Payments.** The commissioner of revenue must compute the amount of the reimbursement aid payable to each county and tribe under this section. On or before August 1 of each year, the commissioner shall certify the amount to be paid to each county and tribe in the following year. The commissioner shall pay reimbursement aid annually at the times provided in section 477A.015.

Subd. 6. **Appropriation.** $10,000,000 is annually appropriated to the commissioner of revenue from the general fund to pay aid under this section.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2018.

Sec. 16. Minnesota Statutes 2016, section 477A.013, subdivision 8, is amended to read:

Subd. 8. **City formula aid.** (a) For aids payable in ~~2015~~ 2018 and thereafter, the formula aid for a city is equal to ~~the sum of (1) its formula aid in the previous year and (2)~~ the product of (i) the difference between its unmet need and its ~~formula~~ certified aid in the previous year before any aid adjustment under subdivision 13, and (ii) the aid gap percentage.

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

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

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

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2018 and thereafter.

Sec. 17. Minnesota Statutes 2016, section 477A.013, subdivision 9, is amended to read:

Subd. 9. **City aid distribution.** (a) In calendar year ~~2014~~ 2018 and thereafter, ~~each city~~ if a city's certified aid before any aid adjustment under subdivision 13 for the previous year is less than its current unmet need, the city shall receive an aid distribution equal to the sum of (1) its certified aid in the previous year before any aid adjustment under subdivision 13, (2) the city formula aid under subdivision 8, and ~~(2)~~ (3) its aid adjustment under subdivision 13.

(b) For aids payable in ~~2015~~ 2018 and thereafter, if a city's certified aid before any aid adjustment under subdivision 13 for the previous year is equal to or greater than its current unmet need, the total aid for a city ~~must not be less than~~ is equal to the greater of (1) its unmet need plus any aid adjustment under subdivision 13, or (2) the amount it was certified to receive in the previous year minus the lesser of $10 multiplied by its population, or five percent of its net levy in the year prior to the aid distribution. No city may have a total aid amount less than zero.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2018 and thereafter.

Sec. 18. **[477A.0135] AID REDUCTIONS FOR PAYMENTS TO A WORLD FAIR OR EXPO.**

If a county, statutory or home rule charter city, or town makes a payment or contribution to Expo2023 or any similar organization with the mission of advocating, promoting, or running a world fair or expo in the state of Minnesota in any year, it must report that amount to the commissioner by January 15 of the year following the year in which the payment or contribution is made. The commissioner shall reduce the aid paid to a county, city, or town under section 477A.014 from the amount certified to the county under section 477A.0124; to the city under section 477A.013, subdivision 9; or to the town under section 477A.013, subdivision 1, in the calendar year following the year in which the payment or contribution was made. The reduction is equal to the amount of the payment or contribution, but the aid paid to any county, city, or town may not be less than zero. Any savings in aid payments under this section shall stay in the general fund and shall not be redistributed to other counties, cities, or towns.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2018 and thereafter.

Sec. 19. **[477A.0175] AID REDUCTIONS FOR OPERATING AN UNAUTHORIZED DIVERSION PROGRAM.**

Subdivision 1. **Penalty for operating an unauthorized diversion program.** Notwithstanding any other law to the contrary, a county or city that operated a pretrial diversion program that a court determines was not authorized under section 169.999 or another statute or law must have its aid under sections 477A.011 to 477A.03 reduced by the amount of fees paid by participants into the program for the years in which the program operated. A court shall report any order that enjoins a county or city from operating a pretrial diversion program to the commissioner as required under subdivision 2. The commissioner shall, with the assistance of the state auditor, determine the amount of fees collected under the diversion program and reduce the county program aid paid to a county or the local government aid paid to a city by this amount beginning with the first aid payment made after the reduction amount is determined. No aid payment may be less than zero but the amount of the reduction that cannot be made out of that payment shall be applied to future payments until the total amount has been deducted.

Subd. 2. **Court challenge to authority to operate a pretrial diversion program.** Any taxpayer may challenge a city or county operation of a pretrial diversion program by filing a declaratory judgment action or seeking other appropriate relief in the district court for the county where the city is located or in any other court of competent jurisdiction. If the court finds that the county or city has exceeded its authority under law in operating the pretrial diversion program, the court must transmit a copy of the court order to the commissioner of revenue.

EFFECTIVE DATE. This section is effective the day following final enactment and applies beginning with the second aid payments under Minnesota Statutes, section 477A.015 in calendar year 2017.

Sec. 20. **[477A.09] MAXIMUM EFFORT LOAN AID.**

(a) For fiscal years 2018 to 2022, each school district with a maximum effort loan under sections 126C.61 to 126C.72, outstanding as of June 30, 2016, is eligible for an aid payment equal to one-fifth of the amount of interest that was paid on the loan between December 1, 1990, and June 30, 2016. A school district with a maximum effort capital loan outstanding as of June 30, 2017, is eligible for an annual aid payment equal to one-fifth of the estimated amount of interest that will be paid by the district on the loan between June 30, 2017, and June 30, 2021. Aid payments under this section must be used to reduce current year property taxes levied on net tax capacity within the district or to reduce future years' tax levies by:

(1) retaining payments made under this section in the district's debt redemption fund for up to 20 years, notwithstanding the two-year limit under section 475.61, subdivision 3; or

(2) financing a defeasance of any future payments on outstanding bonded debt.

(b) Aid under this section must be paid in fiscal years 2018 to 2022. An amount sufficient to make aid payments under this section is annually appropriated from the general fund to the commissioner of education.

EFFECTIVE DATE. This section is effective for fiscal years 2018 to 2022.

Sec. 21. **ONETIME ADJUSTMENT FOR CERTAIN CITIES; AIDS PAYABLE IN 2017.**

(a) The amount of aid payable in 2017 to a city shall be increased to equal the amount of aid it received under Minnesota Statutes, section 477A.013, subdivision 9, for aids payable in 2016 if the following conditions are met:

(1) its certified aid under Minnesota Statutes, section 477A.013, subdivision 9, for aids payable in 2017, is less than its certified aid for aids payable in 2016; and

(2) its certified aid under Minnesota Statutes, section 477A.013, subdivision 9, for aids payable in 2016, is less than its unmet need under Minnesota Statutes, section 477A.011, subdivision 34, for aids payable in 2017.

(b) Any adjustment under this section shall be treated as an aid correction under Minnesota Statutes, section 477A.014, subdivision 3. The amount computed under this section shall be used as an affected city's 2017 certified aid amount when calculating its formula aid under Minnesota Statutes, section 477A.013, subdivision 8, for aids payable in 2018.

EFFECTIVE DATE. This section is effective for aids payable in calendar years 2017 and 2018.

Sec. 22. **BASE YEAR FORMULA AID FOR NEWLY INCORPORATED CITY.**

For a city that incorporated on October 13, 2015, and first qualifies for aid under Minnesota Statutes, section 477A.013, subdivisions 8 and 9, in 2017, the city's certified aid for 2017, used in calculating aid payable in 2018, shall be deemed to equal the lesser of (1) 25 percent of its net levy for taxes payable in 2016, or (2) 50 percent of its unmet need as defined in Minnesota Statutes, section 477A.011, subdivision 43.

EFFECTIVE DATE. This section is effective for aids payable in 2018.

Sec. 23. **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 2018 to make this payment.

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

Sec. 24. **2014 AID PENALTY FORGIVENESS.**

(a) Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, the cities of Dundee, Jeffers, and Woodstock shall receive all of their calendar year 2014 aid payment that was withheld under Minnesota Statutes, section 477A.017, subdivision 3, provided that the state auditor certifies to the commissioner of revenue that the city complied with all reporting requirements under Minnesota Statutes, section 477A.017, subdivision 3, for calendar years 2013 and 2014 by June 1, 2015.

(b) The commissioner of revenue shall make payment to each city no later than July 20, 2017. Up to $101,570 in fiscal year 2018 is appropriated from the general fund to the commissioner of revenue to make the payments under this section.

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

Sec. 25. **LAKE MILLE LACS AREA PROPERTY TAX ABATEMENT.**

Subdivision 1. **Abatements authorized.** (a) Notwithstanding Minnesota Statutes, section 375.192, the county boards of Aitkin, Crow Wing, and Mille Lacs Counties may grant an abatement of local property taxes for taxes payable in 2017, provided that:

(1) the property is classified as 1c, 3a (excluding utility real and personal property), 4c(1), 4c(10), or 4c(11);

(2) on or before December 31, 2017, the taxpayer submits a written application to the county auditor in the county in which abatement is sought; and

(3) the taxpayer meets qualification requirements established in subdivision 3.

Subd. 2. **Appeals.** An appeal may not be taken to the Tax Court from any order of the county board made pursuant to the exercise of the discretionary authority granted in this section.

Subd. 3. **Qualification requirements.** To qualify for abatements under this section, a taxpayer must:

(1) be located within one of the following municipalities surrounding Lake Mille Lacs:

(i) in Crow Wing County, the city of Garrison, township of Garrison, or township of Roosevelt;

(ii) in Aitkin County, the township of Hazelton, township of Wealthwood, township of Malmo, or township of Lakeside; or

(iii) in Mille Lacs County, the city of Isle, city of Wahkon, city of Onamia, township of East Side, township of Isle Harbor, township of South Harbor, or township of Kathio;

(2) document a reduction in gross receipts of five percent or greater between two successive calendar years beginning in 2010 or later; and

(3) be a business in one of the following industries, as defined within the North American Industry Classification System: accommodation, restaurants, bars, amusement and recreation, food and beverages retail, sporting goods, miscellaneous retail, general retail, museums, historical sites, health and personal care, gas station, general merchandise, business and professional membership, movies, or nonstore retailer, as determined by the county in consultation with the commissioner of employment and economic development.

Subd. 4. **State general levy in relief area.** The counties of Aitkin, Crow Wing, and Mille Lacs must refund the state general levy levied upon a property classified as 1c, 3a (excluding utility real and personal property), or 4c(1) that is located in the area described by subdivision 3, clause (1), for taxes payable in 2017.

Subd. 5. **Certification and transfer of funds.** (a) By February 1, 2018, a county granting a refund as required under subdivision 4 must certify the total amount of state general tax refunded to Mille Lacs County and the commissioner of revenue. By March 1, 2018, Mille Lacs County must transfer an amount equal to the amount certified under this paragraph to the county making the certification.

(b) By February 1, 2018, a county that has received an application for an abatement authorized under subdivision 1 must certify to Mille Lacs County the total amount of abatements for which applications have been received and approved. By March 1, 2018, Mille Lacs County must transfer an amount equal to the amount certified under this paragraph to the county making the certification. By April 30, 2018, the county must issue refunds of local property tax amounts to qualified taxpayers.

Subd. 6. **Commissioner of revenue; appropriation.** An amount sufficient to make the transfers required under subdivision 5 in fiscal year 2018 is appropriated from the general fund to the commissioner of revenue for transfer to Mille Lacs County. This is a onetime appropriation.

Subd. 7. **Report to legislature.** The commissioner of revenue must make a written report to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes stating the amount of abatements and refunds given under this section by taxing jurisdictions by February 1, 2019. The counties must provide the commissioner with the information necessary to make the report.

Subd. 8. **Refund eligibility.** Only a taxpayer making all payments of property taxes for taxes payable in 2017 is eligible to receive a refund under subdivisions 4 and 5.

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

Sec. 26. **SUPPLEMENTAL PAYMENTS FOR OTHER NATURAL RESOURCES LAND.**

Subdivision 1. **Supplemental payments.** For aids payable in calendar years 2017 and 2018 only, each county must receive a supplemental aid payment equal to 50 cents per acre for other natural resources land, as defined in Minnesota Statutes, section 477A.11, subdivision 4, located in the county. The payment shall be made at the same time as payments under Minnesota Statutes, section 477A.13, and the counties shall distribute this payment as if it was part of the aids subject to the general distribution for that year under Minnesota Statutes, section 477A.014, subdivision 1.

Subd. 2. **Appropriation.** The amount necessary to make the payments under subdivision 1 in each year is appropriated from the general fund to the commissioner of revenue for fiscal years 2018 and 2019 only. The appropriations under this section are onetime and not added to the base budget.

EFFECTIVE DATE. This section is effective for aids payable in calendar years 2017 and 2018 only.

Sec. 27. **2017 SUPPLEMENTAL HOMESTEAD CREDIT REFUND.**

(a) By October 1, 2017, the commissioner of revenue shall adjust the schedule for the homestead credit refund allowed under Minnesota Statutes, section 290A.04, subdivision 2, so as to increase the total amount of refunds based on taxes payable in 2018. The commissioner must adjust the schedule by:

(1) first proportionately increasing the maximum refund allowed for each income bracket in the schedule so that the increase in refunds projected to be paid based on taxes payable in 2018 equals $5,000,000; and

(2) second proportionately decreasing the percent of tax above the income threshold paid by the claimant, or the "co-payment percentage," for each income bracket in the schedule so that the increase in refunds projected to be paid based on taxes payable in 2018 under this clause and clause (1) equals $58,000,000.

(b) The amount necessary to pay the refunds required under this section is appropriated from the general fund to the commissioner of revenue in fiscal year 2019.

EFFECTIVE DATE. This section is effective for refunds based on taxes payable in 2018 only.

Sec. 28. **2017 SUPPLEMENTAL RENTER PROPERTY TAX REFUND.**

(a) By October 1, 2017, the commissioner of revenue shall adjust the schedule for the property tax refund for renters allowed under Minnesota Statutes, section 290A.04, subdivision 2a, so as to increase the total amount of refunds based on rent paid in 2017. The commissioner must adjust the schedule by:

(1) first proportionately increasing the maximum refund allowed for each income bracket in the schedule so that the increase in refunds projected to be paid based on rent paid in 2017 equals $1,500,000;

(2) second proportionately decreasing the percent of income, or the "threshold percentage," for each income bracket in the schedule so that the increase in refunds projected to be paid based on rent paid in 2017 under this clause and clause (1) equals $21,750,000; and

(3) third proportionately decreasing the percent of tax above the income threshold paid by the claimant, or the "co-payment percentage," for each income bracket in the schedule so that the total increase in refunds projected to be paid based on rent paid in 2017 under this clause and clauses (1) to (2) equals $42,000,000.

(b) The amount necessary to pay the refunds required under this section is appropriated from the general fund to the commissioner of revenue in fiscal year 2019.

EFFECTIVE DATE. This section is effective for refunds based on rent paid in 2017 only.

Sec. 29. **REPEALER.**

Minnesota Statutes 2016, section 477A.085, is repealed.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2018.

ARTICLE 6
IN PERPETUITY PAYMENTS ON LAND PURCHASES

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 the board's 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 2.

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 to make distributions to the counties under sections 97A.056, subdivision 1b, and 116P.045, subdivision 2, 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. The transactions must be in the 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 January 1, 2018.

Sec. 2. Minnesota Statutes 2016, 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) "Land-related property taxes" means property taxes collected on behalf of local governments providing land-related services.

(d) "Local governments providing land-related services" means counties, townships, home rule charter and statutory cities, watershed districts under chapter 103D, sanitary districts under sections 442A.01 to 442A.29, and regional sanitary sewer districts under sections 115.61 to 115.67.

(e) "Recipient" means the entity responsible for deliverables financed by the outdoor heritage fund.

(f) "Total payment for the land" means the total price paid for the land including land acquisition costs, but excluding any in-kind services provided by nongovernmental entities at no cost to the state.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 97A.056, is amended by adding a subdivision to read:

Subd. 1b. **Outdoor heritage trust fund payment 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 simple 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. The percentage of the total acres acquired in any purchase that is eligible for a trust fund payment under this subdivision is equal to the percentage of the total payment for the land funded from outdoor heritage fund revenues. If the percentage of the total payment for the land from the outdoor heritage fund is ten percent or less, the parcel is ineligible for a payment under this subdivision; if the percentage is 90 percent or more, the entire parcel is eligible for the payment under this subdivision. The commissioner of natural resources must certify to the commissioner of revenue and the county in which land eligible for a payment under this section is purchased the total number of acres purchased, the total payment for the land, and the amount of outdoor heritage fund revenues used for the purchase. The trust fund payment is equal to 30 times the land-related property taxes assessed on the eligible portion of the land 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 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 of revenue 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 fund 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 this paragraph. 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 each year of the amount deposited on the county's behalf with the State Board of Investment under this subdivision.

(c) The amount necessary to make the payments required under this subdivision is annually appropriated from the outdoor heritage trust fund payment account to the commissioner of revenue for deposit in the account for county joint trust fund payments in section 11A.237.

(d) 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 11A.237.

(e) The portion of 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.

(f) If the land for which a payment under this subdivision is made is subsequently sold to another entity and is no longer available for the use for which it was purchased, the original amount of the payment for that land under paragraph (b) must be withdrawn by the commissioner of revenue from the account established under section 11A.237 and returned to the outdoor heritage fund. If only a portion of the land is sold and no longer available for the use for which it was purchased, the amount of the original trust fund payment returned is reduced proportionately based on the portion of the original purchase that is sold. The holder of the land must inform the commissioner of revenue and the county in which the land is sold of the sale and provide them with any information necessary to calculate the required withdrawal from the account. The withdrawal is made along with withdrawals under section 477A.30 in the calendar year after the year in which the land is sold.

EFFECTIVE DATE. This section is effective July 1, 2017, and applies to land acquired with money appropriated on or after that date.

Sec. 4. Minnesota Statutes 2016, section 97A.056, subdivision 3, is amended to read:

Subd. 3. **Council recommendations.** (a) The council shall make recommendations to the legislature on appropriations of money from the outdoor heritage fund that are consistent with the Constitution and state law and that will achieve the outcomes of existing natural resource plans, including, but not limited to, the Minnesota Statewide Conservation and Preservation Plan, that directly relate to the restoration, protection, and enhancement of wetlands, prairies, forests, and habitat for fish, game, and wildlife, and that prevent forest fragmentation, encourage forest consolidation, and expand restored native prairie. In making recommendations, the council shall consider a range of options that would best restore, protect, and enhance wetlands, prairies, forests, and habitat for fish, game, and wildlife. The council recommendations each year on appropriation of money from the outdoor heritage fund must include amounts adequate to make the required transfers to the outdoor heritage trust fund payment account according to subdivision 1b. The council's recommendations shall be submitted no later than January 15 each year.

The council shall present its recommendations to the senate and house of representatives committees with jurisdiction over the environment and natural resources budget by February 15 in odd-numbered years, and within the first four weeks of the legislative session in even-numbered years. The council's budget recommendations to the legislature shall be separate from the Department of Natural Resource's budget recommendations.

(b) To encourage and support local conservation efforts, the council shall establish a conservation partners program. Local, regional, state, or national organizations may apply for matching grants for restoration, protection, and enhancement of wetlands, prairies, forests, and habitat for fish, game, and wildlife, prevention of forest fragmentation, encouragement of forest consolidation, and expansion of restored native prairie.

(c) The council may work with the Clean Water Council to identify projects that are consistent with both the purpose of the outdoor heritage fund and the purpose of the clean water fund.

(d) The council may make recommendations to the Legislative-Citizen Commission on Minnesota Resources on scientific research that will assist in restoring, protecting, and enhancing wetlands, prairies, forests, and habitat for fish, game, and wildlife, preventing forest fragmentation, encouraging forest consolidation, and expanding restored native prairie.

(e) Recommendations of the council, including approval of recommendations for the outdoor heritage fund, require an affirmative vote of at least nine members of the council.

(f) The council may work with the Clean Water Council, the Legislative-Citizen Commission on Minnesota Resources, the Board of Water and Soil Resources, soil and water conservation districts, and experts from Minnesota State Colleges and Universities and the University of Minnesota in developing the council's recommendations.

(g) The council shall develop and implement a process that ensures that citizens and potential recipients of funds are included throughout the process, including the development and finalization of the council's recommendations. The process must include a fair, equitable, and thorough process for reviewing requests for funding and a clear and easily understood process for ranking projects.

(h) The council shall use the regions of the state based upon the ecological sections and subsections developed by the Department of Natural Resources and establish objectives for each region and subregion to achieve the purposes of the fund outlined in the state constitution.

(i) The council shall develop and submit to the Legislative Coordinating Commission plans for the first ten years of funding, and a framework for 25 years of funding, consistent with statutory and constitutional requirements. The council may use existing plans from other legislative, state, and federal sources, as applicable.

EFFECTIVE DATE. This section is effective July 1, 2017, and applies to lands acquired with money appropriated on or after that date.

Sec. 5. Minnesota Statutes 2016, section 97A.056, is amended by adding a subdivision to read:

Subd. 15a. **State acquisition of land; restrictions.** The state may not use money from the outdoor heritage fund to acquire in fee simple in whole or in part any land subject to property taxes or any land owned by a nonprofit organization that was subject to property taxes before 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 subdivision 1b have not been appropriated or are not available.

EFFECTIVE DATE. This section is effective July 1, 2017, and applies to land acquired with money appropriated on or after that date.

Sec. 6. Minnesota Statutes 2016, 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, 2017.

Sec. 7. Minnesota Statutes 2016, 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, 2017.

Sec. 8. Minnesota Statutes 2016, section 116P.02, is amended by adding a subdivision to read:

Subd. 4b. **Land-related property taxes.** "Land-related property taxes" means property taxes collected on behalf of local governments providing land-related services.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 9. Minnesota Statutes 2016, section 116P.02, is amended by adding a subdivision to read:

Subd. 4c. **Local governments providing land-related services.** "Local governments providing land-related services" means counties, townships, home rule charter and statutory cities, watershed districts under chapter 103D, sanitary districts under sections 442A.01 to 442A.29, and regional sanitary sewer districts under sections 115.61 to 115.67.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 10. Minnesota Statutes 2016, section 116P.02, is amended by adding a subdivision to read:

Subd. 4d. **Total payment for the land.** "Total payment for the land" means the total price paid for the land including land acquisition costs, but excluding any in-kind services provided by nongovernmental entities at no cost to the state.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 11. **[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 simple 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. The percentage of the total acres acquired in any purchase that is eligible for a trust fund payment under this section is equal to the percentage of the total payment for the land funded from environment and natural resources trust fund revenues. If the percentage of the total payment for the land from the environment and natural resources trust fund is ten percent or less, the parcel is ineligible for a payment under this section; if the percentage is 90 percent or more, the entire parcel is eligible for the payment under this section. The commissioner of natural resources must certify to the commissioner of revenue and the county in which land eligible for a payment under this section is purchased the total number of acres purchased, the total payment for the land, and the amount of environmental and natural resources trust fund revenues used for the purchase. The trust fund payment is equal to 30 times the land-related property taxes assessed on the eligible portion of the land 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 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 of revenue 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 fund 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 this section. 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 each year of the amount deposited on the county's behalf with the State Board of Investment under this subdivision.

(b) 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 for deposit in the account for county joint trust fund payments in section 11A.237.

(c) If the land for which a payment under this subdivision is made is subsequently sold to another entity and is no longer available for the use for which it was purchased, the original amount of the payment for that land under paragraph (a) must be withdrawn by the commissioner of revenue from the account established under section 11A.237 and returned to the environment and natural resources trust fund. If only a portion of the land is sold and no longer available for the use for which it was purchased, the amount of the original trust fund payment returned is reduced proportionately based on the portion of the original purchase that is sold. The holder of the land must inform the commissioner of revenue and the county in which the land is sold of the sale and provide them with any information necessary to calculate the required withdrawal from the account. The withdrawal is made along with withdrawals under section 477A.30 in the calendar year after the year in which the land is sold.

Subd. 3. **County requirements.** 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 11A.237.

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 money from the environment and natural resources trust fund to acquire in fee simple in whole or in part any land subject to property taxes or any land owned by a nonprofit organization that was subject to property taxes before the land's acquisition by the nonprofit organization if (1) subdivision 2 is void, or (2) sufficient funds to cover the onetime trust fund payment required under subdivision 2 have not been appropriated or are not available.

EFFECTIVE DATE. This section is effective July 1, 2017, and applies to land acquired with money appropriated on or after that date.

Sec. 12. Minnesota Statutes 2016, section 116P.08, subdivision 1, is amended to read:

Subdivision 1. **Expenditures.** Money in the trust fund may be spent only for:

(1) the reinvest in Minnesota program as provided in section 84.95, subdivision 2;

(2) research that contributes to increasing the effectiveness of protecting or managing the state's environment or natural resources;

(3) collection and analysis of information that assists in developing the state's environmental and natural resources policies;

(4) enhancement of public education, awareness, and understanding necessary for the protection, conservation, restoration, and enhancement of air, land, water, forests, fish, wildlife, and other natural resources;

(5) capital projects for the preservation and protection of unique natural resources;

(6) activities that preserve or enhance fish, wildlife, land, air, water, and other natural resources that otherwise may be substantially impaired or destroyed in any area of the state;

(7) administrative and investment expenses incurred by the State Board of Investment in investing deposits to the trust fund; ~~and~~

(8) administrative expenses subject to the limits in section 116P.09~~.~~; and

(9) payments to the environment and natural resources trust fund payment account as required in section 116P.045.

EFFECTIVE DATE. This section is effective July 1, 2017, and applies to lands acquired with money appropriated on or after that date.

Sec. 13. Minnesota Statutes 2016, section 116P.08, subdivision 4, is amended to read:

Subd. 4. **Legislative recommendations.** (a) Funding may be provided only for those projects that meet the categories established in subdivision 1.

(b) The commission must recommend an annual or biennial legislative bill to make appropriations from the trust fund for the purposes provided in subdivision 1. The recommendations must be submitted to the governor for inclusion in the biennial budget and supplemental budget submitted to the legislature.

(c) The commission may recommend regional block grants for a portion of trust fund expenditures to partner with existing regional organizations that have strong citizen involvement, to address unique local needs and capacity, and to leverage all available funding sources for projects.

(d) The commission may recommend the establishment of an emerging issues account in its legislative bill for funding emerging issues, which come up unexpectedly, but which still adhere to the commission's strategic plan, to be approved by the governor after initiation and recommendation by the commission.

(e) The council must recommend an appropriation of money from the environment and natural resources trust fund adequate to make the required transfers to the environment and natural resources trust fund payment account according to section 116P.045.

(f) Money in the trust fund may not be spent except under an appropriation by law.

EFFECTIVE DATE. This section is effective July 1, 2017, and applies to lands acquired with money appropriated on or after that date.

Sec. 14. Minnesota Statutes 2016, 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 on or after July 1, 2017, receiving trust fund payments from the outdoor heritage trust fund payment account or the environment and natural resources trust fund payment account, 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.

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

Sec. 15. Minnesota Statutes 2016, 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, parcels or portions of parcels of land purchased on or after July 1, 2017, and eligible for a trust fund payment under section 116P.045 are not included in the definitions of the lands described in subdivisions 3 to 7 and are excluded from payments under sections 477A.11 to 477A.14.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2018.

Sec. 16. Minnesota Statutes 2016, 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, parcels or portions of parcels of land purchased on or after July 1, 2017, and eligible for a trust fund payment under section 97A.056, subdivision 1b, are not included in the definitions of the lands described in subdivisions 3 to 7 and are excluded from payments under sections 477A.11 to 477A.14.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2018.

Sec. 17. **[477A.30] ANNUAL COUNTY JOINT TRUST FUND WITHDRAWALS AND DISTRIBUTION FOR ENVIRONMENT AND NATURAL RESOURCES TRUST FUND LANDS AND OUTDOOR HERITAGE LANDS.**

Subdivision 1. **Commissioner of revenue; withdrawals and payments.** No later than November 15 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 November 30. 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 2018, by September 1 each year, a county for whom a trust fund payment has been made on its behalf under section 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 providing land-related services for taxes spread that year for a parcel acquired between January 1 and June 30; or

(ii) the amount of taxes paid to the local governments providing land-related services 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 providing land-related services 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 by local governments providing land-related services 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 local governments providing land-related services 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.

(c) The local governments receiving a payment under this section must use the money to fund land-related services. For purposes of this paragraph, "land-related services" means services used to restore, enhance, and protect the land and its fish and wildlife habitat and provide any other public services benefiting the land and users of the land, including access and services to the public accessing and using the land and direct and indirect capital and operating costs for (1) roads, bridges, and trails; (2) public safety and emergency response services; (3) environmental, recreational, and resource development and management; and (4) similar costs.

(d) For purposes of this subdivision, "local governments providing land-related services" has the meaning given in section 116P.02, subdivision 4c.

EFFECTIVE DATE. This section is effective January 1, 2018, and applies to land acquired with money appropriated on or after July 1, 2017.

Sec. 18. **DELAYED REQUIREMENT FOR TRUST FUND PAYMENTS FOR APPROPRIATIONS MADE FOR FISCAL YEAR 2018.**

(a) Notwithstanding Minnesota Statutes, section 97A.056, subdivision 15a, the state may appropriate money for fiscal year 2018 from the outdoor heritage fund to purchase land without appropriating sufficient funds to cover the onetime trust fund payment required under Minnesota Statutes, section 97A.056, subdivision 1b. The amount necessary to make the payment required under Minnesota Statutes, section 97A.056, subdivision 1b, for all fiscal year 2018 appropriations for land purchases must be deposited in the outdoor heritage trust fund payment account by August 1, 2018, or the restriction on land acquisition under Minnesota Statutes, section 97A.056, subdivision 15a, applies to any land acquisition authorized with fiscal year 2018 funds that have not yet been acquired.

(b) Notwithstanding Minnesota Statutes, section 116P.045, subdivision 5, the state may appropriate money in fiscal year 2018 from the environment and natural resources trust fund to purchase land without appropriating sufficient funds to cover the onetime trust fund payment required under Minnesota Statutes, section 116P.045, subdivision 2. The amount necessary to make the payment required under Minnesota Statutes, section 116P.045, subdivision 2, for all fiscal year 2018 appropriations for land purchases must be deposited in the environment and natural resources trust fund payment account by August 1, 2018, or the restriction on land acquisition under Minnesota Statutes, section 116P.045, subdivision 5, applies to any land acquisition authorized with fiscal year 2018 funds that have not yet been acquired.

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

ARTICLE 7
LOCAL OPTION SALES AND USE TAXES

Section 1. **[471.9998] MERCHANT BAGS; PROHIBITION ON FEE OR TAX.**

Notwithstanding any other provision of law, no political subdivision may impose or require the imposition of any fee or tax, other than a local sales tax subject to section 297A.99, upon the use of paper, plastic, or reusable bags for packaging of any item or good purchased from a merchant, itinerant vendor, or peddler.

EFFECTIVE DATE. This section is effective May 31, 2017. Ordinances existing on the effective date of this section that would be prohibited under this section are invalid as of the effective date of this section.

Sec. 2. 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. 3. 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. 4. 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 as approved by voters at the November 8, 2016, general election, the city may by ordinance also use revenues from taxes authorized under subdivisions 1 and 2, up to a maximum of $47,000,000, plus associated bond costs, to pay all or a portion of the expenses of the following capital projects:

(1) construction and improvements to regional recreational facilities including existing hockey and curling rinks, a baseball park, youth athletic fields and facilities, the municipal swimming pool including improvements to make the pool compliant with the Americans with Disabilities Act, and indoor regional athletic facilities;

(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. 5. 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~~ 2038.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

Sec. 6. 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 may issue general obligation bonds of the city in an amount not to exceed $47,000,000 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. 7. Laws 1996, chapter 471, article 2, section 29, subdivision 1, as amended by Laws 2006, chapter 259, article 3, section 3, and Laws 2011, First Special Session chapter 7, article 4, section 4, is amended to read:

Subdivision 1. **Sales tax authorized.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Hermantown may, by ordinance, impose an additional sales tax of up to one percent on sales transactions taxable pursuant to Minnesota Statutes, chapter 297A, that occur within the city. The proceeds of the tax imposed under this section must be used to meet the costs of:

(1) extending a sewer interceptor line;

(2) construction of a booster pump station, reservoirs, and related improvements to the water system; and

(3) construction of a building containing a police and fire station and an administrative services facility.

(b) If the city imposed a sales tax of only one-half of one percent under paragraph (a), it may increase the tax to one percent to fund the purposes under paragraph (a) provided it is approved by the voters at a general election held before December 31, 2012.

(c) As approved by the voters at the November 8, 2016, general election, the proceeds under this section may also be used to meet the costs of debt service payments for construction of the Hermantown Wellness Center.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Hermantown and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 8. Laws 1996, chapter 471, article 2, section 29, subdivision 4, as amended by Laws 2006, chapter 259, article 3, section 4, is amended to read:

Subd. 4. **Termination.** The tax authorized under this section terminates ~~on March 31, 2026~~ at the earlier of (1) December 31, 2036, or (2) when the Hermantown City Council first determines that sufficient funds have been received from the tax to fund the costs, including bonds and associated bond costs for the uses specified in subdivision 1. Any funds remaining after completion of the improvements and retirement or redemption of the bonds may be placed in the general fund of the city.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

Sec. 9. Laws 1999, chapter 243, article 4, section 17, subdivision 3, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for construction and improvement of a civic and community center and recreational facilities to serve all ages, including seniors and youth. Authorized expenses include, but are not limited to, acquiring property, paying construction and operating expenses related to the development of an authorized facility, funding facilities replacement reserves, and paying debt service on bonds or other obligations issued to finance the construction or expansion of an authorized facility. The capital expenses for all projects authorized under this subdivision that may be paid with these taxes are limited to $9,000,000, plus an amount equal to the costs related to issuance of the bonds and funding facilities replacement reserves.

(b) Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, and as approved by the voters at the November 8, 2016, general election, the city of New Ulm may by ordinance also use revenues from taxes authorized under subdivisions 1 and 2, up to a maximum of $14,800,000, plus associated bond costs, to pay all or a portion of the expenses of the following capital projects:

(1) constructing an indoor water park and making safety improvements to the existing recreational center pool;

(2) constructing an indoor playground, a wellness center, and a gymnastics facility;

(3) constructing a winter multipurpose dome;

(4) making improvements to Johnson Park Grandstand; and

(5) making improvements to the entrance road and parking at Hermann Heights Park.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of New Ulm and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 10. Laws 1999, chapter 243, article 4, section 17, is amended by adding a subdivision to read:

Subd. 4a. **Bonding authority; additional use and extension of tax.** As approved by the voters at the November 8, 2016, general election, and in addition to the bonds issued under subdivision 4, the city of New Ulm may issue general obligation bonds of the city in an amount not to exceed $14,800,000 for the projects listed in subdivision 3, paragraph (b). The debt represented by bonds under this subdivision shall not be included in computing any debt limitations applicable to the city of New Ulm, 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.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of New Ulm and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 11. Laws 1999, chapter 243, article 4, section 17, subdivision 5, is amended to read:

Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire when the city council determines that sufficient funds have been received from the taxes to finance the capital and administrative costs for the acquisition, construction, and improvement of facilities described in subdivision 3, including the additional use of revenues under subdivision 3, paragraph (b), as approved by the voters at the November 8, 2016, general election, and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the facilities under ~~subdivision 4~~ subdivisions 4 and 4a. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of New Ulm and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 12. 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 if approved by the voters at the first general election held after the date of final enactment of this act. 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.

Sec. 13. Laws 2005, First Special Session chapter 3, article 5, section 38, subdivision 2, as amended by Laws 2006, chapter 259, article 3, section 6, is amended to read:

Subd. 2. **Use of revenues.** The proceeds of the tax imposed under this section shall be used to pay for ~~lake~~ water quality improvement projects as detailed in the Shell Rock River watershed plan and as directed by the Shell Rock River Watershed Board. Notwithstanding any provision of statute, other law, or city charter to the contrary, the city shall transfer all revenues from the tax imposed under subdivision 1, as soon as they are received, to the Shell Rock River Watershed District. ~~The city is not required to review the intended uses of the revenues by the watershed district, nor is the watershed district required to submit to the city proposed budgets, statements, or invoices explaining the intended uses of the revenues as a prerequisite for the transfer of the revenues.~~ The Shell Rock River Watershed District shall appear before the city of Albert Lea City Council on a biannual basis to present a report of its activities, expenditures, and intended uses of the city sales tax revenue.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Albert Lea and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 14. Laws 2005, First Special Session chapter 3, article 5, section 38, subdivision 4, as amended by Laws 2014, chapter 308, article 3, section 23, is amended to read:

Subd. 4. **Termination of taxes.** The taxes imposed under this section expire at the earlier of (1) ~~15~~ 30 years after the taxes are first imposed, or (2) when the city council first determines that the amount of revenues raised to pay for the projects under subdivision 2, shall meet or exceed the sum of ~~$15,000,000~~ $30,000,000. Any funds remaining after completion of the projects may be placed in the general fund of the city.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Albert Lea and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 15. 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.** 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, including construction of indoor regional athletic facilities;

(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~~ $15,000,000 plus any 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 as approved by the voters at the November 8, 2016, general election.

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, 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, pursuant to approval of the voters at the November 8, 2016, referendum extending the tax fee to provide 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 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~~ 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. 16. **CITY OF EAST GRAND FORKS; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at a special election on March 7, 2016, the city of East Grand Forks may impose, by ordinance, a sales and use tax of up to one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of East Grand Forks to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of improvement to the city public swimming pool. Authorized expenses include, but are not limited to, paying construction expenses related to the renovation and the development of these facilities and improvements, and securing and paying debt service on bonds issued under subdivision 3 or other obligations issued to finance improvement of the public swimming pool in the city of East Grand Forks

Subd. 3. **Bonding authority.** (a) The city of East Grand Forks may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $2,820,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of East Grand Forks, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of East Grand Forks, 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. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the later of: (1) five years after the tax is first imposed; or (2) when the city council determines that $2,820,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds 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 East Grand Forks and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 17. **CITY OF FAIRMONT; LOCAL TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the general election of November 8, 2016, the city of Fairmont may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Fairmont to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of constructing and funding recreational amenities, trails, and a community center. The total that may be raised from the tax to pay for these projects is limited to $15,000,000, plus the costs related to the issuance and paying debt service on bonds for these projects.

Subd. 3. **Bonding authority.** (a) The city of Fairmont may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $15,000,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Fairmont, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Fairmont, 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. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines that $15,000,000, plus an amount sufficient to pay the costs related to issuing the bonds authorized under subdivision 3, including interest on the bonds, has been received from the tax to pay for the cost of the projects authorized under subdivision 2. Any funds remaining after payment of all such costs and retirement or redemption of the bonds 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 Fairmont and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 18. **CITY OF FERGUS FALLS; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, section 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November 8, 2016, general election, the city of Fergus Falls may impose, by ordinance, a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues from the tax authorized under subdivision 1 must be used by the city of Fergus Falls to pay the costs of collecting and administering the tax and securing and paying debt service on bonds issued to finance all or part of the costs of the expansion and betterment of the Fergus Falls Public Library located at 205 East Hampden Avenue in the city of Fergus Falls.

Subd. 3. **Bonding authority.** (a) The city of Fergus Falls may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $9,800,000, plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Fergus Falls, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60 and 275.61.

(b) The bonds are 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 of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 12 years after the tax is first imposed, or (2) when the city council determines that $9,800,000 has been received from the tax to pay for the cost of the project authorized under subdivision 2, plus an amount sufficient to pay the costs related to the issuance of the bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at any 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 Fergus Falls and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 19. **CITY OF MOOSE LAKE; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, as approved by the voters at the November 6, 2012, general election, the city of Moose Lake may impose, by ordinance, a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Moose Lake to pay the costs of collecting and administering the tax and to finance the costs of: (1) improvements to the city's park system; (2) street and related infrastructure improvements; and (3) municipal arena improvements. Authorized costs include construction and engineering costs and associated bond costs.

Subd. 3. **Bonding authority.** The city of Moose Lake may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $3,000,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Moose Lake, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

The bonds are not included in computing any debt limitation applicable to the city of Moose Lake, 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. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the city council determines that $3,000,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds 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 Moose Lake and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 20. **CITY OF NEW LONDON; TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the general election of November 8, 2016, the city of New London may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of New London to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of the following projects:

(1) construction and equipping of a new library and community room;

(2) construction of an ambulance bay at the fire hall; and

(3) improvements to the New London Senior Citizen Center.

The total that may be raised from the tax to pay for these projects is limited to $872,000 plus the costs related to the issuance and paying debt service on bonds for these projects.

Subd. 3. **Bonding authority.** (a) The city of New London may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $872,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of New London, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of New London, 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. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the city council determines that $872,000, plus an amount sufficient to pay the costs related to issuing the bonds authorized under subdivision 3, including interest on the bonds, has been received from the tax to pay for the cost of the projects authorized under subdivision 2. Any funds remaining after payment of all such costs and retirement or redemption of the bonds 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 New London and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 21. **CITY OF SLEEPY EYE; LODGING TAX.**

Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city council for the city of Sleepy Eye may impose, by ordinance, a tax of up to two percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. This tax is in addition to any tax imposed under Minnesota Statutes, section 469.190, and the total tax imposed under that section and this provision must not exceed five percent. Revenue from the tax imposed under this section may only be used for the same purposes as a tax imposed under Minnesota Statutes, section 469.190.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Sleepy Eye and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 22. **CITY OF SPICER; TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the general election of November 8, 2016, the city of Spicer may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Spicer to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of the following projects:

(1) pedestrian public safety improvements such as a pedestrian bridge or crosswalk signals at marked Trunk Highway 23;

(2) park and trail capital improvements including signage for bicycle share the road improvements and replacement of playground and related facilities; and

(3) capital improvements to regional community facilities such as the Dethelfs roof and window replacement and the Pioneerland branch library roof replacement.

Subd. 3. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) ten years after the tax is first imposed; or (2) December 31, 2027. All funds not used to pay collection and administration costs of the tax must be used for projects listed in subdivision 2. 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 Spicer and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 23. **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 at the general election 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 utility, street, curb, gutter, and sidewalk 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.** (a) 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.

(b) 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. 24. **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, as approved by the voters at the general election held on November 8, 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. 25. **CLAY COUNTY; TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law or ordinance, and as approved by the voters at the November 8, 2016, general election, Clay County may impose, by ordinance, a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by Clay County to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of constructing and equipping a new correctional facility, law enforcement center, and related parking facility. Authorized expenses include but are not limited to paying design, development, and construction costs related to these facilities and improvements, and securing and paying debt service on bonds issued under subdivision 3 or other obligations issued to finance the facilities listed in this subdivision.

Subd. 3. **Bonding authority.** Clay County may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $52,000,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to Clay County, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the county board determines that $52,000,000, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds, has been received from the tax to pay for the cost of the projects authorized under subdivision 2. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the county. The tax imposed under subdivision 1 may expire at an earlier time if the county so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of Clay County and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 26. **GARRISON, KATHIO, WEST MILLE LACS LAKE SANITARY DISTRICT; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, and as approved by the voters at the November 8, 2016, general election, the Garrison, Kathio, West Mille Lacs Lake Sanitary District may impose, by majority vote of the governing body of the district, a sales and use tax of up to one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the Garrison, Kathio, West Mille Lacs Lake Sanitary District to pay the costs of collecting and administering the tax and to repay general obligation revenue notes issued or other debt incurred for the construction of the wastewater collection system through the Minnesota Public Facilities Authority, general obligation disposal system bonds issued to finance the expense incurred in financing construction of sewer system improvements, and notes payable issued for costs associated with the sewer services agreement between the Garrison, Kathio, West Mille Lacs Lake Sanitary District and ML Wastewater Inc., and any other costs associated with system maintenance and improvements, including extension of the system to unserved customers as determined by the governing body of the district.

Subd. 3. **Bonds.** The Garrison, Kathio, West Mille Lacs Lake Sanitary District, pursuant to the approval of the voters at the November 8, 2016, referendum authorizing the imposition of the tax under this section, may issue general obligation disposal system bonds for financing construction of sewer system improvements without a separate election required under Minnesota Statutes, section 442.25 or 475.58. The amount of bonds that may be issued without a separate election is equal to $10,000,000 minus the amount of the tax revenue under this section committed to repay other notes as allowed under subdivision 2.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the governing body of the Garrison, Kathio, West Mille Lacs Lake Sanitary District determines that $10,000,000 has been received from the tax to pay for the costs authorized under subdivision 2. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the district. The tax imposed under subdivision 1 may expire at an earlier time if the governing body of the district so determines.

EFFECTIVE DATE. This section is effective the day after the governing body of the Garrison, Kathio, West Mille Lacs Lake Sanitary District and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 27. **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 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.

ARTICLE 8
TAX INCREMENT FINANCING

Section 1. Minnesota Statutes 2016, 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 was made after June 30, 2017.

Sec. 2. Minnesota Statutes 2016, 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.

<u>(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 set forth in writing the reasons and supporting facts for each determination:</u>

(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 employs 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 the ability of the business 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 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 was made after June 30, 2017.

Sec. 3. Minnesota Statutes 2016, 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:

(1) 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

(2) 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 was made after June 30, 2017.

Sec. 4. Minnesota Statutes 2016, section 469.1761, is amended by adding a subdivision to read:

Subd. 5. **Income limits; Minnesota Housing Finance Agency challenge program.** For a project receiving a loan or grant from the Minnesota Housing Finance Agency challenge program under section 462A.33, the income limits under section 462A.33 are substituted for the applicable income limits for the project under subdivision 2 or 3.

EFFECTIVE DATE. This section is effective for districts for which the request for certification was made after June 30, 2017.

Sec. 5. Minnesota Statutes 2016, 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. 6. Minnesota Statutes 2016, 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) 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. 7. Minnesota Statutes 2016, 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. 8. Minnesota Statutes 2016, 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~~,~~ 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~~.

(c) The resolution may generally grant to the municipality or the authority 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 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 before the latest decertification of any tax increment financing district from which the interfund loan is to be repaid. 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 under 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.

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. 9. Laws 2008, chapter 154, article 9, section 21, subdivision 2, is amended to read:

Subd. 2. **Special rules.** (a) If the city elects, upon the adoption of the tax increment financing plan for a district, the rules under this section apply to a redevelopment district, renewal and renovation district, economic development district, soil condition district, or a soil deficiency district established by the city or a development authority of the city in the project area.

(b) Prior to or upon the adoption of the first tax increment plan subject to the special rules under this subdivision, the city must find by resolution that parcels consisting of at least 80 percent of the acreage of the project area (excluding street and railroad right of way) are characterized by one or more of the following conditions:

(1) peat or other soils with geotechnical deficiencies that impair development of residential or commercial buildings or infrastructure;

(2) soils or terrain that requires substantial filling in order to permit the development of commercial or residential buildings or infrastructure;

(3) landfills, dumps, or similar deposits of municipal or private waste;

(4) quarries or similar resource extraction sites;

(5) floodway; and

(6) substandard buildings within the meaning of Minnesota Statutes, section 469.174, subdivision 10.

(c) For the purposes of paragraph (b), clauses (1) through (5), a parcel is deemed to be characterized by the relevant condition if at least 70 percent of the area of the parcel contains the relevant condition. For the purposes of paragraph (b), clause (6), a parcel is deemed to be characterized by substandard buildings if the buildings occupy at least 30 percent of the area of the parcel.

(d) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to ten years for any district, and section 469.1763, subdivision 4, does not apply to any district.

(e) Notwithstanding anything to the contrary in section 469.1763, subdivision 2, paragraph (a), not more than 80 percent of the total revenue derived from tax increments paid by properties in any district (measured over the life of the district) may be expended on activities outside the district but within the project area.

(f) For a soil deficiency district:

(1) increments may be collected through 20 years after the receipt by the authority of the first increment from the district; and

(2) except as otherwise provided in this subdivision, increments may be used only to:

(i) acquire parcels on which the improvements described in item (ii) will occur;

(ii) pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost of installing public improvements directly caused by the deficiencies; and

(iii) pay for the administrative expenses of the authority allocable to the district.

(g) Increments spent for any infrastructure costs, whether inside a district or outside a district but within the project area, are deemed to satisfy the requirements of paragraph (f) and Minnesota Statutes, section 469.176, subdivisions 4b, 4c, and 4j.

(h) Increments from any district may not be used to pay the costs of landfill closure or public infrastructure located on the following parcels within the plat known as Burnsville Amphitheater: Lot 1, Block 1; Lots 1 and 2, Block 2; and Outlots A, B, C and D.

(i) The four-year rule under Minnesota Statutes, section 469.176, subdivision 6, is extended to nine years.

(j) The city may specify in the tax increment financing plan for any district the first year in which it elects to receive increment, which may be up to eight years following approval of the district.

(k) Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, paragraph (c), the city may waive any increment received in 2017 and, if so, it shall not be used in determining the duration limit for any district created under this section.

(l) The authority to approve tax increment financing plans to establish tax increment financing districts under this section expires on ~~December 31, 2018~~ March 20, 2023.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of Burnsville and compliance with the requirements of Minnesota Statutes, section 645.021.

Sec. 10. 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; <u>010-02730-00320;</u> 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~~ <u>St. Louis River-U.S. Steel Superfund</u> 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~~ <u>St. Louis River-U.S. Steel Superfund</u> Site (USEPA OU 02). The status report must show the parcel numbers, the listed or delisted status, and if delisted, the delisting date.

<u>(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. 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 paragraph applies to any action authorized by the Seaway Port Authority of Duluth on or after March 25, 2010.</u>

<u>**EFFECTIVE DATE.**</u> <u>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.</u>

Sec. 11. Laws 2014, chapter 308, article 6, section 8, subdivision 1, is amended to read:

Subdivision 1. **Authority to create districts.** (a) The governing body of the city of Edina or its development authority may establish one or more tax increment financing housing districts in the Southeast Edina Redevelopment Project Area, as the boundaries exist on March 31, 2014.

(b) The authority to request certification of districts under this section expires on June 30, ~~2017~~ <u>2020</u>.

<u>**EFFECTIVE DATE.**</u> <u>This section is effective on the day following final enactment without local approval under Minnesota Statutes, section 645.023, subdivision 1, paragraph (a).</u>

Sec. 12. Laws 2014, chapter 308, article 6, section 9, is amended to read:

Sec. 9. **CITY OF MAPLE GROVE; TAX INCREMENT FINANCING DISTRICT.**

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

(b) "City" means the city of Maple Grove.

(c) "Project area" means <u>all or a portion of</u> the area in the city commencing at a point 130 feet East and 120 feet North of the southwest corner of the Southeast Quarter of Section 23, Township 119, Range 22, Hennepin County, said point being on the easterly right-of-way line of Hemlock Lane; thence northerly along said easterly right-of-way line of Hemlock Lane to a point on the west line of the east one-half of the Southeast Quarter of section 23, thence south along said west line a distance of 1,200 feet; thence easterly to the east line of Section 23, 1,030 feet North from the southeast corner thereof; thence South 74 degrees East 1,285 feet; thence East a distance of 1,000 feet; thence North 59 degrees West a distance of 650 feet; thence northerly to a point on the northerly right-of-way line of 81st Avenue North, 650 feet westerly measured at right angles, from the east line of the Northwest Quarter of Section 24; thence North 13 degrees West a distance of 795 feet; thence West to the west line of the Southeast Quarter of the Northwest Quarter of Section 24; thence North 55 degrees West to the south line of the Northwest Quarter of the Northwest Quarter of Section 24; thence West along said south line to the east right-of-way line of Zachary Lane; thence North along the east right-of-way line of Zachary Lane to the southwest corner of Lot 1, Block 1, Metropolitan Industrial Park 5th Addition; thence East along the south line of said Lot 1 to the northeast corner of Outlot A, Metropolitan Industrial Park 5th Addition; thence South along the east line of said Outlot A and its southerly extension to the south right-of-way line of County State-Aid Highway (CSAH) 109; thence easterly along the south right-of-way line of CSAH 109 to the east line of the Northwest Quarter of the Northeast Quarter of Section 24; thence South along said east line to the north line of the South Half of the Northeast Quarter of Section 24; thence East along said north line to the westerly right-of-way line of Jefferson Highway North; thence southerly along the westerly right-of-way line of Jefferson Highway to the centerline of CSAH 130; thence continuing South along the west right-of-way line of Pilgrim Lane North to the westerly extension of the north line of Outlot A, Park North Fourth Addition; thence easterly along the north line of Outlot A, Park North Fourth Addition to the northeast corner of said Outlot A; thence southerly along the east line of said Outlot A to the southeast corner of said Outlot A; thence easterly along the south line of Lot 1, Block 1, Park North Fourth Addition to the westerly right-of-way line of State Highway 169; thence southerly, southwesterly, westerly, and northwesterly along the westerly right-of-way line of State Highway 169 and the northerly right-of-way line of Interstate 694 to its intersection with the southerly extension of the easterly right-of-way line of Zachary Lane North; thence northerly along the easterly right-of-way line of Zachary Lane North and its northerly extension to the north right-of-way line of CSAH 130; thence westerly, southerly, northerly, southwesterly, and northwesterly to the point of beginning and there terminating, provided that the project area includes the rights-of-way for all present and future highway interchanges abutting the area described in this paragraph<u>, and may include any additional property necessary to cause the property included in the tax increment financing district to consist of complete parcels</u>.

(d) "Soil deficiency district" means a type of tax increment financing district consisting of a portion of the project area in which the city finds by resolution that the following conditions exist:

(1) unusual terrain or soil deficiencies that occurred over 80 percent of the acreage in the district require substantial filling, grading, or other physical preparation for use; and

(2) the estimated cost of the physical preparation under clause (1), but excluding costs directly related to roads as defined in Minnesota Statutes, section 160.01, and local improvements as described in Minnesota Statutes, sections 429.021, subdivision 1, clauses (1) to (7), (11), and (12), and 430.01, exceeds the fair market value of the land before completion of the preparation.

Subd. 2. **Special rules.** (a) If the city elects, upon the adoption of the tax increment financing plan for a district, the rules under this section apply to a redevelopment district, renewal and renovation district, soil condition district, or soil deficiency district established by the city or a development authority of the city in the project area.

(b) Prior to or upon the adoption of the first tax increment plan subject to the special rules under this subdivision, the city must find by resolution that parcels consisting of at least 80 percent of the acreage of the project area, excluding street and railroad rights-of-way, are characterized by one or more of the following conditions:

(1) peat or other soils with geotechnical deficiencies that impair development of commercial buildings or infrastructure;

(2) soils or terrain that require substantial filling in order to permit the development of commercial buildings or infrastructure;

(3) landfills, dumps, or similar deposits of municipal or private waste;

(4) quarries or similar resource extraction sites;

(5) floodway; and

(6) substandard buildings, within the meaning of Minnesota Statutes, section 469.174, subdivision 10.

(c) For the purposes of paragraph (b), clauses (1) to (5), a parcel is characterized by the relevant condition if at least 70 percent of the area of the parcel contains the relevant condition. For the purposes of paragraph (b), clause (6), a parcel is characterized by substandard buildings if substandard buildings occupy at least 30 percent of the area of the parcel.

(d) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to eight years for any district, and Minnesota Statutes, section 469.1763, subdivision 4, does not apply to any district.

(e) Notwithstanding any provision to the contrary in Minnesota Statutes, section 469.1763, subdivision 2, paragraph (a), not more than 40 percent of the total revenue derived from tax increments paid by properties in any district, measured over the life of the district, may be expended on activities outside the district but within the project area.

(f) For a soil deficiency district:

(1) increments may be collected through 20 years after the receipt by the authority of the first increment from the district;

(2) increments may be used only to:

(i) acquire parcels on which the improvements described in item (ii) will occur;

(ii) pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost of installing public improvements directly caused by the deficiencies; and

(iii) pay for the administrative expenses of the authority allocable to the district; and

(3) any parcel acquired with increments from the district must be sold at no less than their fair market value.

(g) Increments spent for any infrastructure costs, whether inside a district or outside a district but within the project area, are deemed to satisfy the requirements of Minnesota Statutes, section 469.176, subdivision 4j.

(h) The authority to approve tax increment financing plans to establish tax increment financing districts under this section expires June 30, 2020.

(i) Notwithstanding the restrictions in paragraph (f), clause (2), the city may use increments from a soil deficiency district to acquire parcels and for other infrastructure costs either inside or outside of the district, but within the project area, if the acquisition or infrastructure is for a qualified development. For purposes of this paragraph, a development is a qualified development only if all of the following requirements are satisfied:

(1) the city finds, by resolution, that the land acquisition and infrastructure are undertaken primarily to serve the development;

(2) the city has a binding, written commitment and adequate financial assurances from the developer that the development will be constructed; and

(3) the development does not consist of retail trade or housing improvements.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of Maple Grove and its compliance with the requirements of Minnesota Statutes, section 645.021.

Sec. 13. **CITY OF ANOKA; GREENS OF ANOKA TIF DISTRICT.**

For purposes of Minnesota Statutes, section 469.1763, subdivision 3, paragraph (c), the city of Anoka's Greens of Anoka redevelopment tax increment financing district is deemed to be certified on June 29, 2012, rather than its actual certification date of July 2, 2012, and the provisions of Minnesota Statutes, section 469.1763, subdivisions 3 and 4, apply as if the district were certified on that date.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of Anoka and upon compliance by the city with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 14. **CITY OF COON RAPIDS; TIF DISTRICT 6-1; PORT RIVERWALK.**

Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the city of Coon Rapids may collect tax increment from District 6-1 Port Riverwalk through December 31, 2038.

EFFECTIVE DATE. This section is effective upon compliance by the governing bodies of the city of Coon Rapids, Anoka County, and Independent School District No. 11 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 15. **CITY OF COTTAGE GROVE; TIF DISTRICT 1-12; GATEWAY NORTH.**

The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is considered to be met for Tax Increment Financing District No. 1-12 (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 upon compliance by the chief clerical officer of the governing body of the city of Cottage Grove with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 16. **CITY OF EDINA; APPROVAL OF 2014 SPECIAL LAW.**

Notwithstanding the provisions of Minnesota Statutes, section 645.021, subdivision 3, the chief clerical officer of the city of Edina may file with the secretary of state certificate of approval of Laws 2014, chapter 308, article 6, section 8, by December 31, 2017, and, if the certificate is so filed and the requirements of Minnesota Statutes, section 645.021, subdivision 3, are otherwise complied with, the special law is deemed approved, and all actions taken by the city before the effective date of this section in reliance on Laws 2014, chapter 308, article 6, section 8, are deemed consistent with Laws 2014, chapter 308, article 6, section 8, and this act.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval as an amendment to the provisions of Laws 2014, chapter 308, article 6, section 8.

Sec. 17. **CITY OF MOORHEAD; TIF DISTRICT; FIRST AVENUE NORTH.**

For purposes of Minnesota Statutes, section 469.1763, subdivision 3, paragraph (c), the city of Moorhead's 1st Avenue North (Central Corridors) Redevelopment Tax Increment Financing District is deemed to be certified on June 29, 2012, rather than its actual certification date of July 12, 2012, and Minnesota Statutes, section 469.1763, subdivisions 3 and 4, apply as if the district were certified on that date.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of Moorhead and upon compliance by the city with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 18. **CITY OF RICHFIELD; EXTENSION OF CEDAR AVENUE TIF 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. 19. **CITY OF RICHFIELD; LYNDALE GARDENS TIF DISTRICT.**

The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, are considered to be met for the Lyndale Gardens Tax Increment Financing District established by the city of Richfield and the housing and redevelopment authority in and for the city of Richfield if the activities are undertaken within eight years from the date of certification.

EFFECTIVE DATE. This act is effective upon the city of Richfield's compliance with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 20. **CITY OF ROCHESTER; TIF DISTRICT 36; BIOSCIENCE PROJECT.**

Notwithstanding the provisions of Minnesota Statutes, sections 469.174 and 469.176, the city of Rochester may spend the proceeds from the sale or lease of any property purchased, in whole or part, with tax increments derived from tax increment financing district number 36 (Bioscience Project) for the costs of operating, maintaining, and improving any part of that property, including funding and maintaining reserves for capital or operating expenses and paying debt service on bonds or any obligations issued to finance that property. Following the close of the third calendar year after decertification of the district, none of the proceeds are subject to restrictions that apply to tax increments under Minnesota Statutes, sections 469.174 to 469.1794.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval under Minnesota Statutes, section 645.023, subdivision 1, clause (a).

Sec. 21. **CITY OF SOUTH ST. PAUL; EXTENSION OF TIME TO ADOPT INTERFUND LOAN RESOLUTION FOR 4TH AVENUE VILLAGE TIF DISTRICT.**

Notwithstanding Minnesota Statutes, section 469.178, subdivision 7, the governing body of the South St. Paul Economic Development Authority, successor to the Housing and Redevelopment Authority in and for the city of South St. Paul, may retroactively approve a previously established interfund loan for the 4th Avenue Village Tax Increment District in the city of South St. Paul if the governing body adopts a resolution approving that loan by August 1, 2017, and if the requirements of Minnesota Statutes, section 469.178, subdivision 7, are otherwise complied with, the interfund loan authorization is deemed to satisfy Minnesota Statutes, section 469.178, subdivision 7.

EFFECTIVE DATE. This section is effective without local approval under Minnesota Statutes, section 645.023, subdivision 1, paragraph (a), on the day following final enactment.

Sec. 22. **CITY OF ST. LOUIS PARK; ELMWOOD VILLAGE TIF DISTRICT.**

For purposes of the Elmwood Village Tax Increment Financing District in the city of St. Louis Park, including during the duration extension authorized by Laws 2009, chapter 88, article 5, section 19, the period under Minnesota Statutes, section 469.1763, subdivision 3, is extended through December 31, 2019, and calendar year 2020 is the first year to which Minnesota Statutes, section 469.1763, subdivision 4, applies. In addition, the permitted percentage of increments that may be expended under Minnesota Statutes, section 469.1763, subdivision 2, on activities outside of the district is increased to 45 percent for the district.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of St. Louis Park with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

Sec. 23. **CITY OF ST. PAUL; FORD SITE REDEVELOPMENT TIF DISTRICT.**

(a) For purposes of computing the duration limits under Minnesota Statutes, section 469.176, subdivision 1b, the housing and redevelopment authority of the city of St. Paul may waive receipt of increment for the Ford Site Redevelopment Tax Increment Financing District. This authority is limited to the first four years of increment or increments derived from taxes payable in 2023, whichever occurs first.

(b) If the city elects to waive receipt of increment under paragraph (a), for purposes of applying any limits based on when the district was certified under Minnesota Statutes, section 469.176, subdivision 6, or 469.1763, the date of certification for the district is deemed to be January 2 of the property tax assessment year for which increment is first received under the waiver.

EFFECTIVE DATE. This section is effective July 1, 2017, without local approval under Minnesota Statutes, section 645.023, subdivision 1, paragraph (a).

Sec. 24. **WASHINGTON COUNTY; NEWPORT REDROCK CROSSING PROJECT TIF DISTRICT; SPECIAL RULES.**

(a) If Washington County elects, upon the adoption of a tax increment financing plan for a district, the rules under this section apply to one or more tax increment financing districts established by the county or the community development agency of the county. The area within which the tax increment districts may be created is located in the city of Newport and is south of marked Interstate Highway 494, north of 15th Street extended to the Mississippi River, east of the Mississippi River, and west of marked Trunk Highway 61 and the adjacent rights-of-way and shall be referred to as the "Newport Red Rock Crossing Project Area" or "project area."

(b) The requirements for qualifying a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels identified by parcel identification numbers: 2602822440051, 260282244050, 260282244049, 260282244048, 2602822440046, 2602822440045, 260282244044, 2602822440043, 2602822440026, 2602822440025, 260282244024, and 2602822440023, which are deemed substandard for the purpose of qualifying the district as a redevelopment district.

(c) Increments spent outside a district shall only be spent within the project area and on costs described in Minnesota Statutes, section 469.176, subdivision 4j.

(d) Notwithstanding anything to the contrary in Minnesota Statutes, section 469.1763, subdivision 2, paragraph (a), not more than 80 percent of the total revenue derived from tax increments paid by properties in any district, measured over the life of the district, may be expended on activities outside the district but within the project area. The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, applies as if the limit is nine years.

(e) The authority to approve a tax increment financing plan and to establish a tax increment financing district under this section expires December 31, 2027.

(f) The use of revenues for decertification in Minnesota Statutes, section 469.1763, subdivision 4, does not apply to the project area.

EFFECTIVE DATE. This section is effective and shall retroactively include the redevelopment district in the project area approved by Washington County on November 8, 2016, upon approval by the governing body of the city of Newport and Washington County and upon compliance by the county with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 25. **CITY OF WAYZATA; TIF DISTRICT 3; WIDSTEN.**

(a) 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.

(b) The requirements of Minnesota Statutes, section 469.1763, subdivision 4, do not apply to the district if the revenues derived from tax increment 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 upon compliance by the chief clerical officer of the governing body of the city of Wayzata with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 9
PUBLIC FINANCE

Section 1. Minnesota Statutes 2016, section 366.095, subdivision 1, is amended to read:

Subdivision 1. **Certificates of indebtedness.** The town board may issue certificates of indebtedness within the debt limits for a town purpose otherwise authorized by law. The certificates shall be payable in not more than ten years and be issued on the terms and in the manner as the board may determine, provided that notes issued for projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2), must be payable in not more than 20 years. If the amount of the certificates to be issued exceeds 0.25 percent of the estimated market value of the town, they shall not be issued for at least ten days after publication in a newspaper of general circulation in the town of the board's resolution determining to issue them. If within 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 town election is filed with the clerk, the certificates shall not be issued until their issuance has been approved by a majority of the votes cast on the question at a regular or special election. A tax levy shall be made to pay the principal and interest on the certificates as in the case of bonds.

Sec. 2. Minnesota Statutes 2016, section 383B.117, subdivision 2, is amended to read:

Subd. 2. **Equipment acquisition; capital notes.** The board may, by resolution and without public referendum, issue capital notes within existing debt limits for the purpose of purchasing ambulance and other medical equipment, road construction or maintenance equipment, public safety equipment and other capital equipment having an expected useful life at least equal to the term of the notes issued. The notes shall be payable in not more than ten years and shall be issued on terms and in a manner as the board determines, provided that notes issued for projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2), must be payable in not more than 20 years. The total principal amount of the notes issued for any fiscal year shall not exceed one percent of the total annual budget for that year and shall be issued solely for the purchases authorized in this subdivision. A tax levy shall be made for the payment of the principal and interest on such notes as in the case of bonds. For purposes of this subdivision, "equipment" includes computer hardware and software, whether bundled with machinery or equipment or unbundled. For purposes of this subdivision, the term "medical equipment" includes computer hardware and software and other intellectual property for use in medical diagnosis, medical procedures, research, record keeping, billing, and other hospital applications, together with application development services and training related to the use of the computer hardware and software and other intellectual property, all without regard to their useful life. For purposes of determining the amount of capital notes which the county may issue in any year, the budget of the county and Hennepin Healthcare System, Inc. shall be combined and the notes issuable under this subdivision shall be in addition to obligations issuable under section 373.01, subdivision 3.

Sec. 3. Minnesota Statutes 2016, section 410.32, is amended to read:

410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.

(a) Notwithstanding any contrary provision of other law or charter, a home rule charter city may, by resolution and without public referendum, issue capital notes subject to the city debt limit to purchase 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 and software.

(c) The equipment or software must have an expected useful life at least as long as the term of the notes.

(d) The notes shall be payable in not more than ten years and be issued on terms and in the manner the city determines, provided that notes issued for projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2), must be payable in not more than 20 years. The total principal amount of the capital notes issued in a fiscal year shall not exceed 0.03 percent of the estimated market value of taxable property in the city for that year.

(e) A tax levy shall be made for the payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(f) Notes issued under this section shall require an affirmative vote of two-thirds of the governing body of the city.

(g) Notwithstanding a contrary provision of other law or charter, a home rule charter city may also issue capital notes subject to its debt limit in the manner and subject to the limitations applicable to statutory cities pursuant to section 412.301.

Sec. 4. Minnesota Statutes 2016, 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, provided, however, that notes issued for projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2), must be payable in not more than 20 years.

(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 election.

(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.

Sec. 5. **[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 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 ten percent of the votes cast in the municipality in the last state 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, subdivision 2;

(2) a port authority, as defined in section 469.048;

(3) an economic development authority, as established under section 469.091; 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. 6. Minnesota Statutes 2016, section 469.101, subdivision 1, is amended to read:

Subdivision 1. **Establishment.** An economic development authority may create and define the boundaries of economic development districts at any place or places within the city, except that the district boundaries must be contiguous, and may use the powers granted in sections 469.090 to 469.108 to carry out its purposes. First the authority must hold a public hearing on the matter. At least ten days before the hearing, the authority shall publish notice of the hearing in a ~~daily~~ newspaper of general circulation in the city. Also, the authority shall find that an economic development district is proper and desirable to establish and develop within the city.

Sec. 7. Minnesota Statutes 2016, section 473.39, is amended by adding a subdivision to read:

Subd. 1u. **Obligations.** In addition to other authority in this section, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding $126,000,000 for capital expenditures as prescribed in the council's transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations. Of this authorization, after July 1, 2017, the council may issue certificates of indebtedness, bonds, or other obligations in an amount not exceeding $82,100,000, and after July 1, 2018, the council may issue certificates of indebtedness, bonds, or other obligations in an additional amount not exceeding $43,900,000.

EFFECTIVE DATE. This section is effective the day following final enactment and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 8. Minnesota Statutes 2016, section 473.39, is amended by adding a subdivision to read:

Subd. 6. **Limitation; light rail transit.** The council is prohibited from expending any proceeds from certificates of indebtedness, bonds, or other obligations under this section for project development, land acquisition, or construction to (1) establish a light rail transit line; or (2) expand a light rail transit line, including by extending a line or adding additional stops.

EFFECTIVE DATE. This section applies to the expenditures made after the day following final enactment, but does not apply to amounts expended under binding contracts entered into before March 25, 2017. This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 9. Minnesota Statutes 2016, section 475.60, subdivision 2, is amended to read:

Subd. 2. **Requirements waived.** The requirements as to public sale shall not apply:

(1) to obligations issued under the provisions of a home rule charter or of a law specifically authorizing a different method of sale, or authorizing them to be issued in such manner or on such terms and conditions as the governing body may determine;

(2) to obligations sold by an issuer in an amount not exceeding the total sum of $1,200,000 in any 12-month period;

(3) to obligations issued by a governing body other than a school board in anticipation of the collection of taxes or other revenues appropriated for expenditure in a single year, if sold in accordance with the most favorable of two or more proposals solicited privately;

(4) to obligations sold to any board, department, or agency of the United States of America or of the state of Minnesota, in accordance with rules or regulations promulgated by such board, department, or agency;

(5) to obligations issued to fund pension and retirement fund liabilities under section 475.52, subdivision 6, obligations issued with tender options under section 475.54, subdivision 5a, crossover refunding obligations referred to in section 475.67, subdivision 13, and any issue of obligations comprised in whole or in part of obligations bearing interest at a rate or rates which vary periodically referred to in section 475.56;

(6) to obligations to be issued for a purpose, in a manner, and upon terms and conditions authorized by law, if the governing body of the municipality, on the advice of bond counsel or special tax counsel, determines that interest on the obligations cannot be represented to be excluded from gross income for purposes of federal income taxation;

(7) to obligations issued in the form of an installment purchase contract, lease purchase agreement, or other similar agreement;

(8) to obligations sold under a bond reinvestment program; and

(9) if the municipality has retained an independent ~~financial advisor~~ municipal adviser, obligations which the governing body determines shall be sold by private negotiation.

ARTICLE 10
TOBACCO TAXES

Section 1. Minnesota Statutes 2016, section 297F.01, subdivision 13a, is amended to read:

Subd. 13a. **Premium cigar.** "Premium cigar" means any cigar that is hand-constructed ~~and hand-rolled~~, has a wrapper that is made entirely from whole tobacco leaf, has a filler and binder that is made entirely of tobacco, except for adhesives or other materials used to maintain size, texture, or flavor, and has a wholesale price of no less than $2.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 2. Minnesota Statutes 2016, 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 ~~141.5~~ 152 mills, or ~~14.15~~ 15.2 cents, on each cigarette.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 297F.05, subdivision 3, is amended to read:

Subd. 3. **Rates; tobacco products.** (a) Except as provided in paragraphs (b) and (c) and subdivision 3a, 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 greater of the tax imposed under paragraph (a) or 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 weighing not more than 1.2 ounces. When more than one container subject to tax under this paragraph is packaged together, each container is subject to the minimum tax.

(c) Except as provided in paragraph (b), a tax equal to the greater of the tax imposed under paragraph (a) or 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, multiplied by the number of ounces of moist snuff in the container, divided by 1.2, is imposed on each container of moist snuff weighing more than 1.2 ounces.

(d) For purposes of this subdivision, a "container" means ~~the smallest~~ a 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 July 1, 2017.

Sec. 4. Minnesota Statutes 2016, section 297F.05, subdivision 3a, is amended to read:

Subd. 3a. **Rates; premium cigars.** (a) A tax is imposed upon all premium cigars in this state and upon any person engaged in business as a tobacco product distributor, at the lesser of:

(1) the rate of 95 percent of the wholesale sales price of the premium cigars; or

(2) ~~$3.50~~ $0.50 per premium cigar.

(b) The tax imposed under paragraph (a) is imposed at the time the tobacco products distributor:

(1) brings, or causes to be brought, into this state from outside the state premium cigars for sale;

(2) makes, manufactures, or fabricates premium cigars in this state for sale in this state; or

(3) ships or transports premium cigars to retailers in this state, to be sold by those retailers.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 5. Minnesota Statutes 2016, section 297F.05, subdivision 4a, is amended to read:

Subd. 4a. **Use tax; premium cigars.** A tax is imposed upon the use or storage by consumers of all premium cigars in this state, and upon such consumers, at the lesser of:

(1) the rate of 95 percent of the cost to the consumer of the premium cigars; or

(2) ~~$3.50~~ $0.50 per premium cigar.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 6. **REPEALER.**

Minnesota Statutes 2016, section 297F.05, subdivision 1a, is repealed.

EFFECTIVE DATE. This section is effective July 1, 2017.

ARTICLE 11
TAX ADMINISTRATION

Section 1. **[270C.075] PRIVATE LETTER RULINGS.**

Subdivision 1. **Program established.** By January 1, 2018, the commissioner shall, by administrative rule adopted under chapter 14, establish and implement a program for issuing private letter rulings to taxpayers to provide guidance as to how the commissioner will apply Minnesota tax law to a specific transaction or proposed transaction, arrangement, or other fact situation of the applying taxpayer. The commissioner must include in each ruling an explanation of the reasoning for the determination. In establishing the terms of the program, the commissioner may provide that rulings will not be issued in specified subject areas, for categories of transactions, or under specified provisions of law, if the commissioner determines doing so is in the best interests of the state and sound tax administration. The program must include a process for the representative of a taxpayer to apply for a private letter ruling and to communicate with the commissioner regarding the requested ruling.

Subd. 2. **Application procedure; fees.** (a) The commissioner shall establish an application procedure and forms for a taxpayer or the taxpayer's appointed representative to request a private letter ruling. The commissioner may require the taxpayer to provide any supporting factual information and certifications that the commissioner determines necessary or appropriate to issue a private letter ruling. The requirements may vary based on the type of ruling requested.

(b) The commissioner may, in the administrative rule, establish a fee schedule to recover the department's actual cost of preparing private letter rulings. The maximum fee per private letter ruling is $1,000. The commissioner may require the applicant to pay the required fee for a private letter ruling before the application is considered. If the administrative rule provides for payment of a fee as a condition for providing a private letter ruling, the rule must provide a fee structure that varies the amount of the fee by the complexity of the request or the number and type of issues or both.

(c) If the commissioner fails to issue a ruling to the taxpayer within 90 days after the taxpayer's filing of a completed application, the commissioner must refund the application fee to the taxpayer; however, the commissioner must issue a private letter ruling unless the taxpayer withdraws the request.

(d) Any fees collected under this section must be deposited in the Revenue Department service and recovery special revenue fund established under section 270C.15, and are appropriated to the commissioner to offset the cost of issuing private letter rulings and related administrative costs.

Subd. 3. **Effect.** (a) A private letter ruling is binding on the commissioner with respect to the taxpayer to whom the ruling is issued if:

(1) there was no misstatement or omission of material facts in the application or other information provided to the commissioner;

(2) the facts that subsequently developed were not materially different from the facts upon which the ruling was based;

(3) the applicable statute, administrative rule, federal law referenced by state law, or other relevant law has not changed; and

(4) the taxpayer acted in good faith in applying for and relying on the ruling.

(b) Private letter rulings have no precedential effect and may not be relied upon by a taxpayer other than as provided in paragraph (a).

Subd. 4. **Public access.** The commissioner shall make private letter rulings issued under this section available to the public on the department's Web site. The commissioner must organize the private letter rulings by tax type and must make them available in a searchable format. The published rulings must redact any information that would permit identification of the requesting taxpayer.

Subd. 5. **Legislative report.** (a) By January 31 of each odd-numbered year, the commissioner shall report in writing to the legislature the following information for the immediately preceding two calendar years:

(1) the number of applications for private letter rulings;

(2) the number of private letter rulings issued, including the number issued within the 90-day time period under subdivision 2, paragraph (c);

(3) the amount of application fees refunded by tax type;

(4) the tax types for which rulings were requested;

(5) the types and characteristics of taxpayers applying for rulings; and

(6) any other information that the commissioner considers relevant to legislative oversight of the private letter ruling program.

(b) The report must be filed as provided in section 3.195, and copies must be provided to the chairs and ranking minority members of the committees of the house of representatives and the senate with jurisdiction over taxes and appropriations to the Department of Revenue.

EFFECTIVE DATE. This section is effective the day following final enactment, except that the first legislative report under subdivision 5 is due January 31, 2020.

Sec. 2. Minnesota Statutes 2016, section 270C.31, is amended by adding a subdivision to read:

Subd. 8. **Authority to request dual examination.** (a) A qualified taxpayer that is subject to an on-site examination or audit under this section of the amount of tax due under chapter 290 or 297A may request in writing that the commissioner conduct the examination or audit of the taxpayer's tax due under both chapters at the same time. The request must be made within 30 days of the receipt of the commissioner's notice of intent to conduct the on-site audit or examination in the form prescribed by the commissioner. If a qualified taxpayer files a timely written request under this subdivision and the commissioner elects to audit or examine the tax due under only one of the two chapters, the commissioner may not audit or examine the tax due under the other chapter for each taxable year or period that includes the taxable year or the period covered by the audit or examination that was conducted.

(b) For purposes of this subdivision, "qualified taxpayer" means a taxpayer that meets each of the following requirements:

(1) the taxpayer has been issued a permit to collect tax under section 297A.84;

(2) the gross receipts of the taxpayer, as reported on the return filed under chapter 290 for the most recent taxable year, is no more than $150,000. In applying this clause to a taxpayer that is a member of a unitary business, as defined in section 290.17, gross receipts include the gross receipts of all members of the unitary business; and

(3) the commissioner audited or examined the taxpayer's return filed under chapter 290 or 297A or both for a period that ended no more than five years prior to the taxable year or the period for which the qualified taxpayer made the request under this subdivision, and the commissioner determined that no more than the greater of (1) $1,000 or (2) five percent of the liability for tax in additional tax was owed by the taxpayer as a result of the audit or examination.

EFFECTIVE DATE. This section is effective for examinations and audits commenced after June 30, 2017.

Sec. 3. Minnesota Statutes 2016, section 270C.33, is amended by adding a subdivision to read:

Subd. 4a. **Limitations; sales taxes.** (a) The provisions of this subdivision are a limitation on the assessment authority of the commissioner under this section.

(b) The commissioner must not assess additional tax under chapter 297A if each of the following requirements are met:

(1) the tax reported by the taxpayer is consistent with and based on past reporting or other practices of the taxpayer that were fully disclosed to the commissioner and were specifically reviewed by the commissioner, including by issuing an audit assessing no additional tax liability with respect to that item for a prior taxable period; and

(2) effective for a taxable period beginning after the period covered by clause (1), neither the statute or administrative rule on which the reporting or other practice is based has been materially changed, nor has the commissioner issued a revenue notice or directly notified the taxpayer in writing of a change in the commissioner's position as to the proper reporting or other treatment of the relevant transaction or other item.

(c) For an audit of a prior taxable period by the commissioner, paragraph (b), clause (1), applies only to issues within the scope of and specifically addressed by the audit.

EFFECTIVE DATE. This section is effective for assessments made after June 30, 2017.

Sec. 4. Minnesota Statutes 2016, section 270C.33, is amended by adding a subdivision to read:

Subd. 4b. **Limit on assessments; reasonable cause for failure to collect or withhold.** (a) An assessment issued under subdivision 4 is reduced or eliminated to the extent that the amount that would otherwise be assessed arose from the taxpayer's failure to collect or withhold a tax from another individual or entity and the taxpayer had reasonable cause for not collecting or withholding the tax. A taxpayer may raise this ground for prohibition of an assessment during an audit, upon appeal from an assessment, or by refund claim following payment of the assessment.

(b) For purposes of this subdivision and section 270C.35, subdivision 4:

(1) ignorance of the law is not reasonable cause;

(2) lack of clarity as to whether the law requires collection or withholding under the circumstances may be reasonable cause; and

(3) failure to collect or withhold in accordance with prior written advice from the commissioner on the specific question of the requirement to collect or withhold under the same or similar circumstances that has not been superseded or preempted by a change in statute or administrative rule or a subsequent written notice from the commissioner to the taxpayer prior to commencement of the period for which the failure to collect or withhold occurred is reasonable cause.

EFFECTIVE DATE. This section is effective for assessments made after June 30, 2017.

Sec. 5. Minnesota Statutes 2016, section 270C.34, subdivision 1, is amended to read:

Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any penalty or interest that is imposed by a law administered by the commissioner, or imposed by section 270.0725, subdivision 1 or 2, or 270.075, subdivision 2, as a result of the late payment of tax or late filing of a return, or any part of an additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4, if the failure to timely pay the tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster or in a presidentially declared state of emergency area or in an area declared to be in a state of emergency by the governor under section 12.31.

(b) The commissioner shall abate any part of a penalty or additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous advice given to the taxpayer in writing by an employee of the department acting in an official capacity, if the advice:

(1) was reasonably relied on and was in response to a specific written request of the taxpayer; and

(2) was not the result of failure by the taxpayer to provide adequate or accurate information.

(c) In addition to the authority under paragraphs (a) and (b), the commissioner may decline to impose or may abate any penalty under section 289A.60 or other law, or an additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4.

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

Sec. 6. Minnesota Statutes 2016, section 270C.35, subdivision 4, is amended to read:

Subd. 4. **Time and content for administrative appeal.** Within 60 days after the notice date, the taxpayer must file a written appeal with the commissioner. The appeal need not be in any particular form but must contain the following information:

(1) name and address of the taxpayer;

(2) if a corporation, the state of incorporation of the taxpayer, and the principal place of business of the corporation;

(3) the Minnesota identification number or Social Security number of the taxpayer;

(4) the type of tax involved;

(5) the date;

(6) the tax years or periods involved and the amount of tax involved for each year or period;

(7) the findings in the notice that the taxpayer disputes;

(8) for a request to reduce or eliminate an assessment under section 270C.33, subdivision 4b, a statement of the taxpayer's grounds, along with a brief statement of the supporting facts, for the assertion of reasonable cause for the failure to collect or withhold tax from another individual or entity;

(9) a summary statement that the taxpayer relies on for each exception; and

~~(9)~~ (10) the taxpayer's signature or signature of the taxpayer's duly authorized agent.

EFFECTIVE DATE. This section is effective for assessments made after June 30, 2017.

Sec. 7. Minnesota Statutes 2016, section 271.06, subdivision 2a, is amended to read:

Subd. 2a. **Timely mailing treated as timely filing.** (a) If, after the period prescribed by subdivision 2, the original notice of appeal, proof of service upon the commissioner, and filing fee are delivered by United States mail to the Tax Court administrator or the court administrator of district court acting as court administrator of the Tax Court, then the date of filing is the date of the United States postmark stamped on the envelope or other appropriate wrapper in which the notice of appeal, proof of service upon the commissioner, and filing fee are mailed.

(b) This subdivision applies only if the postmark date falls within the period prescribed by subdivision 2 and the original notice of appeal, proof of service upon the commissioner, and filing fee are, within the time prescribed by subdivision 2, deposited in the mail in the United States in an envelope or other appropriate wrapper, postage prepaid, properly addressed to the Tax Court administrator or the court administrator of district court acting as court administrator of the Tax Court.

(c) Only the postmark of the United States Postal Service qualifies as proof of timely mailing under this subdivision. Private postage meters do not qualify as proof of timely filing under this subdivision. If the original notice of appeal, proof of service upon the commissioner, and filing fee are sent by United States registered mail, the date of registration is the postmark date. If the original notice of appeal, proof of service upon the commissioner, and filing fee are sent by United States certified mail and the sender's receipt is postmarked by the postal employee to whom the envelope containing the original notice of appeal, proof of service upon the commissioner, and filing fee is presented, the date of the United States postmark on the receipt is the postmark date. If the envelope or other wrapper in which the notice of appeal, proof of service upon the commissioner, and filing fee are mailed does not contain a postmark of the United States Postal Service but is delivered by United States mail to the Tax Court administrator or the court administrator of the district court acting as court administrator of the Tax Court, then the date of mailing qualifies as timely filed under this subdivision, if proof of mailing within the time prescribed by subdivision 2 is provided by affidavit of the petitioner or counsel.

(d) A reference in this section to the United States mail must be treated as including a reference to any designated delivery service and a reference in this section to a postmark by the United States Postal Service must be treated as including a reference to any date recorded or marked by any designated delivery service in accordance with section 7502(f) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to notices mailed after June 30, 2017.

Sec. 8. Minnesota Statutes 2016, section 271.06, subdivision 6, is amended to read:

Subd. 6. **Hearings; determination of issues; default.** (a) The Tax Court shall hear, consider, and determine without a jury every appeal de novo. A Tax Court judge may empanel an advisory jury upon the judge's motion. The Tax Court shall hold a public hearing in every case. All such parties shall have an opportunity to offer evidence and arguments at the hearing; provided, that the order of the commissioner or the appropriate unit of government in every case shall be prima facie valid. When an appeal to the Tax Court has been taken from an order or determination of the commissioner or from the appropriate unit of government, the proceeding shall be an original proceeding in the nature of a suit to set aside or modify the order or determination. In case no appellant shall appear the Tax Court shall enter its order affirming the order of the commissioner of revenue or the appropriate unit of government from which the appeal was taken. If the Department of Revenue's sales ratio study is introduced in Tax Court as evidence, the sales ratio data from the study shall be admissible as evidence only as provided in section 278.05, subdivision 4.

(b) The commissioner, the taxpayer, and any other party to an appeal to the Tax Court may file all necessary notices, documents, and other necessary information with the Tax Court in a manner approved by the Tax Court.

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

Sec. 9. Minnesota Statutes 2016, section 271.08, subdivision 1, is amended to read:

Subdivision 1. **Written order.** The Tax Court, except in Small Claims Division, shall determine every appeal by written order containing findings of fact and the decision of the Tax Court. A memorandum of the grounds of the decision shall be appended. Notice of the entry of the order and of the substance of the decision shall be mailed to all parties. A motion for rehearing, which includes a motion for amended findings of fact, conclusions of law, or a new trial, must be served by the moving party within ~~15~~ 30 days after mailing of the notice by the court as specified in this subdivision, and the motion must be heard within 30 days thereafter, unless the time for hearing is extended by the court within the 30-day period for good cause shown.

EFFECTIVE DATE. This section is effective for petitions and appeals filed after June 30, 2017.

Sec. 10. Minnesota Statutes 2016, section 271.18, is amended to read:

271.18 EX-JUDGES NOT TO REPRESENT CLIENTS; EXCEPTION; VIOLATION.

No judge ~~or employee~~ of the Tax Court, except referees appointed for the Small Claims Division, shall, within one year after the office or employment has terminated, act as counsel, attorney, or agent ~~for a taxpayer~~ in connection with any claim or proceeding pending ~~in the department of revenue or~~ in the Tax Court at the time of termination. No judge, referee, or employee shall, at any time after the termination of the office or employment, act as counsel, attorney, or agent in connection with any claim or proceeding of which the person terminated has knowledge which was acquired in the course of a term of office or employment in the Tax Court. Any violation of the provisions of this section shall be a gross misdemeanor.

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

Sec. 11. Minnesota Statutes 2016, section 289A.40, subdivision 1, is amended to read:

Subdivision 1. **Time limit; generally.** (a) Unless otherwise provided in this chapter, a claim for a refund of an overpayment of state tax must be filed within 3-1/2 years from the date prescribed for filing the return, plus any extension of time granted for filing the return, but only if filed within the extended time, or ~~one year from the date of an order assessing tax under section 270C.33 or an order determining an appeal under section 270C.35, subdivision 8, or one year from the date of a return made by the commissioner under section 270C.33, subdivision 3, upon payment in full of the tax, penalties, and interest shown on the order or return made by the commissioner~~ two years from the time the tax was paid, whichever period expires later. ~~Claims for refund, except for taxes under chapter 297A, filed after the 3-1/2 year period but within the one-year period are limited to the amount of the tax, penalties, and interest on the order or return made by the commissioner and to issues determined by the order or return made by the commissioner.~~

~~In the case of assessments under section 289A.38, subdivision 5 or 6, claims for refund under chapter 297A filed after the 3-1/2 year period but within the one-year period are limited to the amount of the tax, penalties, and interest on the order or return made by the commissioner that are due for the period before the 3-1/2 year period.~~

(b) For refunds due on a report required to be filed under section 289A.38, subdivision 7, the period under paragraph (a) is extended to the due date for the report required by section 289A.38, subdivision 7.

EFFECTIVE DATE. This section is effective for claims for refund filed after the day following final enactment.

Sec. 12. Minnesota Statutes 2016, section 289A.60, subdivision 1, is amended to read:

Subdivision 1. **Penalty for failure to pay tax.** (a) If a corporate franchise, fiduciary income, mining company, estate, partnership, S corporation, or nonresident entertainer tax is not paid within the time specified for payment, a penalty of six percent is added to the unpaid tax, except that if a corporation or mining company meets the requirements of section 289A.19, subdivision 2, the penalty is not imposed.

(b) For the taxes listed in paragraph (a), in addition to the penalty in that paragraph, whether imposed or not, if a return or amended return is filed after the due date, without regard to extensions, and any tax reported as remaining due is not remitted with the return or amended return, a penalty of five percent of the tax not paid is added to the tax. If the commissioner issues an order assessing additional tax for a tax listed in paragraph (a), and the tax is not paid within 60 days after the mailing of the order or, if appealed, within 60 days after final resolution of the appeal, a penalty of five percent of the unpaid tax is added to the tax.

(c) If an individual income tax is not paid within the time specified for payment, a penalty of four percent is added to the unpaid tax. There is a presumption of reasonable cause for the late payment if the individual: (i) pays by the due date of the return at least 90 percent of the amount of tax, after credits other than withholding and estimated payments, shown owing on the return; (ii) files the return within six months after the due date; and (iii) pays the remaining balance of the reported tax when the return is filed.

(d) If the commissioner issues an order assessing additional individual income tax, and the tax is not paid within 60 days after the mailing of the order or, if appealed, within 60 days after final resolution of the appeal, a penalty of four percent of the unpaid tax is added to the tax.

(e) If a withholding or sales or use tax is not paid within the time specified for payment, a penalty must be added to the amount required to be shown as tax. The penalty is five percent of the tax not paid on or before the date specified for payment of the tax if the failure is for not more than 30 days, with an additional penalty of five percent of the amount of tax remaining unpaid during each additional 30 days or fraction of 30 days during which the failure continues, not exceeding 15 percent in the aggregate.

(f) No penalty applies under this section if:

(1) the total calculated penalty that would otherwise apply under paragraphs (a) to (e) is less than $150; or

(2) for an underpayment of individual income tax under chapter 290 or sales tax under chapter 297A, the liability for tax on which the penalty is calculated is less than $1,000 and the taxpayer timely filed any returns required to be filed during the prior three calendar years and was not subject to a penalty under this section, determined without regard to the provisions of this paragraph, for any taxes on returns due during that three-year period.

EFFECTIVE DATE. This section is effective for penalties imposed after January 1, 2019.

ARTICLE 12
MISCELLANEOUS

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.

Sec. 2. **[16B.2965] PROPERTY LEASED FOR RAIL PROJECTS.**

(a) 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, do not go into operation, or are abandoned, whether or not the facilities began operations. The security bond or equivalent guarantee must remain in place for the term of lease, loan, or other agreement that makes state property available for use by the project. 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 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. **[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. 4. Minnesota Statutes 2016, section 216B.36, is amended to read:

216B.36 MUNICIPAL REGULATORY AND TAXING POWERS.

Subdivision 1. **Municipal authority to regulate public utilities.** Any public utility furnishing the utility services enumerated in section 216B.02 or occupying streets, highways, or other public property within a municipality may be required to obtain a license, permit, right, or franchise in accordance with the terms, conditions, and limitations of regulatory acts of the municipality, including the placing of distribution lines and facilities underground. Under the license, permit, right, or franchise, the utility may be obligated by any municipality to pay to the municipality fees to raise revenue or defray increased municipal costs accruing as a result of utility operations, or both. A fee that raises revenue under a license, permit, right, or franchise agreement entered into or renewed on or after August 1, 2017, is subject to the requirements of subdivision 2. The fee may include but is not limited to a sum of money based upon gross operating revenues or gross earnings from its operations in the municipality so long as the public utility shall continue to operate in the municipality, unless upon request of the public utility it is expressly released from the obligation at any time by such municipality. Notwithstanding the definition of "public utility" in section 216B.02, subdivision 4, a municipality may require payment of a fee under this section by a cooperative electric association organized under chapter 308A that furnishes utility services within the municipality. All existing licenses, permits, franchises, and other rights acquired by any public utility or municipality prior to April 11, 1974, including the payment of existing franchise fees, shall not be impaired or affected in any respect by the passage of this chapter, except with respect to matters of rate and service regulation, service area assignments, securities, and indebtedness that are vested in the jurisdiction of the commission by this chapter. However, in the event that a court of competent jurisdiction determines, or the parties by mutual agreement determine, that an existing license, permit, franchise, or other right has been abrogated or impaired by this chapter, or its execution, the municipality affected shall impose and the public utility shall collect an excise tax on the utility charges which from year to year yields an amount which is reasonably equivalent to that amount of revenue which then would be due as a fee, charges or other thing or service of value to the municipality under the franchise, license, or permit. The authorization shall be over and above taxing limitations including, but not limited to, those of section 477A.016. Franchises granted pursuant to this section shall be exempt from the provisions of chapter 80C. For purposes of this section, a public utility shall include a cooperative electric association.

Subd. 2. **Five-year renewal; reverse referendum.** (a) A municipality may impose a fee under subdivision 1 to raise revenue beyond what is needed to defray increased municipal costs due to utility operations for up to a five-year period, following the procedures in this subdivision.

(b) The municipality must include in its ordinance or license, permit, or franchise agreement with the public utility what constitutes a cost to the city.

(c) The municipality must identify in its ordinance or license, permit, or franchise agreement the uses of the portion of the fee that is for purposes other than to defray city costs. The municipality must publish a notice that explains:

(1) the fee and its intended uses;

(2) that the public utility is likely to pass the fee on to customers and how much that may increase customers' utility bills;

(3) that alternatives to the revenue-raising portion of the fee are to raise the revenue from another source available to the municipality or forego planned uses of the revenue; and

(4) what revenue raised from another source will cost those paying it.

The notice must be published at least once each week for two consecutive weeks in the official publication of the municipality and must remain posted on the municipality's Web site throughout the notice period. The notice must also be sent to all affected ratepayers by either first class mail by the municipality or by including the notice in the affected ratepayers' billings.

(d) Following publication and before imposing the fee, the municipality must provide an opportunity at its next regular meeting for public comment relating to the issue. No sooner than 90 days after the public comment opportunity, the municipality may proceed with imposing the fee, unless a petition is filed as provided in paragraph (e).

(e) Within 90 days after the meeting held by the municipality at which public comment was accepted, a petition requesting a referendum may be filed with the chief clerical officer of the municipality. The petition must be signed by at least five percent of the registered voters in the municipality. The petition must meet the requirements of the secretary of state, as provided in section 204B.071, and any rules adopted to implement that section. If the petition is sufficient, the question of whether the municipality may impose a fee that raises revenue as provided in subdivision 1 must be placed on the ballot at the next general election. If a majority of the voters voting on the question votes in favor of using the fee to raise revenue, the municipality may proceed with imposing the fee.

(f) If a license, permit, right, or franchise agreement is entered into or renewed before August 1, 2017, and by its terms and the ordinance authorizing it, will be in effect after August 1, 2022, the municipality must follow the procedures in this subdivision to provide notice, a public hearing, and opportunity for a petition for a referendum by August 1, 2022.

(g) Except as provided in paragraph (f), this subdivision applies to a license, permit, right, or franchise agreement entered into or renewed on or after August 1, 2017.

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

Sec. 5. **[222.271] PASSENGER RAIL PROJECTS; ENVIRONMENTAL INSURANCE REQUIRED.**

Subdivision 1. **Scope.** (a) This section applies to any person that seeks a federal or state permit or other formal legal authorization to construct or operate a passenger rail project with an estimated capital cost exceeding $1,000,000,000.

(b) This section does not apply to a person whose only action within the scope of paragraph (a) is an application for a building permit.

Subd. 2. **Definitions.** (a) For purposes of this section, unless the context clearly indicates otherwise, the following definitions apply.

(b) "Commissioner" means the commissioner of the Pollution Control Agency.

(c) "Insurance" means a commercial insurance policy, a security bond, or an equivalent guarantee that provides assurance of the project's ability to pay claims for any liability under chapter 115B or similar provisions of common law or federal law resulting from construction or operation of the passenger rail project.

(d) "Passenger rail project" or "project" means a railroad or a line or lines of a railway located within or partly within Minnesota intended to provide passenger service, regardless of whether freight service is also provided, by a common carrier other than a federal or state government unit, a political subdivision of the state, or the National Railroad Passenger Corporation created under the Rail Passenger Service Act of 1970, Public Law 91-518.

(e) "Person" includes a corporation, limited liability company, partnership, other entity, or an individual.

Subd. 3. **Environmental insurance required.** (a) Any person subject to this section must obtain and maintain insurance that is adequate to cover potential claims and meets the other requirements of this section, as approved by the commissioner under paragraph (b). The insurance must not contain dollar limits on liability, or if it does contain a dollar limit the limit must be not less than a reasonable estimate of the potential exposure of the project for environmental remediation or impairment damages. Any dollar limit must be adjusted if the scope, size, or cost of the project increases materially. The insurance must cover any liability incurred during and after the construction and operation of the project and must not contain exclusions, limitations, or other restrictions that are not standard in comprehensive environmental remediation insurance or in environmental impairment insurance, as applicable.

(b) In order to satisfy the requirements of this section, the commissioner must determine that the insurance is adequate and that it meets the other requirements of this section. The commissioner may require that the project provide any supporting documentation to determine that insurance is adequate and meets the other requirements of this section and that the project has the financial ability to maintain insurance during the project's operations.

EFFECTIVE DATE. This section is effective for passenger rail projects for which application for a permit or other formal legal authorization to construct is made after the day following final enactment.

Sec. 6. Minnesota Statutes 2016, 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, 2017.

Sec. 7. Minnesota Statutes 2016, 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.

Sec. 8. Minnesota Statutes 2016, section 287.08, is amended to read:

287.08 TAX, HOW PAYABLE; RECEIPTS.

(a) The tax imposed by sections 287.01 to 287.12 must be paid to the treasurer of any county in this state in which the real property or some part is located at or before the time of filing the mortgage for record. The treasurer shall endorse receipt on the mortgage and the receipt is conclusive proof that the tax has been paid in the amount stated and authorizes any county recorder or registrar of titles to record the mortgage. Its form, in substance, shall be "registration tax hereon of .... dollars paid." If the mortgage is exempt from taxation the endorsement shall, in substance, be "exempt from registration tax." In either case the receipt must be signed by the treasurer. In case the treasurer is unable to determine whether a claim of exemption should be allowed, the tax must be paid as in the case of a taxable mortgage. For documents submitted electronically, the endorsements and tax amount shall be affixed electronically and no signature by the treasurer will be required. The actual payment method must be arranged in advance between the submitter and the receiving county.

(b) The county treasurer may refund in whole or in part any mortgage registry tax overpayment if a written application by the taxpayer is submitted to the county treasurer within 3-1/2 years from the date of the overpayment. If the county has not issued a denial of the application, the taxpayer may bring an action in Tax Court in the county in which the tax was paid at any time after the expiration of six months from the time that the application was submitted. A denial of refund may be appealed within 60 days from the date of the denial by bringing an action in Tax Court in the county in which the tax was paid. The action is commenced by the serving of a petition for relief on the county treasurer, and by filing a copy with the court. The county attorney shall defend the action. The county treasurer shall notify the treasurer of each county that has or would receive a portion of the tax as paid.

(c) If the county treasurer determines a refund should be paid, or if a refund is ordered by the court, the county treasurer of each county that actually received a portion of the tax shall immediately pay a proportionate share of three percent of the refund using any available county funds. The county treasurer of each county that received, or would have received, a portion of the tax shall also pay their county's proportionate share of the remaining 97 percent of the court-ordered refund on or before the 20th day of the following month using solely the mortgage registry tax funds that would be paid to the commissioner of revenue on that date under section 287.12. If the funds on hand under this procedure are insufficient to fully fund 97 percent of the court-ordered refund, the county treasurer of the county in which the action was brought shall file a claim with the commissioner of revenue under section 16A.48 for the remaining portion of 97 percent of the refund, and shall pay over the remaining portion upon receipt of a warrant from the state issued pursuant to the claim.

(d) When any mortgage covers real property located in more than one county in this state the total tax must be paid to the treasurer of the county where the mortgage is first presented for recording, and the payment must be receipted as provided in paragraph (a). If the principal debt or obligation secured by such a multiple county mortgage exceeds $10,000,000, the tax collected shall be forwarded by the county treasurer receiving it to the commissioner of revenue and the nonstate portion of the tax must be divided and paid over by the ~~county treasurer receiving it~~ commissioner of revenue, on or before the 20th day of each month after receipt, to the county or counties entitled in the ratio that the estimated market value of the real property covered by the mortgage in each county bears to the estimated market value of all the real property in this state described in the mortgage. In making the division and payment the ~~county treasurer~~ commissioner of revenue shall send a statement giving the description of the real property described in the mortgage and the estimated market value of the part located in each county. For this purpose, the ~~treasurer of any county~~ commissioner of revenue may require the treasurer of any ~~other~~ county to certify to the former the estimated market value of any tract of real property in any mortgage in the county.

(e) The mortgagor must pay the tax imposed by sections 287.01 to 287.12. The mortgagee may undertake to collect and remit the tax on behalf of the mortgagor. If the mortgagee collects money from the mortgagor to remit the tax on behalf of the mortgagor, the mortgagee has a fiduciary duty to remit the tax on behalf of the mortgagor as to the amount of the tax collected for that purpose and the mortgagor is relieved of any further obligation to pay the tax as to the amount collected by the mortgagee for this purpose.

EFFECTIVE DATE. This section is effective for tax collected after June 30, 2017.

Sec. 9. Minnesota Statutes 2016, 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, 2017.

Sec. 10. Minnesota Statutes 2016, 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, 2017.

Sec. 11. Minnesota Statutes 2016, 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 ~~1,000~~ 900 BTUs per cubic foot.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2017.

Sec. 12. Minnesota Statutes 2016, 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, 2017.

Sec. 13. Minnesota Statutes 2016, 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, 2017.

Sec. 14. Minnesota Statutes 2016, 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, 2017.

Sec. 15. Minnesota Statutes 2016, 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 net 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, 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, raffles, and paddlewheels, and less six percent of the amounts actually expended for lawful purpose contributions under section 349.12, subdivision 25, paragraph (a), clauses (1) to (7) and (9) to (26), for the fiscal year. The combined net receipts of an organization are subject to a tax computed according to the following schedule:

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

(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, 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 are subject to a tax computed according to the following schedule:

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

(c) 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.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 16. Minnesota Statutes 2016, section 298.225, subdivision 1, is amended to read:

Subdivision 1. **Guaranteed distribution.** (a) Except as provided under paragraph (c), the distribution of the taconite production tax as provided in section 298.28, subdivisions 3 to 5, 6, paragraph (b), 7, and 8, shall equal the lesser of the following amounts:

(1) the amount distributed pursuant to this section and section 298.28, with respect to 1983 production if the production for the year prior to the distribution year is no less than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount of the distributions shall be reduced proportionately at the rate of two percent for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000 tons; or

(2)(i) for the distributions made pursuant to section 298.28, subdivisions 4, paragraphs (b) and (c), and 6, paragraph (c), 31.2 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production;

(ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs (b) and (d), 75 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production provided that the aid guarantee for distributions under section 298.28, subdivision 5, paragraph (b), shall be reduced by five cents per taxable ton for production years 2014 and thereafter.

(b) The distribution of the taconite production tax as provided in section 298.28, subdivision 2, shall equal the following amount:

(1) if the production for the year prior to the distribution year is at least 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production; or

(2) if the production for the year prior to the distribution year is less than 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production, reduced proportionately at the rate of two percent for each 1,000,000 tons or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

(c) The distribution of the taconite production tax under section 298.28, subdivision 3, paragraph (a), guaranteed under this section is equal to the amount distributed under section 298.28, with respect to 1983 production.

EFFECTIVE DATE. This section is effective for distributions in 2018 and thereafter.

Sec. 17. Minnesota Statutes 2016, section 298.28, subdivision 3, is amended to read:

Subd. 3. **Cities; towns.** (a) 12.5 cents per taxable ton, less any amount distributed under subdivision 8, and paragraph (b), must be allocated to the taconite municipal aid account to be distributed as provided in section 298.282. The amount allocated to the taconite municipal aid account must be annually increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

(b) An amount must be allocated to towns or cities that is annually certified by the county auditor of a county containing a taconite tax relief area as defined in section 273.134, paragraph (b), within which there is (1) an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city consists of iron ore.

(c) The amount allocated under paragraph (b) will be the portion of a township's or city's certified levy equal to the proportion of (1) the difference between 50 percent of January 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980, assessed value in the case of a city and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1), provided that the amount distributed shall not exceed $55 per capita in the case of a township or $75 per capita in the case of a city. For purposes of this limitation, population will be determined according to the 1980 decennial census conducted by the United States Bureau of the Census. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this paragraph, "assessed value," when used in reference to years other than 1980 or 1982, means the appropriate net tax capacities multiplied by 10.2.

(d) In addition to other distributions under this subdivision, three cents per taxable ton for distributions in 2009 must be allocated for distribution to towns that are entirely located within the taconite tax relief area defined in section 273.134, paragraph (b). For distribution in 2010 through 2014 and for distribution in 2018 and subsequent years, the three-cent amount must be annually increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount available under this paragraph will be distributed to eligible towns on a per capita basis, provided that no town may receive more than $50,000 in any year under this paragraph. Any amount of the distribution that exceeds the $50,000 limitation for a town under this paragraph must be redistributed on a per capita basis among the other eligible towns, to whose distributions do not exceed $50,000.

EFFECTIVE DATE. This section is effective for distributions in 2018 and thereafter.

Sec. 18. **[459.36] NO SPENDING OF PUBLIC MONEY FOR CERTAIN RAIL PROJECTS.**

(a) Except as provided in paragraph (b), a governmental unit 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, as defined in section 473.121, subdivision 2.

(b) The restrictions under this section do not apply to:

(1) funds the governmental unit 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 multimode 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.

(c) For purposes of this section, "governmental unit" means any of the following, located in development regions 10 and 11, as designated under section 462.385, subdivision 1:

(1) statutory or home rule charter city;

(2) county;

(3) special taxing district, as defined in section 275.066;

(4) metropolitan planning organization; or

(5) destination medical center entity, which includes the Destination Medical Center Corporation and agency, as those terms are defined in section 469.40, and any successor or related entity.

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. 19. Minnesota Statutes 2016, section 462.353, subdivision 4, is amended to read:

Subd. 4. **Fees.** (a) A municipality may prescribe fees sufficient to defray the costs incurred by it in reviewing, investigating, and administering an application for an amendment to an official control established pursuant to sections 462.351 to 462.364 or an application for a permit or other approval required under an official control established pursuant to those sections. Except as provided in subdivision 4a, fees as prescribed must be by ordinance. Fees must be fair, reasonable, and proportionate and have a nexus to the actual cost of the service for which the fee is imposed.

(b) A municipality must adopt management and accounting procedures to ensure that fees are maintained and used only for the purpose for which they are collected. Upon request, a municipality must explain the basis of its fees.

(c) Except as provided in this paragraph, a fee ordinance or amendment to a fee ordinance is effective January 1 after its adoption. A municipality may adopt a fee ordinance or an amendment to a fee ordinance with an effective date other than the next January 1, but the ordinance or amendment does not apply if an application for final approval has been submitted to the municipality.

(d) If a dispute arises over a specific fee imposed by a municipality related to a specific application, the person aggrieved by the fee may appeal under section 462.361, provided that the appeal must be brought within 60 days after approval of an application under this section and deposit of the fee into escrow. A municipality must not condition the approval of any proposed subdivision or development on an agreement to waive the right to challenge the validity of a fee. An approved application may proceed as if the fee had been paid, pending a decision on the appeal. This paragraph must not be construed to preclude the municipality from conditioning approval of any proposed subdivision or development on an agreement to waive a challenge to the cost associated with municipally installed improvements of the type described in section 429.021.

(e) A municipality may not impose a fee to review or investigate a use if the use is allowed without any permit, approval, or amendment to an official control. This limitation does not apply to a fee for a review or investigation:

(1) of compliance with health and safety requirements; or

(2) that results in finding a violation, unless the finding is overturned on appeal or a penalty, fine, or other charge is imposed for the violation.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to fees imposed on or after that date.

Sec. 20. **[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, as defined in section 473.121, subdivision 2.

(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, Scott, and Washington.

Sec. 21. **CLARIFYING AUTHORITY TO USE PREVIOUSLY DISTRIBUTED TACONITE TAX PROCEEDS.**

The commissioner of Iron Range resources and rehabilitation may use unspent amounts allocated under Minnesota Statutes 2014, section 298.2961, subdivision 5, clause (19), remaining as of May 22, 2016, for the specific purposes identified in that section. Notwithstanding Minnesota Statutes, section 298.28, subdivision 11, paragraph (a), or any other law to the contrary, interest accrued on this amount shall also be distributed to the recipient. Amounts under this section are available until expended and do not lapse or cancel under Minnesota Statutes, section 16A.28.

EFFECTIVE DATE. This section is effective retroactively from May 22, 2016.

Sec. 22. **CITY OF TAYLORS FALLS; 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 development zone under Minnesota Statutes, section 469.1731.

Subd. 2. **Application of general law.** (a) Minnesota Statutes, sections 469.1731 to 469.1735, apply to the 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. To provide the authority under this section, the amount of the allocation for border cities under Minnesota Statutes, section 469.169, in this act is reduced by $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 July 1, 2017, and does not require local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1, paragraph (a).

Sec. 23. **SUPPLEMENT TO 2017 REPORT.**

By January 2, 2018, the commissioner of revenue shall prepare a supplement to the 2017 tax incidence report containing the information required by section 7.

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

Sec. 24. **REPEALER.**

(a) Minnesota Statutes 2016, sections 10A.322, subdivision 4; 13.4967, subdivision 2; and 290.06, subdivision 23, and Minnesota Rules, part 4503.1400, subpart 4, are repealed.

(b) Minnesota Statutes 2016, section 477A.20, is repealed.

(c) Minnesota Statutes 2016, sections 136A.129; and 290.06, subdivision 36, are repealed.

EFFECTIVE DATE. Paragraph (a) is effective for contributions made after June 30, 2017, and refund claims filed after June 30, 2017. Paragraph (b) is effective the day following final enactment. Paragraph (c) is effective for agreements entered into after June 30, 2017, and for taxable years beginning after December 31, 2017.

ARTICLE 13
TRANSPORTATION-RELATED TAXES

Section 1. **[174.54] TRANSPORTATION PRIORITIES FUND.**

Subdivision 1. **Fund established.** A transportation priorities fund is established in the state treasury, under the budgetary jurisdiction of the legislative committees having jurisdiction over transportation finance. The fund consists of money provided by law, and any other funds donated, allotted, transferred, or otherwise provided. Money in the fund must be allocated solely for transportation purposes as specified in this section and as provided by law.

Sec. 2. Minnesota Statutes 2016, 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)~~ (a) On or before June 30 of each fiscal year, the commissioner of revenue shall estimate the amount of ~~the net revenue~~ revenues, including interest and penalties, collected under this section for the current fiscal year.

~~(c)~~ (b) On or after July 1 of the subsequent fiscal year, the commissioner of management and budget shall transfer the ~~net revenue as~~ revenues 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; and~~

~~(2) the remainder to the greater Minnesota transit account~~ to the transportation priorities fund.

(c) The revenues 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 the day following final enactment and applies beginning with transfers recognized in fiscal year 2018.

Sec. 3. Minnesota Statutes 2016, section 297A.94, is amended to read:

297A.94 DEPOSIT OF REVENUES.

(a) Except as provided in this section, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed by this chapter in the state treasury and credit them to the general fund.

(b) The commissioner shall deposit taxes in the Minnesota agricultural and economic account in the special revenue fund if:

(1) the taxes are derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project; and

(2) the purchase was made on or after the date on which a conditional commitment was made for a loan guaranty for the project under section 41A.04, subdivision 3.

The commissioner of management and budget shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account must be reduced by any refunds and by the costs incurred by the Department of Revenue to administer and enforce the assessment and collection of the taxes.

(c) The commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance to the general fund.

(d) The commissioner shall deposit the revenues, including interest and penalties, collected under section 297A.64, subdivision 5, in the state treasury and credit them to the general fund. By July 15 of each year the commissioner shall transfer to the highway user tax distribution fund an amount equal to the excess fees collected under section 297A.64, subdivision 5, for the previous calendar year.

(e) 72.43 percent of the revenues, including interest and penalties, transmitted to the commissioner under section 297A.65, must be deposited by the commissioner in the state treasury as follows:

(1) 50 percent of the receipts must be deposited in the heritage enhancement account in the game and fish fund, and may be spent only on activities that improve, enhance, or protect fish and wildlife resources, including conservation, restoration, and enhancement of land, water, and other natural resources of the state;

(2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only for state parks and trails;

(3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only on metropolitan park and trail grants;

(4) three percent of the receipts must be deposited in the natural resources fund, and may be spent only on local trail grants; and

(5) two percent of the receipts must be deposited in the natural resources fund, and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

(f) The revenue dedicated under paragraph (e) may not be used as a substitute for traditional sources of funding for the purposes specified, but the dedicated revenue shall supplement traditional sources of funding for those purposes. Land acquired with money deposited in the game and fish fund under paragraph (e) must be open to public hunting and fishing during the open season, except that in aquatic management areas or on lands where angling easements have been acquired, fishing may be prohibited during certain times of the year and hunting may be prohibited. At least 87 percent of the money deposited in the game and fish fund for improvement, enhancement, or protection of fish and wildlife resources under paragraph (e) must be allocated for field operations.

(g) Beginning with sales taxes remitted after July 1, 2017, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on the lease or rental of a motor vehicle under section 297A.64, subdivision 1, into the state treasury and credit the revenues to the transportation priorities fund.

(h) Beginning with sales taxes remitted after July 1, 2017, in conjunction with the deposit of revenues under paragraph (g), the commissioner shall deposit into the state treasury and credit to the transportation priorities fund 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 (g).

(i) $156,800,000 in fiscal year 2018, $151,100,000 in fiscal year 2019, $266,618,000 in fiscal year 2020, and $287,718,000 in fiscal year 2021 are transferred from the general fund to the commissioner for deposit in the transportation priorities fund. Annually in fiscal year 2022 and thereafter, 4.293 percent of the revenues generated by the sales tax imposed under section 297A.62, subdivision 1, is transferred from the general fund to the commissioner for deposit in the transportation priorities fund. The commissioner must make transfers under this paragraph by July 15 in each year. Transfers in this paragraph represent revenues attributable to sales and purchases of motor vehicle repair and replacement parts.

~~(g)~~ (j) The revenues deposited under ~~paragraphs (a) to (f)~~ 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 July 1, 2017.

Sec. 4. Minnesota Statutes 2016, 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) payment to the Metropolitan Council of 100 percent, or a portion that is not paid by counties under section 297A.993, subdivision 2a, of the annual net operating and capital maintenance costs, as certified by the Metropolitan Council, for all light rail transit lines in which a grant award for project development, capital, capital maintenance, or operating expenditures has been provided under this section; and

(3) as otherwise authorized under this section.

(b) Project development in this subdivision includes but is not limited to feasibility and alternatives analysis, design, engineering, environmental analysis, property acquisition, and construction.

EFFECTIVE DATE. This section is effective the day following final enactment and applies for costs occurring on or after July 1, 2017.

Sec. 5. Minnesota Statutes 2016, section 297A.993, subdivision 1, is amended to read:

Subdivision 1. **Authorization; rates.** Notwithstanding section 297A.99, subdivisions 1, 2, 3, 5, and 13, or 477A.016, or any other law, the board of a county outside the metropolitan transportation area, as defined under section 297A.992, subdivision 1, or more than one county outside the metropolitan transportation area acting under a joint powers agreement, except when subject to voter approval, as provided in subdivision 1a, may by resolution of the county board, or each of the county boards, following a public hearing impose (1) a transportation sales tax at a rate of up to one-half of one percent on retail sales and uses taxable under this chapter, and (2) an excise tax of $20 per motor vehicle, as defined in section 297B.01, subdivision 11, purchased or acquired from any person engaged in the business of selling motor vehicles at retail, occurring within the jurisdiction of the taxing authority.

EFFECTIVE DATE. This section is effective after March 31, 2017, and applies to new taxes or expansions of the use of existing taxes after that date.

Sec. 6. Minnesota Statutes 2016, section 297A.993, is amended by adding a subdivision to read:

Subd. 1a. **Certain counties; voter approval; limitations.** (a) Notwithstanding subdivision 1, a county that had imposed a tax under section 297A.992 may not impose a tax under this section greater than one quarter of one percent unless approved at a general election by the majority of voters who vote on the question to impose the taxes.

(b) Notwithstanding subdivision 2, a county that had imposed a tax under section 297A.992 may not expand the use of revenue from an existing tax under this section for any new transit project that will require an operating subsidy of $10,000,000 or more per year, unless the new use is approved by the majority of voters voting on the question at a general election.

EFFECTIVE DATE. This section is effective retroactively from March 15, 2017.

Sec. 7. Minnesota Statutes 2016, section 297A.993, subdivision 2, is amended to read:

Subd. 2. **Allocation; termination.** The proceeds of the taxes must be dedicated exclusively to: (1) payment of the capital cost of a specific transportation project or improvement; (2) payment of the costs, which may include both capital and operating costs, of a specific transit project or improvement; (3) payment of the capital costs of a safe routes to school program under section 174.40; or (4) payment of transit operating and capital maintenance costs, including as provided in subdivision 2a. The transportation or transit project or improvement must be designated by the board of the county, or more than one county acting under a joint powers agreement. Except for taxes for operating costs of a transit project or improvement, or for transit operations, the taxes must terminate when revenues raised are sufficient to finance the project.

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

Sec. 8. Minnesota Statutes 2016, section 297A.993, is amended by adding a subdivision to read:

Subd. 2a. **Allocation for certain transitways.** (a) This subdivision applies to a county:

(1) that has previously imposed and is no longer imposing a local sales tax as part of a joint powers agreement under section 297A.992;

(2) that imposes the tax under this section; and

(3) in which a light rail transit line is located, whether wholly or partially.

(b) All counties subject to this subdivision, and the joint powers board under section 297A.992 if the joint powers agreement under section 297A.992, subdivision 3, is not terminated, must collectively enter into an agreement that determines and allocates payments to the Metropolitan Council that, in total, equal at least the amount required to be provided under section 297A.992, subdivision 6a, paragraph (a), clause (2). Nothing in this paragraph prevents payments from other entities or sources of funds.

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

Sec. 9. Minnesota Statutes 2016, section 398A.10, subdivision 3, is amended to read:

Subd. 3. **Application.** This section only applies to a county that has imposed the metropolitan transportation sales and use tax under section 297A.992 and applies whether the tax is currently in effect or not.

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

Sec. 10. Minnesota Statutes 2016, section 398A.10, subdivision 4, is amended to read:

Subd. 4. **Definition.** For purposes of this section, "project" means the initial construction or extension of a minimum operable segment of a new light rail transit or commuter rail line, but does not include infill stations, project enhancements, ~~extensions,~~ or supportive infrastructure, constructed after the rail transit is operational.

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

Sec. 11. **MOTOR VEHICLE PARTS SALES TAXES ESTIMATION.**

(a) By January 15, 2019, the commissioner of revenue must submit a report on state general sales taxes attributable to motor vehicle repair and replacement parts to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes and transportation policy and finance.

(b) The report must provide an estimate, based on federal data and department consumption models, of the percentage of total sales tax revenues collected in a calendar year from the tax rate imposed under Minnesota Statutes, section 297A.62, subdivision 1, that is attributable to sales and purchases of motor vehicle repair and replacement parts.

(c) For purposes of this section, "motor vehicle repair and replacement parts" includes:

(1) all parts, motor vehicle 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.

(d) For purposes of this section, "motor vehicle tire" means any tire of the type used on highway vehicles if wholly or partially made of rubber and if marked according to federal regulations for highway use. For purposes of this section, "motor vehicle" has the meaning given in Minnesota Statutes, section 297B.01, subdivision 11.

Sec. 12. **REPEALER.**

Minnesota Statutes 2016, section 297A.992, subdivision 12, is repealed.

ARTICLE 14
VEHICLE TAXES AND FEES

Section 1. Minnesota Statutes 2016, section 168.013, subdivision 1a, is amended to read:

Subd. 1a. **Passenger automobile; hearse.** (a) On passenger automobiles as defined in section 168.002, subdivision 24, and hearses, except as otherwise provided, the tax ~~shall be~~ is $10 plus an additional tax equal to 1.25 percent of the base value.

(b) Subject to the classification provisions herein, "base value" means the manufacturer's suggested retail price of the vehicle including destination charge using list price information published by the manufacturer or determined by the registrar if no suggested retail price exists, and shall not include the cost of each accessory or item of optional equipment separately added to the vehicle and the suggested retail price.

(c) If the manufacturer's list price information contains a single vehicle identification number followed by various descriptions and suggested retail prices, the registrar shall select from those listings only the lowest price for determining base value.

(d) If unable to determine the base value because the vehicle is specially constructed, or for any other reason, the registrar may establish such value upon the cost price to the purchaser or owner as evidenced by a certificate of cost but not including Minnesota sales or use tax or any local sales or other local tax.

(e) The registrar shall classify every vehicle in its proper base value class as follows:

FROM	TO
$0	$199.99
$200	$399.99

and thereafter a series of classes successively set in brackets having a spread of $200 consisting of such number of classes as will permit classification of all vehicles.

(f) The base value for purposes of this section shall be the middle point between the extremes of its class.

(g) The registrar shall establish the base value, when new, of every passenger automobile and hearse registered prior to the effective date of Extra Session Laws 1971, chapter 31, using list price information published by the manufacturer or any nationally recognized firm or association compiling such data for the automotive industry. If unable to ascertain the base value of any registered vehicle in the foregoing manner, the registrar may use any other available source or method. The registrar shall calculate tax using base value information available to dealers and deputy registrars at the time the application for registration is submitted. The tax on all previously registered vehicles shall be computed upon the base value thus determined taking into account the depreciation provisions of paragraph (h).

(h) The annual additional tax must be computed upon a percentage of the base value as follows: during the first year of vehicle life, upon 100 percent of the base value; for the second year, 90 percent of such value; for the third year, 80 percent of such value; for the fourth year, 70 percent of such value; for the fifth year, 60 percent of such value; for the sixth year, 50 percent of such value; for the seventh year, 40 percent of such value; for the eighth year, 30 percent of such value; for the ninth year, 20 percent of such value; for the tenth year, ten percent of such value; for the 11th and each succeeding year, the sum of $25.

(i) In no event shall the annual additional tax be less than $25.

(j) For any vehicle previously registered in Minnesota <u>and regardless of prior ownership</u>, the ~~annual additional tax~~ <u>total amount</u> due under this subdivision <u>and subdivision 1m</u> must not exceed the smallest <u>total</u> amount ~~of annual additional tax~~ previously paid or due on the vehicle.

<u>**EFFECTIVE DATE.** This section is effective the day following final enactment, and applies to taxes payable for a registration period starting on or after January 1, 2018.</u>

Sec. 2. Minnesota Statutes 2016, section 168.013, is amended by adding a subdivision to read:

<u>Subd. 1m. **Electric vehicle.** In addition to the tax under subdivision 1a, a surcharge of $75 is imposed for an all-electric vehicle, as defined in section 169.011, subdivision 1a. Notwithstanding subdivision 8, revenue from the fee imposed under this subdivision must be deposited in the highway user tax distribution fund.</u>

<u>**EFFECTIVE DATE.** This section is effective the day following final enactment, and applies to a registration period starting on or after January 1, 2018.</u>

Sec. 3. Minnesota Statutes 2016, section 169.011, is amended by adding a subdivision to read:

<u>Subd. 1a. **All-electric vehicle.** (a) "All-electric vehicle" means an electric vehicle that is solely able to be powered by an electric motor drawing current from rechargeable storage batteries, fuel cells, or other portable sources of electrical current.</u>

<u>(b) All-electric vehicle excludes a plug-in hybrid electric vehicle.</u>

<u>**EFFECTIVE DATE.** This section is effective the day following final enactment, and applies to a registration period starting on or after January 1, 2018.</u>

ARTICLE 15
DEPARTMENT OF REVENUE 2015-2016 SALES SUPPRESSION PROVISIONS

Section 1. **[289A.14] USE OF AUTOMATED SALES SUPPRESSION DEVICES; DEFINITIONS.**

(a) For the purposes of sections 289A.60, subdivision 32, 289A.63, subdivision 12, and 609.5316, subdivision 3, 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.

EFFECTIVE DATE. This section is effective for activities enumerated in Minnesota Statutes, section 289A.63, subdivision 12, or 289A.60, subdivision 32, that occur on or after August 1, 2017.

Sec. 2. Minnesota Statutes 2016, section 289A.60, is amended by adding a subdivision to read:

Subd. 32. **Sales suppression.** (a) A person who:

(1) sells;

(2) transfers;

(3) develops;

(4) manufactures; or

(5) possesses with the intent to sell or transfer

an automated sales suppression device, zapper, phantom-ware, or similar device capable of being used to commit tax fraud or suppress sales is liable for a civil penalty calculated under paragraph (b).

(b) The amount of the civil penalty equals the greater of (1) $2,000, or (2) the total amount of all taxes and penalties due that are attributable to the use of any automated sales suppression device, zapper, phantom-ware, or similar device facilitated by the sale, transfer, development, or manufacture of the automated sales suppression device, zapper, phantom-ware, or similar device by the person.

(c) The definitions in section 289A.14 apply to this subdivision.

(d) This subdivision does not apply to the commissioner, a person acting at the direction of the commissioner, an agent of the commissioner, law enforcement agencies, or postsecondary education institutions that possess an automated sales suppression device, zapper, or phantom-ware for study to combat the evasion of taxes by use of the automated sales suppression devices, zappers, or phantom-ware.

EFFECTIVE DATE. This section is effective for activities enumerated that occur on or after August 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 289A.63, is amended by adding a subdivision to read:

Subd. 12. **Felony.** (a) A person who sells, purchases, installs, transfers, develops, manufactures, 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 for not more than five years or to a payment of a fine of not more than $10,000, or both.

(b) 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.

(c) The definitions in section 289A.14 apply to this subdivision.

(d) This subdivision does not apply to the commissioner, a person acting at the direction of the commissioner, an agent of the commissioner, law enforcement agencies, or postsecondary education institutions that possess an automated sales suppression device, zapper, or phantom-ware for study to combat the evasion of taxes by use of the automated sales suppression devices, zappers, or phantom-ware.

EFFECTIVE DATE. This section is effective for activities enumerated that occur on or after August 1, 2017.

Sec. 4. Minnesota Statutes 2016, 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 289A.63, subdivision 12, are contraband and must be summarily forfeited to the appropriate agency upon a conviction.

EFFECTIVE DATE. This section is effective for activities enumerated in Minnesota Statutes, section 289A.63, subdivision 12, that occur on or after August 1, 2017.

ARTICLE 16
DEPARTMENT OF REVENUE 2015-2016 POLICY AND TECHNICAL PROVISIONS; INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2016, section 289A.08, subdivision 11, is amended to read:

Subd. 11. **Information included in income tax return.** (a) The return must state:

(1) the name of the taxpayer, or taxpayers, if the return is a joint return, and the address of the taxpayer in the same name or names and same address as the taxpayer has used in making the taxpayer's income tax return to the United States;

(2) the date or dates of birth of the taxpayer or taxpayers;

(3) the Social Security number of the taxpayer, or taxpayers, if a Social Security number has been issued by the United States with respect to the taxpayers; and

(4) the amount of the taxable income of the taxpayer as it appears on the federal return for the taxable year to which the Minnesota state return applies.

(b) The taxpayer must attach to the taxpayer's Minnesota state income tax return a copy of the federal income tax return that the taxpayer has filed or is about to file for the period~~, unless the taxpayer is eligible to telefile the federal return and does file the Minnesota return by telefiling~~.

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

Sec. 2. Minnesota Statutes 2016, section 289A.08, subdivision 16, is amended to read:

Subd. 16. **Tax refund or return preparers; electronic filing; paper filing fee imposed.** (a) A "tax refund or return preparer," as defined in section 289A.60, ~~subdivision 13, paragraph (f),~~ who is a tax return preparer for purposes of section 6011(e) of the Internal Revenue Code, and who reasonably expects to prepare more than ten Minnesota individual income, corporate franchise, S corporation, partnership, or fiduciary income tax returns for the prior ~~calendar~~ year must file all Minnesota individual income, corporate franchise, S corporation, partnership, or fiduciary income tax returns prepared for that ~~calendar~~ year by electronic means.

(b) Paragraph (a) does not apply to a return if the taxpayer has indicated on the return that the taxpayer did not want the return filed by electronic means.

(c) For each return that is not filed electronically by a tax refund or return preparer under this subdivision, including returns filed under paragraph (b), a paper filing fee of $5 is imposed upon the preparer. The fee is collected from the preparer in the same manner as income tax. The fee does not apply to returns that the commissioner requires to be filed in paper form.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 3. Minnesota Statutes 2016, section 289A.09, subdivision 2, is amended to read:

Subd. 2. **Withholding statement.** (a) A person required to deduct and withhold from an employee a tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to section 290.92, subdivision 19, if the employee or payee had claimed no more than one withholding exemption, or who paid wages or made payments not subject to withholding under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of $600, or who has entered into a voluntary withholding agreement with a payee under section 290.92, subdivision 20, must give every employee or person receiving royalty payments in respect to the remuneration paid by the person to the employee or person receiving royalty payments during the calendar year, on or before January 31 of the succeeding year, or, if employment is terminated before the close of the calendar year, within 30 days after the date of receipt of a written request from the employee if the 30-day period ends before January 31, a written statement showing the following:

(1) name of the person;

(2) the name of the employee or payee and the employee's or payee's Social Security account number;

(3) the total amount of wages as that term is defined in section 290.92, subdivision 1, paragraph (1); the total amount of remuneration subject to withholding under section 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the Internal Revenue Code; and the amount of royalties subject to withholding under section 290.923, subdivision 2; and

(4) the total amount deducted and withheld as tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2.

(b) The statement required to be furnished by paragraph (a) with respect to any remuneration must be furnished at those times, must contain the information required, and must be in the form the commissioner prescribes.

(c) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to give the statements to their employees or payees under this subdivision.

(d) A duplicate of any statement made under this subdivision and in accordance with rules prescribed by the commissioner~~, along with a reconciliation in the form the commissioner prescribes of the statements for the calendar year, including a reconciliation of the quarterly returns required to be filed under subdivision 1,~~ must be filed with the commissioner on or before ~~February 28~~ <u>January 31</u> of the year after the payments were made.

(e) If an employer cancels the employer's Minnesota withholding account number required by section 290.92, subdivision 24, the information required by paragraph (d), must be filed with the commissioner within 30 days of the end of the quarter in which the employer cancels its account number.

(f) The employer must submit the statements required to be sent to the commissioner ~~in the same manner required to satisfy the federal reporting requirements of section 6011(e) of the Internal Revenue Code and the regulations issued under it. An employer must submit statements to the commissioner required by this section by electronic means if the employer is required to send more than 25 statements to the commissioner, even though the employer is not required to submit the returns federally by electronic means. For statements issued for wages paid in 2011 and after, the threshold is ten. All statements issued for withholding required under section 290.92 are aggregated for purposes of determining whether the electronic submission threshold is met~~. <u>The commissioner shall prescribe the content, format, and manner of the statement pursuant to section 270C.30.</u>

(g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph (a), clause (2), must submit the returns required by this subdivision and subdivision 1, paragraph (a), with the commissioner by electronic means.

<u>**EFFECTIVE DATE.**</u> <u>This section is effective for statements required to be sent to the commissioner after December 31, 2017, except that the date change in paragraph (d) is effective for wages paid after December 31, 2016.</u>

Sec. 4. Minnesota Statutes 2016, section 289A.12, subdivision 14, is amended to read:

Subd. 14. **~~Regulated investment companies;~~ Reporting <u>exempt interest and</u> exempt-interest dividends.** (a) A regulated investment company paying $10 or more in exempt-interest dividends to an individual who is a resident of Minnesota<u>, or any person receiving $10 or more of exempt interest or exempt-interest dividends and paying as</u>

nominee to an individual who is a resident of Minnesota, must make a return indicating the amount of the exempt interest or exempt-interest dividends, the name, address, and Social Security number of the recipient, and any other information that the commissioner specifies. The return must be provided to the ~~shareholder~~ recipient by February 15 of the year following the year of the payment. The return provided to the ~~shareholder~~ recipient must include a clear statement, in the form prescribed by the commissioner, that the exempt interest or exempt-interest dividends must be included in the computation of Minnesota taxable income. By June 1 of each year, the ~~regulated investment company~~ payor must file a copy of the return with the commissioner.

(b) For purposes of this subdivision, the following definitions apply.

(1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest dividends that are not required to be added to federal taxable income under section 290.0131, subdivision 2, paragraph (b).

(2) "Regulated investment company" means regulated investment company as defined in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code.

(3) "Exempt interest" means 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, and exempt from federal income taxes under the Internal Revenue Code or any other federal statute.

EFFECTIVE DATE. This section is effective for reports required to be filed after December 31, 2017.

Sec. 5. Minnesota Statutes 2016, section 289A.18, is amended by adding a subdivision to read:

Subd. 2a. **Annual withholding returns; eligible employers.** (a) An employer who deducts and withholds an amount required to be withheld by section 290.92 may file an annual return and make an annual payment of the amount required to be deducted and withheld for that calendar year if the employer has received a notification under paragraph (b). The ability to elect to file an annual return continues through the year following the year where an employer is required to deduct and withhold more than $500.

(b) The commissioner is authorized to determine which employers are eligible to file an annual return and to notify employers who newly qualify to file an annual return because the amount an employer is required to deduct and withhold for that calendar year is $500 or less based on the most recent period of four consecutive quarters for which the commissioner has compiled data on that employer's withholding tax for that period. At the time of notification, eligible employers may still decide to file returns and make deposits quarterly. An employer who decides to file returns and make deposits quarterly is required to make all returns and deposits required by this chapter and, notwithstanding paragraph (a), is subject to all applicable penalties for failing to do so.

(c) If, at the end of any calendar month other than the last month of the calendar year, the aggregate amount of undeposited tax withheld by an employer who has elected to file an annual return exceeds $500, the employer must deposit the aggregate amount with the commissioner within 30 days of the end of the calendar month.

(d) If an employer who has elected to file an annual return ceases to pay wages for which withholding is required, the employer must file a final return and deposit any undeposited tax within 30 days of the end of the calendar month following the month in which the employer ceased paying wages.

(e) An employer not subject to paragraph (c) or (d) who elects to file an annual return must file the return and pay the tax not previously deposited before February 1 of the year following the year in which the tax was withheld.

(f) A notification to an employer regarding eligibility to file an annual return under Minnesota Rules, part 8092.1400, is considered a notification under paragraph (a).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 6. Minnesota Statutes 2016, section 289A.20, subdivision 2, is amended to read:

Subd. 2. **Withholding from wages, entertainer withholding, withholding from payments to out-of-state contractors, and withholding by partnerships, small business corporations, trusts.** (a) Except as provided in section 289A.18, subdivision 2a, a tax required to be deducted and withheld during the quarterly period must be paid on or before the last day of the month following the close of the quarterly period, unless an earlier time for payment is provided. A tax required to be deducted and withheld from compensation of an entertainer and from a payment to an out-of-state contractor must be paid on or before the date the return for such tax must be filed under section 289A.18, subdivision 2. Taxes required to be deducted and withheld by partnerships, S corporations, and trusts must be paid on a quarterly basis as estimated taxes under section 289A.25 for partnerships and trusts and under section 289A.26 for S corporations.

(b) An employer who, during the previous quarter, withheld more than $1,500 of tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, must deposit tax withheld under those sections with the commissioner within the time allowed to deposit the employer's federal withheld employment taxes under Code of Federal Regulations, title 26, section 31.6302-1, as amended through December 31, 2001, without regard to the safe harbor or de minimis rules in paragraph (f) or the one-day rule in paragraph (c)(3). Taxpayers must submit a copy of their federal notice of deposit status to the commissioner upon request by the commissioner.

(c) The commissioner may prescribe by rule other return periods or deposit requirements. In prescribing the reporting period, the commissioner may classify payors according to the amount of their tax liability and may adopt an appropriate reporting period for the class that the commissioner judges to be consistent with efficient tax collection. In no event will the duration of the reporting period be more than one year.

(d) If less than the correct amount of tax is paid to the commissioner, proper adjustments with respect to both the tax and the amount to be deducted must be made, without interest, in the manner and at the times the commissioner prescribes. If the underpayment cannot be adjusted, the amount of the underpayment will be assessed and collected in the manner and at the times the commissioner prescribes.

(e) If the aggregate amount of the tax withheld is $10,000 or more in a fiscal year ending June 30, the employer must remit each required deposit for wages paid in all subsequent calendar years by electronic means.

(f) A third-party bulk filer as defined in section 290.92, subdivision 30, paragraph (a), clause (2), who remits withholding deposits must remit all deposits by electronic means as provided in paragraph (e), regardless of the aggregate amount of tax withheld during a fiscal year for all of the employers.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 7. Minnesota Statutes 2016, section 289A.31, subdivision 1, is amended to read:

Subdivision 1. **Individual income, fiduciary income, mining company, corporate franchise, and entertainment taxes.** (a) Individual income, fiduciary income, mining company, and corporate franchise taxes, and interest and penalties, must be paid by the taxpayer upon whom the tax is imposed, except in the following cases:

(1) The tax due from a decedent for that part of the taxable year in which the decedent died during which the decedent was alive and the taxes, interest, and penalty due for the prior years must be paid by the decedent's personal representative, if any. If there is no personal representative, the taxes, interest, and penalty must be paid by the transferees, as defined in section 270C.58, subdivision 3, to the extent they receive property from the decedent;

(2) The tax due from an infant or other incompetent person must be paid by the person's guardian or other person authorized or permitted by law to act for the person;

(3) The tax due from the estate of a decedent must be paid by the estate's personal representative;

(4) The tax due from a trust, including those within the definition of a corporation, as defined in section 290.01, subdivision 4, must be paid by a trustee; and

(5) The tax due from a taxpayer whose business or property is in charge of a receiver, trustee in bankruptcy, assignee, or other conservator, must be paid by the person in charge of the business or property so far as the tax is due to the income from the business or property.

(b) Entertainment taxes are the joint and several liability of the entertainer and the entertainment entity. The payor is liable to the state for the payment of the tax required to be deducted and withheld under section 290.9201, subdivision 7, and is not liable to the entertainer for the amount of the payment.

(c) The ~~tax~~ taxes imposed under ~~section~~ sections 289A.35 and 290.0922 on partnerships ~~is~~ are the joint and several liability of the partnership and the general partners.

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

Sec. 8. Minnesota Statutes 2016, section 289A.35, is amended to read:

289A.35 ASSESSMENTS ON RETURNS.

(a) The commissioner may audit and adjust the taxpayer's computation of federal taxable income, items of federal tax preferences, or federal credit amounts to make them conform with the provisions of chapter 290 or section 298.01. If a return has been filed, the commissioner shall enter the liability reported on the return and may make any audit or investigation that is considered necessary.

(b) Upon petition by a taxpayer, and when the commissioner determines that it is in the best interest of the state, the commissioner may allow S corporations and partnerships to receive orders of assessment issued under section 270C.33, subdivision 4, on behalf of their owners, and to pay liabilities shown on such orders. In such cases, the owners' liability must be calculated using the method provided in section 289A.08, subdivision 7, paragraph (b).

(c) A taxpayer may petition the commissioner for the use of the method described in paragraph (b) after the taxpayer is notified that an audit has been initiated and before an order of assessment has been issued.

(d) A determination of the commissioner under paragraph (b) to grant or deny the petition of a taxpayer cannot be appealed to the Tax Court or any other court.

~~(b)~~ (e) The commissioner may audit and adjust the taxpayer's computation of tax under chapter 291. In the case of a return filed pursuant to section 289A.10, the commissioner shall notify the estate no later than nine months after the filing date, as provided by section 289A.38, subdivision 2, whether the return is under examination or the return has been processed as filed.

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

Sec. 9. Minnesota Statutes 2016, section 289A.60, subdivision 28, is amended to read:

Subd. 28. **Preparer identification number.** Any Minnesota ~~individual~~ income tax return or claim for refund prepared by a "tax refund or return preparer" as defined in subdivision 13, paragraph (f), shall bear the identification number the preparer is required to use federally under section 6109(a)(4) of the Internal Revenue Code. A tax refund or return preparer who prepares a Minnesota ~~individual income tax~~ return required by section 289A.08, subdivisions 1, 2, 3, and 7; or 289A.12, subdivision 3, or claim for refund and fails to include the required number on the return or claim is subject to a penalty of $50 for each failure.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 10. Minnesota Statutes 2016, section 290.0672, subdivision 1, is amended to read:

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

(b) "Long-term care insurance" means a policy that:

(1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding the ~~7.5 percent~~ adjusted gross income test; or meets the requirements given in section 62A.46; or provides similar coverage issued under the laws of another jurisdiction; and

(2) has a lifetime long-term care benefit limit of not less than $100,000; and

(3) has been offered in compliance with the inflation protection requirements of section 62S.23.

(c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

(d) "Premiums deducted in determining federal taxable income" means the lesser of (1) long-term care insurance premiums that qualify as deductions under section 213 of the Internal Revenue Code; and (2) the total amount deductible for medical care under section 213 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2012.

Sec. 11. Minnesota Statutes 2016, section 290.068, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of this section, the following terms have the meanings given.

(a) "Qualified research expenses" means (i) qualified research expenses and basic research payments as defined in section 41(b) and (e) of the Internal Revenue Code, except it does not include expenses incurred for qualified research or basic research conducted outside the state of Minnesota pursuant to section 41(d) and (e) of the Internal Revenue Code; and (ii) contributions to a nonprofit corporation established and operated pursuant to the provisions of chapter 317A for the purpose of promoting the establishment and expansion of business in this state, provided the contributions are invested by the nonprofit corporation for the purpose of providing funds for small, technologically innovative enterprises in Minnesota during the early stages of their development.

(b) "Qualified research" means qualified research as defined in section 41(d) of the Internal Revenue Code, except that the term does not include qualified research conducted outside the state of Minnesota.

(c) "Base amount" means base amount as defined in section 41(c) of the Internal Revenue Code, except that the average annual gross receipts and aggregate gross receipts must be calculated using Minnesota sales or receipts under section 290.191 and the definitions contained in ~~clauses~~ paragraphs (a) and (b) shall apply.

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

Sec. 12. Minnesota Statutes 2016, section 290.17, subdivision 2, is amended to read:

Subd. 2. **Income not derived from conduct of a trade or business.** The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if, and to the extent that, the work of the employee is performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

(ii) The amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law 104-95, are not considered income derived from carrying on a trade or business or from wages or other compensation for work an employee performed in Minnesota, and are not taxable under this chapter.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of an interest in a single member limited liability company that is disregarded for federal income tax purposes is allocable to this state as if the single member limited liability company did not exist and the assets of the limited liability company are personally owned by the sole member.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was ~~assignable~~ allocable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

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

Sec. 13. Minnesota Statutes 2016, section 290.31, subdivision 1, is amended to read:

Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided under section 289A.35, paragraph (b), a partnership as such shall not be subject to the income tax imposed by this chapter, but is subject to the tax imposed under section 290.0922. Persons carrying on business as partners shall be liable for income tax only in their separate or individual capacities.

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

Sec. 14. Minnesota Statutes 2016, section 290A.19, is amended to read:

290A.19 OWNER OR MANAGING AGENT TO FURNISH RENT CERTIFICATE.

(a) The owner or managing agent of any property for which rent is paid for occupancy as a homestead must furnish a certificate of rent paid to a person who is a renter on December 31, in the form prescribed by the commissioner. If the renter moves before December 31, the owner or managing agent may give the certificate to the renter at the time of moving, or mail the certificate to the forwarding address if an address has been provided by the renter. The certificate must be made available to the renter before February 1 of the year following the year in which the rent was paid. The owner or managing agent must retain a duplicate of each certificate or an equivalent record showing the same information for a period of three years. The duplicate or other record must be made available to the commissioner upon request.

(b) The commissioner may require the owner or managing agent, through a simple process, to furnish to the commissioner on or before March 1 a copy of each certificate of rent paid furnished to a renter for rent paid in the prior year, in the content, format, and manner prescribed by the commissioner pursuant to section 270C.30. Prior to implementation, the commissioner, after consulting with representatives of owners or managing agents, shall develop an implementation and administration plan for the requirements of this paragraph that attempts to minimize financial burdens, administration and compliance costs, and takes into consideration existing systems of owners and managing agents.

(c) For the purposes of this section, "owner" includes a park owner as defined under section 327C.01, subdivision 6, and "property" includes a lot as defined under section 327C.01, subdivision 3.

EFFECTIVE DATE. This section is effective for certificates of rent paid furnished to a renter for rent paid after December 31, 2016.

Sec. 15. Minnesota Statutes 2016, section 291.016, subdivision 2, is amended to read:

Subd. 2. **Additions.** The following amounts, to the extent deducted in computing or otherwise excluded from the federal taxable estate, must be added in computing the Minnesota taxable estate:

(1) the amount of the deduction for state death taxes allowed under section 2058 of the Internal Revenue Code;

(2) the amount of the deduction for foreign death taxes allowed under section 2053(d) of the Internal Revenue Code; and

(3) the aggregate amount of taxable gifts as defined in section 2503 of the Internal Revenue Code, made by the decedent within three years of the date of death. For purposes of this clause, the amount of the addition equals the value of the gift under section 2512 of the Internal Revenue Code and excludes any value of the gift included in the federal estate.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after June 30, 2013.

Sec. 16. Minnesota Statutes 2016, section 291.016, subdivision 3, is amended to read:

Subd. 3. **Subtraction.** The following amounts, to the extent included in computing the federal taxable estate, may be subtracted in computing the Minnesota taxable estate but must not reduce the Minnesota taxable estate to less than zero:

(1) the value of property subject to an election under section 291.03, subdivision 1d; and

(2) 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)~~ items (i) to (v), 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)~~ (i) $1,200,000 for estates of decedents dying in 2014;

~~(2)~~ (ii) $1,400,000 for estates of decedents dying in 2015;

~~(3)~~ (iii) $1,600,000 for estates of decedents dying in 2016;

~~(4)~~ (iv) $1,800,000 for estates of decedents dying in 2017; and

~~(5)~~ (v) $2,000,000 for estates of decedents dying in 2018 and thereafter.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after June 30, 2011.

Sec. 17. Minnesota Statutes 2016, section 291.03, subdivision 9, is amended to read:

Subd. 9. **Qualified small business property.** Property satisfying all of the following requirements is qualified small business property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of the assets of a trade or business or shares of stock or other ownership interests in a corporation or other entity engaged in a trade or business. Shares of stock in a corporation or an ownership interest in another type of entity do not qualify under this subdivision if the shares or ownership interests are traded on a public stock exchange at any time during the three-year period ending on the decedent's date of death. For purposes of this subdivision, an ownership interest includes the interest the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code.

(3) During the taxable year that ended before the decedent's death, the trade or business must not have been a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and the decedent or the decedent's spouse must have materially participated in the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the taxable year that ended before the decedent's death.

(4) The gross annual sales of the trade or business were $10,000,000 or less for the last taxable year that ended before the date of the death of the decedent.

(5) The property does not ~~consist of~~ include:

(i) cash~~,~~;

(ii) cash equivalents~~,~~;

(iii) publicly traded securities~~,~~; or

(iv) any assets not used in the operation of the trade or business.

(6) For property consisting of shares of stock or other ownership interests in an entity, the value of ~~cash, cash equivalents, publicly traded securities, or assets not used in the operation of the trade or business held by the corporation or other entity~~ items described in clause (5) must be ~~deducted from the value of the property qualifying under this subdivision in proportion to the decedent's share of ownership of the entity on the date of death~~ excluded in the valuation of the decedent's interest in the entity.

~~(6)~~ (7) The decedent continuously owned the property, including property the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code, for the three-year period ending on the date of death of the decedent. In the case of a sole proprietor, if the property replaced similar property within the three-year period, the replacement property will be treated as having been owned for the three-year period ending on the date of death of the decedent.

~~(7)~~ (8) For three years following the date of death of the decedent, the trade or business is not a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and a family member materially participates in the operation of the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the three years following the date of death of the decedent.

~~(8)~~ (9) The estate and the qualified heir elect to treat the property as qualified small business property and agree, in the form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after June 30, 2011.

Sec. 18. Minnesota Statutes 2016, section 291.03, subdivision 11, is amended to read:

Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and before the death of the qualified heir, the qualified heir disposes of any interest in the qualified property, other than by a disposition to a family member, or a family member ceases to satisfy the requirement under subdivision 9, clause (7); or 10, clause (5), an additional estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir replaces qualified small business property excluded under subdivision 9 with similar property, then the qualified heir will not be treated as having disposed of an interest in the qualified property.

(b) The amount of the additional tax equals the amount of the exclusion claimed by the estate under subdivision 8, paragraph (d), multiplied by 16 percent.

(c) The additional tax under this subdivision is due on the day which is six months after the date of the disposition or cessation in paragraph (a).

(d) This subdivision shall not apply as a result of any of the following:

(1) a portion of qualified farm property consisting of less than one-fifth of the acreage of the property is reclassified as class 2b property under section 273.13, subdivision 23, and the qualified heir has not substantially altered the reclassified property during the three-year holding period; or

(2) a portion of qualified farm property classified as 2a property at the death of the decedent pursuant to section 273.13, subdivision 23, paragraph (a), consisting of a residence, garage, and immediately surrounding one acre of land is reclassified as 4bb property during the three-year holding period, and the qualified heir has not substantially altered the property.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after June 30, 2011.

Sec. 19. **REPEALER.**

(a) Minnesota Rules, part 8092.1400, is repealed.

(b) Minnesota Rules, part 8092.2000, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective for taxable years beginning after December 31, 2016, except that notifications from the Department of Revenue to employers regarding eligibility to file an annual return for taxes withheld in calendar year 2017 remain in force. Paragraph (b) is effective the day following final enactment.

ARTICLE 17
DEPARTMENT OF REVENUE 2015-2016 POLICY AND TECHNICAL PROVISIONS;
SPECIAL TAXES AND SALES AND USE TAXES

Section 1. Minnesota Statutes 2016, section 69.021, subdivision 5, is amended to read:

Subd. 5. **Calculation of state aid.** (a) The amount of fire state aid available for apportionment, before the addition of the minimum fire state aid allocation amount under subdivision 7, is equal to 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report. This amount must be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations.

The total amount for apportionment in respect to fire state aid must not be less than two percent of the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report after subtracting the following amounts:

(1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations; and

(2) one percent of the premiums reported by ~~town and farmers'~~ township mutual insurance companies and mutual property and casualty companies with total assets of $5,000,000 or less.

(b) The total amount for apportionment as police state aid is equal to 104 percent of the amount of premium taxes paid to the state on the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report. The total amount for apportionment in respect to the police state aid program must not be less than two percent of the amount of premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report.

(c) The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

(d) In addition to the amount for apportionment of police state aid under paragraph (b), each year $100,000 must be apportioned for police state aid. An amount sufficient to pay this increase is annually appropriated from the general fund.

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

Sec. 2. Minnesota Statutes 2016, section 289A.38, subdivision 6, is amended to read:

Subd. 6. **Omission in excess of 25 percent.** Additional taxes may be assessed within 6-1/2 years after the due date of the return or the date the return was filed, whichever is later, if:

(1) the taxpayer omits from gross income an amount properly includable in it that is in excess of 25 percent of the amount of gross income stated in the return;

(2) the taxpayer omits from a sales, use, or withholding tax return, or a return for a tax imposed under section 295.52, an amount of taxes in excess of 25 percent of the taxes reported in the return; or

(3) the taxpayer omits from the gross estate assets in excess of 25 percent of the gross estate reported in the return.

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

Sec. 3. Minnesota Statutes 2016, section 290.0922, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed by this section:

(1) corporations exempt from tax under section 290.05;

(2) real estate investment trusts;

(3) regulated investment companies or a fund thereof; and

(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) ~~town and farmers'~~ township mutual insurance companies;

(6) cooperatives organized under chapter 308A or 308B that provide housing exclusively to persons age 55 and over and are classified as homesteads under section 273.124, subdivision 3; and

(7) a qualified business as defined under section 469.310, subdivision 11, if for the taxable year all of its property is located in a job opportunity building zone designated under section 469.314 and all of its payroll is a job opportunity building zone payroll under section 469.310.

Entities not specifically exempted by this subdivision are subject to tax under this section, notwithstanding section 290.05.

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

Sec. 4. Minnesota Statutes 2016, section 295.54, subdivision 2, is amended to read:

Subd. 2. **Pharmacy refund.** A pharmacy may claim an annual refund against the total amount of tax, if any, the pharmacy owes during that calendar year under section 295.52, subdivision 4. The refund shall equal the amount paid by the pharmacy to a wholesale drug distributor subject to tax under section 295.52, subdivision 3, for legend drugs delivered by the pharmacy outside of Minnesota, multiplied by the tax percentage specified in section 295.52, subdivision 3. If the amount of the refund exceeds the tax liability of the pharmacy under section 295.52, subdivision 4, the commissioner shall provide the pharmacy with a refund equal to the excess amount. Each qualifying pharmacy must apply for the refund on the annual return as ~~provided under section 295.55, subdivision 5~~ prescribed by the commissioner, on or before March 15 of the year following the calendar year the legend drugs were delivered outside Minnesota. The refund ~~must be claimed within 18 months from the date the drugs were delivered outside of Minnesota~~ shall not be allowed if the initial claim for refund is filed more than one year after the original due date of the return. Interest on refunds paid under this subdivision will begin to accrue 60 days after the date a claim for refund is filed. For purposes of this subdivision, the date a claim is filed is the due date of the return if a return is due or the date of the actual claim for refund, whichever is later.

EFFECTIVE DATE. This section is effective for qualifying legend drugs delivered outside Minnesota after December 31, 2017.

Sec. 5. Minnesota Statutes 2016, section 296A.01, is amended by adding a subdivision to read:

Subd. 9a. **Bulk storage or bulk storage facility.** "Bulk storage" or "bulk storage facility" means a single property, or contiguous or adjacent properties used for a common purpose and owned or operated by the same person, on or in which are located one or more stationary tanks that are used singularly or in combination for the storage or containment of more than 1,100 gallons of petroleum.

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

Sec. 6. Minnesota Statutes 2016, section 296A.01, subdivision 33, is amended to read:

Subd. 33. **Motor fuel.** "Motor fuel" means a liquid or gaseous form of fuel, regardless of its composition or properties, used to propel a motor vehicle.

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

Sec. 7. Minnesota Statutes 2016, section 296A.01, subdivision 42, is amended to read:

Subd. 42. **Petroleum products.** "Petroleum products" means all of the products defined in subdivisions 2, 7, 8, 8a, 8b, 10, 14, 16, 19, 20, 22 to 26, 28, 32, and 35.

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

Sec. 8. Minnesota Statutes 2016, section 296A.07, subdivision 1, is amended to read:

Subdivision 1. **Tax imposed.** There is imposed an excise tax on gasoline, gasoline blended with ethanol, and agricultural alcohol gasoline used in producing and generating power for propelling motor vehicles used on the public highways of this state. The tax is imposed on the first licensed distributor who received the product in Minnesota. For purposes of this section, gasoline is defined in section 296A.01, subdivisions 8b, 10, 18, 20, 23, 24, 25, 32, and 34. The tax is payable at the time and in the form and manner prescribed by the commissioner. The tax is payable at the rates specified in subdivision 3, subject to the exceptions and reductions specified in section 296A.17.

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

Sec. 9. Minnesota Statutes 2016, section 297A.82, subdivision 4, is amended to read:

Subd. 4. **Exemptions.** (a) The following transactions are exempt from the tax imposed in this chapter to the extent provided.

(b) The purchase or use of aircraft previously registered in Minnesota by a corporation or partnership is exempt if the transfer constitutes a transfer within the meaning of section 351 or 721 of the Internal Revenue Code.

(c) The sale to or purchase, storage, use, or consumption by a licensed aircraft dealer of an aircraft for which a commercial use permit has been issued pursuant to section 360.654 is exempt, if the aircraft is resold while the permit is in effect.

(d) Air flight equipment when sold to, or purchased, stored, used, or consumed by airline companies, as defined in section 270.071, subdivision 4, is exempt. For purposes of this subdivision, "air flight equipment" includes airplanes and parts necessary for the repair and maintenance of such air flight equipment, and flight simulators, but does not include ~~airplanes~~ aircraft with a ~~gross~~ maximum takeoff weight of less than 30,000 pounds ~~that are used on intermittent or irregularly timed flights~~.

(e) Sales of, and the storage, distribution, use, or consumption of aircraft, as defined in section 360.511 and approved by the Federal Aviation Administration, and which the seller delivers to a purchaser outside Minnesota or which, without intermediate use, is shipped or transported outside Minnesota by the purchaser are exempt, but only if the purchaser is not a resident of Minnesota and provided that the aircraft is not thereafter returned to a point within Minnesota, except in the course of interstate commerce or isolated and occasional use, and will be registered in another state or country upon its removal from Minnesota. This exemption applies even if the purchaser takes possession of the aircraft in Minnesota and uses the aircraft in the state exclusively for training purposes for a period not to exceed ten days prior to removing the aircraft from this state.

(f) The sale or purchase of the following items that relate to aircraft operated under Federal Aviation Regulations, Parts 91 and 135, and associated installation charges: equipment and parts necessary for repair and maintenance of aircraft; and equipment and parts to upgrade and improve aircraft.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2017.

Sec. 10. Minnesota Statutes 2016, section 297A.82, subdivision 4a, is amended to read:

Subd. 4a. **Deposit in state airports fund.** Tax revenue, including interest and penalties, collected from the sale or purchase of an aircraft taxable under this chapter must be deposited in the state airports fund established in section 360.017. For purposes of this subdivision, "revenue" does not include the revenue, including interest and penalties, generated by the sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as provided under article XI, section 15, of the Minnesota Constitution.

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

Sec. 11. Minnesota Statutes 2016, section 297E.02, subdivision 7, is amended to read:

Subd. 7. **Untaxed gambling product.** (a) In addition to penalties or criminal sanctions imposed by this chapter, a person, organization, or business entity possessing or selling a pull-tab, electronic pull-tab game, raffle board, or tipboard upon which the tax imposed by this chapter has not been paid is liable for a tax of six percent of the ideal gross of each pull-tab, electronic pull-tab game, raffle board, or tipboard. The tax on a partial deal must be assessed as if it were a full deal.

(b) In addition to penalties and criminal sanctions imposed by this chapter, a person (1) not licensed by the board who conducts bingo, linked bingo, electronic linked bingo, raffles, or paddlewheel games, or (2) who conducts gambling prohibited under sections 609.75 to 609.763, other than activities subject to tax under section 297E.03, is liable for a tax of six percent of the gross receipts from that activity.

(c) The tax ~~must~~ may be assessed by the commissioner. An assessment must be considered a jeopardy assessment or jeopardy collection as provided in section 270C.36. The commissioner shall assess the tax based on personal knowledge or information available to the commissioner. The commissioner shall mail to the taxpayer at the taxpayer's last known address, or serve in person, a written notice of the amount of tax, demand its immediate payment, and, if payment is not immediately made, collect the tax by any method described in chapter 270C, except that the commissioner need not await the expiration of the times specified in chapter 270C. The tax assessed by the commissioner is presumed to be valid and correctly determined and assessed. The burden is upon the taxpayer to show its incorrectness or invalidity. The tax imposed under this subdivision does not apply to gambling that is exempt from taxation under subdivision 2.

(d) A person, organization, or business entity conducting gambling activity under this subdivision must file monthly tax returns with the commissioner, in the form required by the commissioner. The returns must be filed on or before the 20th day of the month following the month in which the gambling activity occurred. The tax imposed by this section is due and payable at the time when the returns are required to be filed.

(e) Notwithstanding any law to the contrary, neither the commissioner nor a public employee may reveal facts contained in a tax return filed with the commissioner of revenue as required by this subdivision, nor can any information contained in the report or return be used against the tax obligor in any criminal proceeding, unless independently obtained, except in connection with a proceeding involving taxes due under this section, or as provided in section 270C.055, subdivision 1. However, this paragraph does not prohibit the commissioner from publishing statistics that do not disclose the identity of tax obligors or the contents of particular returns or reports. Any person violating this paragraph is guilty of a gross misdemeanor.

EFFECTIVE DATE. This section is effective for games played or purchased after June 30, 2017.

Sec. 12. Minnesota Statutes 2016, section 297H.06, subdivision 2, is amended to read:

Subd. 2. **Materials.** The tax is not imposed upon charges to generators of mixed municipal solid waste or upon the volume of nonmixed municipal solid waste for waste management services to manage the following materials:

(1) mixed municipal solid waste and nonmixed municipal solid waste generated outside of Minnesota;

(2) recyclable materials that are separated for recycling by the generator, collected separately from other waste, and recycled, to the extent the price of the service for handling recyclable material is separately itemized on a bill to the generator;

(3) recyclable nonmixed municipal solid waste that is separated for recycling by the generator, collected separately from other waste, delivered to a waste facility for the purpose of recycling, and recycled;

(4) industrial waste, when it is transported to a facility owned and operated by the same person that generated it;

(5) mixed municipal solid waste from a recycling facility that separates or processes recyclable materials and reduces the volume of the waste by at least 85 percent, provided that the exempted waste is managed separately from other waste;

(6) recyclable materials that are separated from mixed municipal solid waste by the generator, collected and delivered to a waste facility that recycles at least 85 percent of its waste, and are collected with mixed municipal solid waste that is segregated in leakproof bags, provided that the mixed municipal solid waste does not exceed five percent of the total weight of the materials delivered to the facility and is ultimately delivered to a waste facility identified as a preferred waste management facility in county solid waste plans under section 115A.46;

(7) source-separated compostable ~~waste~~ materials, if the ~~waste is~~ materials are delivered to a facility exempted as described in this clause. To initially qualify for an exemption, a facility must apply for an exemption in its application for a new or amended solid waste permit to the Pollution Control Agency. The first time a facility applies to the agency it must certify in its application that it will comply with the criteria in items (i) to (v) and the commissioner of the agency shall so certify to the commissioner of revenue who must grant the exemption. The facility must annually apply to the agency for certification to renew its exemption for the following year. The application must be filed according to the procedures of, and contain the information required by, the agency. The commissioner of revenue shall grant the exemption if the commissioner of the Pollution Control Agency finds and certifies to the commissioner of revenue that based on an evaluation of the composition of incoming waste and residuals and the quality and use of the product:

(i) generators separate materials at the source;

(ii) the separation is performed in a manner appropriate to the technology specific to the facility that:

(A) maximizes the quality of the product;

(B) minimizes the toxicity and quantity of ~~residuals~~ rejects; and

(C) provides an opportunity for significant improvement in the environmental efficiency of the operation;

(iii) the operator of the facility educates generators, in coordination with each county using the facility, about separating the waste to maximize the quality of the waste stream for technology specific to the facility;

(iv) process ~~residuals~~ rejects do not exceed 15 percent of the weight of the total material delivered to the facility; and

(v) the final product is accepted for use;

(8) waste and waste by-products for which the tax has been paid; and

(9) daily cover for landfills that has been approved in writing by the Minnesota Pollution Control Agency.

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

Sec. 13. Minnesota Statutes 2016, section 297I.05, subdivision 2, is amended to read:

Subd. 2. **~~Town and farmers'~~ Township mutual insurance.** A tax is imposed on ~~town and farmers'~~ township mutual insurance companies. The rate of tax is equal to one percent of gross premiums less return premiums on all direct business received by the insurer or agents of the insurer in Minnesota, in cash or otherwise, during the year.

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

Sec. 14. Minnesota Statutes 2016, section 297I.10, subdivision 1, is amended to read:

Subdivision 1. **Cities of the first class.** (a) The commissioner shall order and direct a surcharge to be collected of two percent of the fire, lightning, and sprinkler leakage gross premiums, less return premiums, on all direct business received by any licensed foreign or domestic fire insurance company on property in a city of the first class, or by its agents for it, in cash or otherwise.

(b) By July 31 and December 31 of each year, the commissioner ~~of management and budget~~ shall pay to each city of the first class a warrant for an amount equal to the total amount of the surcharge on the premiums collected within that city since the previous payment.

(c) The treasurer of the city shall place the money received under this subdivision in a special account or fund to defray all or a portion of the employer contribution requirement of public employees police and fire plan coverage for city firefighters.

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

Sec. 15. Minnesota Statutes 2016, section 297I.10, subdivision 3, is amended to read:

Subd. 3. **Appropriation.** The amount necessary to make the payments required under this section is appropriated to the commissioner ~~of management and budget~~ from the general fund.

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

Sec. 16. Minnesota Statutes 2016, section 298.01, subdivision 4c, is amended to read:

Subd. 4c. **Special deductions; net operating loss.** ~~(a)~~ For purposes of determining taxable income under subdivision 4, the provisions of sections 290.0133, subdivisions 7 and 9, and 290.0134, subdivisions 7 and 9, are not used to determine taxable income.

~~(b) The amount of net operating loss incurred in a taxable year beginning before January 1, 1990, that may be carried over to a taxable year beginning after December 31, 1989, is the amount of net operating loss carryover determined in the calculation of the hypothetical corporate franchise tax under Minnesota Statutes 1988, sections 298.40 and 298.402.~~

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

ARTICLE 18
DEPARTMENT OF REVENUE 2015-2016 POLICY AND TECHNICAL PROVISIONS;
PROPERTY TAX

Section 1. Minnesota Statutes 2016, section 13.51, subdivision 2, is amended to read:

Subd. 2. **Income property assessment data.** The following data collected by political subdivisions and the state from individuals or business entities concerning income properties are classified as private or nonpublic data pursuant to section 13.02, subdivisions 9 and 12:

(a) detailed income and expense figures;

(b) average vacancy factors;

(c) verified net rentable areas or net usable areas, whichever is appropriate;

(d) anticipated income and expenses;

(e) projected vacancy factors; and

(f) lease information.

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

Sec. 2. Minnesota Statutes 2016, section 270.071, subdivision 2, is amended to read:

Subd. 2. **Air commerce.** ~~(a)~~ "Air commerce" means the transportation by aircraft of persons or property for hire in interstate, intrastate, or international transportation on regularly scheduled flights or on intermittent or irregularly timed flights by airline companies and includes transportation by any airline company making three or more flights in or out of Minnesota, or within Minnesota, during a calendar year.

~~(b) "Air commerce" includes but is not limited to an intermittent or irregularly timed flight, a flight arranged at the convenience of an airline and the person contracting for the transportation, or a charter flight. It includes any airline company making three or more flights in or out of Minnesota during a calendar year.~~

~~(c) "Air commerce" does not include casual transportation for hire by aircraft commonly owned and used for private air flight purposes if the person furnishing the transportation does not hold out to be engaged regularly in transportation for hire.~~

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 3. Minnesota Statutes 2016, section 270.071, subdivision 7, is amended to read:

Subd. 7. **Flight property.** "Flight property" means all aircraft and flight equipment used in connection therewith, including spare flight equipment. Flight property also includes computers and computer software used in operating, controlling, or regulating aircraft and flight equipment. Flight property does not include aircraft with a maximum takeoff weight of less than 30,000 pounds.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 4. Minnesota Statutes 2016, section 270.071, subdivision 8, is amended to read:

Subd. 8. **Person.** "Person" means ~~any~~ an individual, ~~corporation, firm, copartnership, company, or association, and includes any guardian, trustee, executor, administrator, receiver, conservator, or any person acting in any fiduciary capacity therefor~~ trust, estate, fiduciary, partnership, company, corporation, limited liability company, association, governmental unit or agency, public or private organization of any kind, or other legal entity.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 5. Minnesota Statutes 2016, section 270.071, is amended by adding a subdivision to read:

Subd. 10. **Intermittent or irregularly timed flights.** "Intermittently or irregularly timed flights" means any flight in which the departure time, departure location, and arrival location are specifically negotiated with the customer or the customer's representative, including but not limited to charter flights.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 6. Minnesota Statutes 2016, section 270.072, subdivision 2, is amended to read:

Subd. 2. **Assessment of flight property.** Flight property that is owned by, or is leased, loaned, or otherwise made available to an airline company operating in Minnesota shall be assessed and appraised annually by the commissioner with reference to its value on January 2 of the assessment year in the manner prescribed by sections 270.071 to 270.079. ~~Aircraft with a gross weight of less than 30,000 pounds and used on intermittent or irregularly timed flights shall be excluded from the provisions of sections 270.071 to 270.079.~~

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 7. Minnesota Statutes 2016, section 270.072, subdivision 3, is amended to read:

Subd. 3. **Report by airline company.** (a) Each year, on or before July 1, every airline company engaged in air commerce in this state shall file with the commissioner a report under oath setting forth specifically the information prescribed by the commissioner to enable the commissioner to make the assessment required in sections 270.071 to 270.079, unless the commissioner determines that the airline company ~~or person should be excluded from~~ is exempt from filing ~~because its activities do not constitute air commerce as defined herein~~.

(b) The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

EFFECTIVE DATE. The amendment to paragraph (a) is effective for reports filed in 2018 and thereafter. The amendment adding paragraph (b) is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2016, section 270.072, is amended by adding a subdivision to read:

Subd. 3a. **Commissioner filed reports.** If an airline company fails to file a report required by subdivision 3, the commissioner may, from information in the commissioner's possession or obtainable by the commissioner, make and file a report for the airline company, or may issue a notice of net tax capacity and tax under section 270.075, subdivision 2.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 9. Minnesota Statutes 2016, section 270.12, is amended by adding a subdivision to read:

Subd. 6. **Reassessment orders.** If the State Board of Equalization determines that a considerable amount of property has been undervalued or overvalued compared to like property such that the assessment is grossly unfair or inequitable, the State Board of Equalization may, pursuant to its responsibilities under subdivisions 2 and 3, issue orders to the county assessor to reassess all parcels or an identified set of parcels in a county.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 10. Minnesota Statutes 2016, section 270C.89, subdivision 1, is amended to read:

Subdivision 1. **Initial report.** Each county assessor shall file by April 1 with the commissioner a copy of the abstract that will be acted upon by the local and county boards of review. The abstract must list the real and personal property in the county itemized by assessment districts. The assessor of each county in the state shall file with the commissioner, within ten working days following final action of the local board of review or equalization and within five days following final action of the county board of equalization, any changes made by the local or county board. The information must be filed in the manner prescribed by the commissioner. ~~It must be accompanied by a printed or typewritten copy of the proceedings of the appropriate board.~~

EFFECTIVE DATE. This section is effective for local and county boards of appeal and equalization meetings held in 2017 and thereafter.

Sec. 11. Minnesota Statutes 2016, section 272.02, subdivision 9, is amended to read:

Subd. 9. **Personal property; exceptions.** Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of (1) an electric generating, transmission, or distribution system ~~or~~; (2) a pipeline system transporting or distributing ~~water, gas, crude oil, or petroleum~~ products; or (3) mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures, including storage sheds, decks, and similar removable improvements constructed on the site of a manufactured home, sectional structure, park trailer or travel trailer as provided in section 273.125, subdivision 8, paragraph (f); and

(f) flight property as defined in section 270.071.

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

Sec. 12. Minnesota Statutes 2016, section 272.029, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For the purposes of this section~~, the term~~:

(1) "wind energy conversion system" has the meaning given in section 216C.06, subdivision 19, and also includes a substation that is used and owned by one or more wind energy conversion facilities;

(2) "large scale wind energy conversion system" means a wind energy conversion system of more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b);

(3) "medium scale wind energy conversion system" means a wind energy conversion system of over two and not more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b); and

(4) "small scale wind energy conversion system" means a wind energy conversion system of two megawatts and under, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b).

(b) For systems installed and contracted for after January 1, 2002, the total size of a wind energy conversion system under this subdivision shall be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of one wind energy conversion system shall be combined with the nameplate capacity of any other wind energy conversion system that is:

(1) located within five miles of the wind energy conversion system;

(2) constructed within the same ~~calendar year~~ 12-month period as the wind energy conversion system; and

(3) under common ownership.

In the case of a dispute, the commissioner of commerce shall determine the total size of the system, and shall draw all reasonable inferences in favor of combining the systems.

(c) In making a determination under paragraph (b), the commissioner of commerce may determine that two wind energy conversion systems are under common ownership when the underlying ownership structure contains similar persons or entities, even if the ownership shares differ between the two systems. Wind energy conversion systems are not under common ownership solely because the same person or entity provided equity financing for the systems.

EFFECTIVE DATE. This section is effective for reports filed in 2018 and thereafter.

Sec. 13. Minnesota Statutes 2016, section 272.029, is amended by adding a subdivision to read:

Subd. 8. **Extension.** The commissioner may, for good cause, extend the time for filing the report required by subdivision 4. The extension must not exceed 15 days.

EFFECTIVE DATE. This section is effective for reports filed in 2018 and thereafter.

Sec. 14. Minnesota Statutes 2016, section 273.061, subdivision 7, is amended to read:

Subd. 7. **Division of duties between local and county assessor.** The duty of the duly appointed local assessor shall be to view and appraise the value of all property as provided by law, but all the book work shall be done by the county assessor, or the assessor's assistants, and the value of all property subject to assessment and taxation shall be determined by the county assessor, except as otherwise hereinafter provided. If directed by the county assessor, the local assessor ~~shall~~ must perform the duties enumerated in subdivision 8, clause (16), and must enter construction and valuation data into the records in the manner prescribed by the county assessor.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 15. Minnesota Statutes 2016, section 273.08, is amended to read:

273.08 ASSESSOR'S DUTIES.

The assessor shall actually view, and determine the market value of each tract or lot of real property listed for taxation, including the value of all improvements and structures thereon, at maximum intervals of five years and shall enter the value opposite each description. When directed by the county assessor, local assessors must enter construction and valuation data into the records in the manner prescribed by the county assessor.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 16. Minnesota Statutes 2016, section 273.121, is amended by adding a subdivision to read:

Subd. 3. **Compliance.** A county assessor, or a city assessor having the powers of a county assessor, who does not comply with the timely notice requirement under subdivision 1 must:

(1) mail an additional valuation notice to each person who was not provided timely notice; and

(2) convene a supplemental local board of appeal and equalization or local review session no sooner than ten days after sending the additional notices required by clause (1).

EFFECTIVE DATE. This section is effective for valuation notices sent in 2018 and thereafter.

Sec. 17. Minnesota Statutes 2016, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first $500,000 of market value of class 1a property has a net classification rate of one percent of its market value; and the market value of class 1a property that exceeds $500,000 has a classification rate of 1.25 percent of its market value.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by:

(1) any person who is blind as defined in section 256D.35, or the blind person and the blind person's spouse;

(2) any person who is permanently and totally disabled or by the disabled person and the disabled person's spouse; or

(3) the surviving spouse of a permanently and totally disabled veteran homesteading a property classified under this paragraph for taxes payable in 2008.

Property is classified and assessed under clause (2) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph, and that the property is not eligible for the valuation exclusion under subdivision 34.

Property is classified and assessed under paragraph (b) only if the commissioner of revenue or the county assessor certifies that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first $50,000 market value of class 1b property has a net classification rate of .45 percent of its market value. The remaining market value of class 1b property ~~has a classification rate using the rates for~~ is classified as class 1a or class 2a property, whichever is appropriate~~, of similar market value~~.

(c) Class 1c property is commercial use real and personal property that abuts public water as defined in section 103G.005, subdivision 15, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this paragraph, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 1c property and the other would be eligible to be classified as a class 1c property if it was used as the homestead of the owner, both properties will be assessed as a single class 1c property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first $600,000 of market value is tier I, the next $1,700,000 of market value is tier II, and any remaining market value is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, 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 as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c 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 1c.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same classification rates as class 1a property under paragraph (a).

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 18. Minnesota Statutes 2016, section 273.33, subdivision 1, is amended to read:

Subdivision 1. **Listing and assessment in county.** The personal property of express, stage and transportation companies, and of pipeline companies engaged in the business of transporting ~~natural gas, gasoline, crude oil, or other petroleum~~ products, except as otherwise provided by law, shall be listed and assessed in the county, town or district where the same is usually kept.

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

Sec. 19. Minnesota Statutes 2016, section 273.33, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** The personal property, consisting of the pipeline system of mains, pipes, and equipment attached thereto, of pipeline companies and others engaged in the operations or business of transporting ~~natural gas, gasoline, crude oil, or other petroleum~~ products by pipelines, shall be listed with and assessed by the commissioner of revenue and the values provided to the city or county assessor by order. This subdivision shall not apply to the assessment of the products transported through the pipelines nor to the lines of local commercial gas companies engaged primarily in the business of distributing ~~gas~~ products to consumers at retail nor to pipelines used by the owner thereof to supply ~~natural gas or other petroleum~~ products exclusively for such owner's own consumption and not for resale to others. If more than 85 percent of the ~~natural gas or other petroleum~~ products actually transported over the pipeline is used for the owner's own consumption and not for resale to others, then this subdivision shall not apply; provided, however, that in that event, the pipeline shall be assessed in proportion to the percentage of ~~gas~~ products actually transported over such pipeline that is not used for the owner's own consumption. On or before August 1, the commissioner shall certify to the auditor of each county, the amount of such personal property assessment against each company in each district in which such property is located. If the commissioner determines that the amount of personal property assessment certified on or before August 1 is in error, the commissioner may issue a corrected certification on or before October 1. The commissioner may correct errors that are merely clerical in nature until December 31.

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

Sec. 20. Minnesota Statutes 2016, section 273.372, subdivision 2, is amended to read:

Subd. 2. **Contents and filing of petition.** (a) In all appeals to court that are required to be brought against the commissioner under this section, the petition initiating the appeal must be served on the commissioner and must be filed with the Tax Court in Ramsey County, as provided in paragraph (b) or (c).

(b) If the appeal to court is from an order of the commissioner, it must be brought under chapter 271 and filed within the time period prescribed in section 271.06, subdivision 2, except that when the provisions of this section conflict with chapter 271 or 278, this section prevails. In addition, the petition must include all the parcels encompassed by that order which the petitioner claims have been partially, unfairly, or unequally assessed, assessed at a valuation greater than their real or actual value, misclassified, or are exempt. For this purpose, an order of the commissioner is either (1) a certification or notice of value by the commissioner for property described in subdivision 1, or (2) the final determination by the commissioner of either an administrative appeal conference or informal administrative appeal described in subdivision 4.

(c) If the appeal is from the tax that results from implementation of the commissioner's order, certification, or recommendation, it must be brought under chapter 278, and the provisions in that chapter apply, except that service shall be on the commissioner only and not on the local officials specified in section 278.01, subdivision 1, and if any other provision of this section conflicts with chapter 278, this section prevails. In addition, the petition must include either all the utility parcels or all the railroad parcels in the state in which the petitioner claims an interest and which the petitioner claims have been partially, unfairly, or unequally assessed, assessed at a valuation greater than their real or actual value, misclassified, or are exempt.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 21. Minnesota Statutes 2016, section 273.372, subdivision 4, is amended to read:

Subd. 4. **Administrative appeals.** (a) Companies that submit the reports under section 270.82 or 273.371 by the date specified in that section, or by the date specified by the commissioner in an extension, may appeal administratively to the commissioner prior to bringing an action in court.

(b) Companies ~~that~~ must ~~submit reports under section 270.82 must submit~~ file a written request ~~to~~ for an appeal with the commissioner ~~for a conference~~ within ~~ten~~ 30 days after the notice date of the commissioner's valuation certification or other notice to the company~~, or by June 15, whichever is earlier~~. For purposes of this section, "notice date" means the notice date of the valuation certification, commissioner's order, recommendation, or other notice.

(c) ~~Companies that submit reports under section 273.371 must submit a written request to the commissioner for a conference within ten days after the date of the commissioner's valuation certification or notice to the company, or by July 1, whichever is earlier.~~ The appeal need not be in any particular form but must contain the following information:

(1) name and address of the company;

(2) the date;

(3) its Minnesota identification number;

(4) the assessment year or period involved;

(5) the findings in the valuation that the company disputes;

(6) a summary statement specifying its reasons for disputing each item; and

(7) the signature of the company's duly authorized agent or representative.

(d) When requested in writing and within the time allowed for filing an administrative appeal, the commissioner may extend the time for filing an appeal for a period of not more than 15 days from the expiration of the time for filing the appeal.

~~(d)~~ (e) The commissioner shall conduct the conference either in person or by telephone upon the commissioner's entire files and records and such further information as may be offered. The conference must be held no later than 20 days after the date of the ~~commissioner's valuation certification or notice to the company, or by the date specified by the commissioner in an extension~~ request for an appeal. Within ~~60~~ 30 days after the conference the commissioner shall make a final determination of the matter and shall notify the company promptly of the determination. The conference is not a contested case hearing subject to chapter 14.

~~(e) In addition to the opportunity for a conference under paragraph (a), the commissioner shall also provide the railroad and utility companies the opportunity to discuss any questions or concerns relating to the values established by the commissioner through certification or notice in a less formal manner. This does not change or modify the deadline for requesting a conference under paragraph (a), the deadline in section 271.06 for appealing an order of the commissioner, or the deadline in section 278.01 for appealing property taxes in court.~~

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 22. Minnesota Statutes 2016, section 273.372, is amended by adding a subdivision to read:

Subd. 5. **Agreement determining valuation.** When it appears to be in the best interest of the state, the commissioner may settle any matter under consideration regarding an appeal filed under this section. The agreement must be in writing and signed by the commissioner and the company or the company's authorized representative. The agreement is final and conclusive, and except upon a showing of fraud, malfeasance, or misrepresentation of a material fact, the case may not be reopened as to the matters agreed upon.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 23. Minnesota Statutes 2016, section 273.372, is amended by adding a subdivision to read:

Subd. 6. **Dismissal of administrative appeal.** If a taxpayer files an administrative appeal from an order of the commissioner and also files an appeal to the tax court for that same order of the commissioner, the administrative appeal is dismissed and the commissioner is no longer required to make the determination of appeal under subdivision 4.

EFFECTIVE DATE. This section is effective beginning with assessment year 2017.

Sec. 24. **[273.88] EQUALIZATION OF PUBLIC UTILITY STRUCTURES.**

After making the apportionment provided in Minnesota Rules, part 8100.0600, the commissioner must equalize the values of the operating structures to the level accepted by the State Board of Equalization if the appropriate sales ratio for each county, as conducted by the Department of Revenue pursuant to section 270.12, subdivision 2, clause (6), is outside the range accepted by the State Board of Equalization. The commissioner must not equalize the value of the operating structures if the sales ratio determined pursuant to this subdivision is within the range accepted by the State Board of Equalization.

EFFECTIVE DATE. This section is effective beginning with assessment year 2017.

Sec. 25. Minnesota Statutes 2016, section 274.01, subdivision 1, is amended to read:

Subdivision 1. **Ordinary board; meetings, deadlines, grievances.** (a) The town board of a town, or the council or other governing body of a city, is the local board of appeal and equalization except (1) in cities whose charters provide for a board of equalization or (2) in any city or town that has transferred its local board of review power and duties to the county board as provided in subdivision 3. The county assessor shall fix a day and time when ~~the board or~~ the local board of equalization shall meet in the assessment districts of the county. Notwithstanding any law or city charter to the contrary, a city board of equalization shall be referred to as a local board of appeal and equalization. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting.

The board shall meet either at a central location within the county or at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board has adjourned in those cities or towns that hold a local board of review; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period in those cities or towns that hold a local board of review must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just. The board may not make an individual market value adjustment or classification change that would benefit the property if the owner or other person having control over the property has refused the assessor access to inspect the property and the interior of any buildings or structures as provided in section 273.20. A board member shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage.

(c) A local board may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board without regard to the one percent limitation.

(d) A local board does not have authority to grant an exemption or to order property removed from the tax rolls.

(e) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board. The county assessor shall enter all changes made by the board.

(f) Except as provided in subdivision 3, if a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of appeal and equalization for a review. This paragraph does not apply if an assessment was made after the local board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board meeting.

(g) The local board must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board file written objections to an assessment or classification with the county assessor. The objections must be presented to the board at its meeting by the county assessor for its consideration.

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

Sec. 26. Minnesota Statutes 2016, section 274.13, subdivision 1, is amended to read:

Subdivision 1. **Members; meetings; rules for equalizing assessments.** The county commissioners, or a majority of them, with the county auditor, or, if the auditor cannot be present, the deputy county auditor, or, if there is no deputy, the court administrator of the district court, shall form a board for the equalization of the assessment of the property of the county, including the property of all cities whose charters provide for a board of equalization. This board shall be referred to as the county board of appeal and equalization. The board shall meet annually, on the date specified in section 274.14, at the office of the auditor. Each member shall take an oath to fairly and impartially perform duties as a member. Members shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage. The board shall examine and compare the returns of the assessment of property of the towns or districts, and equalize them so that each tract or lot of real property and each article or class of personal property is entered on the assessment list at its market value, subject to the following rules:

(1) The board shall raise the valuation of each tract or lot of real property which in its opinion is returned below its market value to the sum believed to be its market value. The board must first give notice of intention to raise the valuation to the person in whose name it is assessed, if the person is a resident of the county. The notice must fix a time and place for a hearing.

(2) The board shall reduce the valuation of each tract or lot which in its opinion is returned above its market value to the sum believed to be its market value.

(3) The board shall raise the valuation of each class of personal property which in its opinion is returned below its market value to the sum believed to be its market value. It shall raise the aggregate value of the personal property of individuals, firms, or corporations, when it believes that the aggregate valuation, as returned, is less than the market value of the taxable personal property possessed by the individuals, firms, or corporations, to the sum it believes to be the market value. The board must first give notice to the persons of intention to do so. The notice must set a time and place for a hearing.

(4) The board shall reduce the valuation of each class of personal property that is returned above its market value to the sum it believes to be its market value. Upon complaint of a party aggrieved, the board shall reduce the aggregate valuation of the individual's personal property, or of any class of personal property for which the individual is assessed, which in its opinion has been assessed at too large a sum, to the sum it believes was the market value of the individual's personal property of that class.

(5) The board must not reduce the aggregate value of all the property of its county, as submitted to the county board of equalization, with the additions made by the auditor under this chapter, by more than one percent of its whole valuation. The board may raise the aggregate valuation of real property, and of each class of personal property, of the county, or of any town or district of the county, when it believes it is below the market value of the property, or class of property, to the aggregate amount it believes to be its market value.

(6) The board shall change the classification of any property which in its opinion is not properly classified.

(7) The board does not have the authority to grant an exemption or to order property removed from the tax rolls.

<u>(8) The board may not make an individual market value adjustment or classification change that would benefit property if the owner or other person having control over the property has refused the assessor access to inspect the property and the interior of any buildings or structures as provided in section 273.20.</u>

<u>EFFECTIVE DATE.</u> <u>This section is effective for county board of appeal and equalization meetings in 2018 and thereafter.</u>

Sec. 27. Minnesota Statutes 2016, section 274.135, subdivision 3, is amended to read:

Subd. 3. **Proof of compliance; transfer of duties.** (a) Any county that conducts county boards of appeal and equalization meetings must provide proof to the commissioner by ~~December 1, 2009, and each year thereafter,~~ <u>February 1</u> that it is in compliance with the requirements of subdivision 2. ~~Beginning in 2009,~~ This notice must also verify that there was a quorum of voting members at each meeting of the board of appeal and equalization in the ~~current~~ <u>previous</u> year. A county that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the special board of equalization appointed pursuant to section 274.13, subdivision 2, beginning with the following year's assessment and continuing unless the powers are reinstated under paragraph (c). A county that does not comply with the requirements of subdivision 2 and has not appointed a special board of equalization shall appoint a special board of equalization before the following year's assessment.

(b) The county shall notify the taxpayers when the board of appeal and equalization for a county has been transferred to the special board of equalization under this subdivision and, prior to the meeting time of the special board of equalization, the county shall make available to those taxpayers a procedure for a review of the assessments, including, but not limited to, open book meetings. This alternate review process must take place in April and May.

(c) A county board whose powers are transferred to the special board of equalization under this subdivision may be reinstated by resolution of the county board and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the commissioner by ~~December~~ <u>February</u> 1 in order to be effective for the ~~following~~ <u>current</u> year's assessment.

(d) If a person who was entitled to appeal to the county board of appeal and equalization or to the county special board of equalization is not able to do so in a particular year because the county board or special board did not meet the quorum and training requirements in this section and section 274.13, or because the special board was not appointed, that person may instead appeal to the commissioner of revenue, provided that the appeal is received by the commissioner prior to August 1. The appeal is not subject to either chapter 14 or section 270C.92. The commissioner must issue an appropriate order to the county assessor in response to each timely appeal, either upholding or changing the valuation or classification of the property. Prior to October 1 of each year, the commissioner must charge and bill the county where the property is located $500 for each tax parcel covered by an order issued under this paragraph in that year. Amounts received by the commissioner under this paragraph must be deposited in the state's general fund. If payment of a billed amount is not received by the commissioner before December 1 of the year when billed, the commissioner must deduct that unpaid amount from any state aid the commissioner would otherwise pay to the county under chapter 477A in the next year. Late payments may either be returned to the county uncashed and undeposited or may be accepted. If a late payment is accepted, the state aid paid to the county under chapter 477A must be adjusted within 12 months to eliminate any reduction that occurred because the payment was late. Amounts needed to make these adjustments are included in the appropriation under section 477A.03, subdivision 2.

EFFECTIVE DATE. This section is effective for county boards of appeal and equalization meetings held in 2018 and thereafter.

Sec. 28. Minnesota Statutes 2016, 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 shall certify to the county auditor the proposed property tax levy for taxes payable in the following year.

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

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

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

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

(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~~ any 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 the day following final enactment.

Sec. 29. Minnesota Statutes 2016, section 275.62, subdivision 2, is amended to read:

Subd. 2. **Local governments required to report.** For purposes of this section, "local governmental unit" means a county, home rule charter or statutory city with a population greater than 2,500~~, a town with a population greater than 5,000, or a home rule charter or statutory city or town that receives a distribution from the taconite municipal aid account in the levy year~~.

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

Sec. 30. Minnesota Statutes 2016, section 278.01, subdivision 1, is amended to read:

Subdivision 1. **Determination of validity.** (a) Any person having personal property, or any estate, right, title, or interest in or lien upon any parcel of land, who claims that such property has been partially, unfairly, or unequally assessed in comparison with other property in the (1) city, or (2) county, or (3) in the case of a county containing a city of the first class, the portion of the county excluding the first class city, or that the parcel has been assessed at a valuation greater than its real or actual value, or that the tax levied against the same is illegal, in whole or in part, or has been paid, or that the property is exempt from the tax so levied, may have the validity of the claim, defense, or objection determined by the district court of the county in which the tax is levied or by the Tax Court by serving one copy of a petition for such determination upon the county auditor, one copy on the county attorney, one copy on the county treasurer, and three copies on the county assessor. The county assessor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A copy of the petition shall also be forwarded by the assessor to the school board of the school district in which the property is located.

(b) In counties where the office of county treasurer has been combined with the office of county auditor, the county may elect to require the petitioner to serve the number of copies as determined by the county. The county assessor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A list of petitioned properties, including the name of the petitioner, the identification number of the property, and the estimated market value, shall be sent on or before the first day of July by the county auditor/treasurer to the school board of the school district in which the property is located.

(c) For all counties, the petitioner must file the copies with proof of service, in the office of the court administrator of the district court on or before April 30 of the year in which the tax becomes payable. A petition for determination under this section may be transferred by the district court to the Tax Court. An appeal may also be taken to the Tax Court under chapter 271 at any time following receipt of the valuation notice that county assessors or city assessors having the powers of a county assessor are required by section 273.121 to send to persons whose property is to be included on the assessment roll that year, but prior to May 1 of the year in which the taxes are payable.

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

Sec. 31. Minnesota Statutes 2016, section 282.01, subdivision 1a, is amended to read:

Subd. 1a. **Conveyance to public entities.** (a) Upon written request from a state agency or a governmental subdivision of the state, a parcel of unsold tax-forfeited land must be withheld from sale or lease to others for a maximum of six months. The request must be submitted to the county auditor. Upon receipt, the county auditor must withhold the parcel from sale or lease to any other party for six months, and must confirm the starting date of the six-month withholding period to the requesting agency or subdivision. If the request is from a governmental subdivision of the state, the governmental subdivision must pay the maintenance costs incurred by the county during the period the parcel is withheld. The county board may approve a sale or conveyance to the requesting party during the withholding period. A conveyance of the property to the requesting party terminates the withholding period.

A governmental subdivision of the state must not make, and a county auditor must not act upon, a second request to withhold a parcel from sale or lease within 18 months of a previous request for that parcel. A county may reject a request made under this paragraph if the request is made more than 30 days after the county has given notice to the requesting state agency or governmental subdivision of the state that the county intends to sell or otherwise dispose of the property.

(b) Nonconservation tax-forfeited lands may be sold by the county board, for their market value as determined by the county board, to an organized or incorporated governmental subdivision of the state for any public purpose for which the subdivision is authorized to acquire property. When the term "market value" is used in this section, it means an estimate of the full and actual market value of the parcel as determined by the county board, but in making this determination, the board and the persons employed by or under contract with the board in order to perform, conduct, or assist in the determination, are exempt from the licensure requirements of chapter 82B.

(c) Nonconservation tax-forfeited lands may be ~~released from the trust in favor of the taxing districts on application to~~ sold by the county board ~~by~~, for their market value as determined by the county board, to a state agency for ~~an authorized use at not less than their market value as determined by the county board~~ any public purpose for which the agency is authorized to acquire property.

(d) Nonconservation tax-forfeited lands may be sold by the county board to an organized or incorporated governmental subdivision of the state or state agency for less than their market value if:

(1) the county board determines that a sale at a reduced price is in the public interest because a reduced price is necessary to provide an incentive to correct the blighted conditions that make the lands undesirable in the open market, or the reduced price will lead to the development of affordable housing; and

(2) the governmental subdivision or state agency has documented its specific plans for correcting the blighted conditions or developing affordable housing, and the specific law or laws that empower it to acquire real property in furtherance of the plans.

If the sale under this paragraph is to a governmental subdivision of the state, the commissioner of revenue must convey the property on behalf of the state by quitclaim deed. If the sale under this paragraph is to a state agency, the property is released from the trust in favor of the taxing districts and the commissioner of revenue must ~~issue a conveyance document that releases the property from the trust in favor of the taxing districts~~ convey the property on behalf of the state by quitclaim deed to the agency.

(e) Nonconservation tax-forfeited land held in trust in favor of the taxing districts may be conveyed by the commissioner of revenue in the name of the state to a governmental subdivision for an authorized public use, if an application is submitted to the commissioner which includes a statement of facts as to the use to be made of the tract and the favorable recommendation of the county board. For the purposes of this paragraph, "authorized public use" means a use that allows an indefinite segment of the public to physically use and enjoy the property in numbers appropriate to its size and use, or is for a public service facility. Authorized public uses as defined in this paragraph are limited to:

(1) a road, or right-of-way for a road;

(2) a park that is both available to, and accessible by, the public that contains improvements such as campgrounds, playgrounds, athletic fields, trails, or shelters;

(3) trails for walking, bicycling, snowmobiling, or other recreational purposes, along with a reasonable amount of surrounding land maintained in its natural state;

(4) transit facilities for buses, light rail transit, commuter rail or passenger rail, including transit ways, park-and-ride lots, transit stations, maintenance and garage facilities, and other facilities related to a public transit system;

(5) public beaches or boat launches;

(6) public parking;

(7) civic recreation or conference facilities; and

(8) public service facilities such as fire halls, police stations, lift stations, water towers, sanitation facilities, water treatment facilities, and administrative offices.

No monetary compensation or consideration is required for the conveyance, except as provided in subdivision 1g, but the conveyance is subject to the conditions provided in law, including, but not limited to, the reversion provisions of subdivisions 1c and 1d.

(f) The commissioner of revenue shall convey a parcel of nonconservation tax-forfeited land to a local governmental subdivision of the state by quitclaim deed on behalf of the state upon the favorable recommendation of the county board if the governmental subdivision has certified to the board that prior to forfeiture the subdivision was entitled to the parcel under a written development agreement or instrument, but the conveyance failed to occur prior to forfeiture. No compensation or consideration is required for, and no conditions attach to, the conveyance.

(g) The commissioner of revenue shall convey a parcel of nonconservation tax-forfeited land to the association of a common interest community by quitclaim deed upon the favorable recommendation of the county board if the association certifies to the board that prior to forfeiture the association was entitled to the parcel under a written agreement, but the conveyance failed to occur prior to forfeiture. No compensation or consideration is required for, and no conditions attach to, the conveyance.

(h) Conservation tax-forfeited land may be sold to a governmental subdivision of the state for less than its market value for either: (1) creation or preservation of wetlands; (2) drainage or storage of storm water under a storm water management plan; or (3) preservation, or restoration and preservation, of the land in its natural state. The deed must contain a restrictive covenant limiting the use of the land to one of these purposes for 30 years or until the property is reconveyed back to the state in trust. At any time, the governmental subdivision may reconvey the property to the state in trust for the taxing districts. The deed of reconveyance is subject to approval by the commissioner of revenue. No part of a purchase price determined under this paragraph shall be refunded upon a reconveyance, but the amount paid for a conveyance under this paragraph may be taken into account by the county board when setting the terms of a future sale of the same property to the same governmental subdivision under paragraph (b) or (d). If the lands are unplatted and located outside of an incorporated municipality and the commissioner of natural resources determines there is a mineral use potential, the sale is subject to the approval of the commissioner of natural resources.

(i) A park and recreation board in a city of the first class is a governmental subdivision for the purposes of this section.

(j) Tax-forfeited land held in trust in favor of the taxing districts may be conveyed by the commissioner of revenue in the name of the state to a governmental subdivision for a school forest under section 89.41. An application that includes a statement of facts as to the use to be made of the tract and the favorable recommendation of the county board and the commissioner of natural resources must be submitted to the commissioner of revenue. No monetary compensation or consideration is required for the conveyance, but the conveyance is subject to the conditional use and reversion provisions of subdivisions 1c and 1d, paragraph (e). At any time, the governmental subdivision may reconvey the property back to the state in trust for the taxing districts. The deed of reconveyance is subject to approval by the commissioner of revenue.

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

Sec. 32. Minnesota Statutes 2016, section 282.01, subdivision 1d, is amended to read:

Subd. 1d. **Reverter for failure to use; conveyance to state.** (a) After three years from the date of any conveyance of tax-forfeited land to a governmental subdivision for an authorized public use as provided in this section, regardless of when the deed for the authorized public use was executed, if the governmental subdivision has failed to put the land to that use, or abandons that use, the governing body of the subdivision must: (1) with the approval of the county board, purchase the property for an authorized public purpose at the present market value as determined by the county board, or (2) authorize the proper officers to convey the land, or the part of the land not required for an authorized public use, to the state of Minnesota in trust for the taxing districts. If the governing body purchases the property under clause (1), the commissioner of revenue shall, upon proper application submitted by the county auditor and upon the reconveyance of the land subject to the conditional use deed to the state, convey the property on behalf of the state by quitclaim deed to the subdivision free of a use restriction and the possibility of reversion or defeasement. If the governing body decides to reconvey the property to the state under this clause, the officers shall execute a deed of conveyance immediately. The conveyance is subject to the approval of the commissioner and its form must be approved by the attorney general. For 15 years from the date of the conveyance, there is no failure to put the land to the authorized public use and no abandonment of that use if a formal plan of the governmental subdivision, including, but not limited to, a comprehensive plan or land use plan, shows an intended future use of the land for the authorized public use.

(b) Property held by a governmental subdivision of the state under a conditional use deed executed under this section by the commissioner of revenue on or after January 1, 2007, may be acquired by that governmental subdivision after 15 years from the date of the conveyance if the commissioner determines upon written application from the subdivision that the subdivision has in fact put the property to the authorized public use for which it was conveyed, and the subdivision has made a finding that it has no current plans to change the use of the lands. Prior to conveying the property, the commissioner shall inquire whether the county board where the land is located objects to a conveyance of the property to the subdivision without conditions and without further act by or obligation of the subdivision. If the county does not object within 60 days, and the commissioner makes a favorable determination, the commissioner shall issue a quitclaim deed on behalf of the state unconditionally conveying the property to the governmental subdivision. For purposes of this paragraph, demonstration of an intended future use for the authorized public use in a formal plan of the governmental subdivision does not constitute use for that authorized public use.

(c) Property held by a governmental subdivision of the state under a conditional use deed executed under this section by the commissioner of revenue before January 1, 2007, is released from the use restriction and possibility of reversion on January 1, 2022, if the county board records a resolution describing the land and citing this paragraph. The county board may authorize the county treasurer to deduct the amount of the recording fees from future settlements of property taxes to the subdivision.

(d) Except for tax-forfeited land conveyed to establish a school forest under section 89.41, property conveyed under a conditional use deed executed under this section by the commissioner of revenue, regardless of when the deed for the authorized public use was executed, is released from the use restriction and reverter, and any use restriction or reverter for which no declaration of reversion has been recorded with the county recorder or registrar of titles, as appropriate, is nullified on the later of: (1) January 1, 2015; (2) 30 years from the date the deed was acknowledged; or (3) final resolution of an appeal to district court under subdivision 1e, if a lis pendens related to the appeal is recorded in the office of the county recorder or registrar of titles, as appropriate, prior to January 1, 2015.

(e) Notwithstanding paragraphs (a) to (d), tax-forfeited land conveyed to establish a school forest under section 89.41 is subject to a perpetual conditional use deed and reverter. The property reverts to the state in trust for the taxing districts by operation of law if the commissioner of natural resources determines and reports to the commissioner of revenue under section 89.41, subdivision 3, that the governmental subdivision has failed to use the land for school forest purposes for three consecutive years. The commissioner of revenue shall record a declaration of reversion for land that has reverted under this paragraph.

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

Sec. 33. Minnesota Statutes 2016, section 477A.013, is amended by adding a subdivision to read:

Subd. 14. **Communication by electronic mail.** Prior to receiving aid pursuant to this section, a city must register an official electronic mail address with the commissioner, which the commissioner may use as an exclusive means to communicate with the city.

EFFECTIVE DATE. This section is effective for aids payable in 2018 and thereafter.

Sec. 34. Minnesota Statutes 2016, section 477A.19, is amended by adding a subdivision to read:

Subd. 3a. **Certification.** On or before June 1 of each year, the commissioner of natural resources shall certify to the commissioner of revenue the number of watercraft launches and the number of watercraft trailer parking spaces in each county.

EFFECTIVE DATE. This section is effective for aids payable in 2018 and thereafter.

Sec. 35. Minnesota Statutes 2016, section 477A.19, is amended by adding a subdivision to read:

Subd. 3b. **Certification.** On or before June 1 of each year, the commissioner of natural resources shall certify to the commissioner of revenue the counties that complied with the requirements of subdivision 3 the prior year and are eligible to receive aid under this section.

EFFECTIVE DATE. This section is effective for aids payable in 2018 and thereafter.

Sec. 36. Minnesota Statutes 2016, section 559.202, subdivision 2, is amended to read:

Subd. 2. **Exception.** This section does not apply to sales made under chapter 282 or if the purchaser is represented throughout the transaction by either:

(1) a person licensed to practice law in this state; or

(2) a person licensed as a real estate broker or salesperson under chapter 82, provided that the representation does not create a dual agency, as that term is defined in section 82.55, subdivision 6.

EFFECTIVE DATE. This section is effective for sales of tax-forfeited land occurring the day following final enactment and thereafter.

Sec. 37. Laws 2014, chapter 308, article 9, section 94, is amended to read:

Sec. 94. **REPEALER.**

(a) Minnesota Statutes 2012, sections 273.1398, subdivision 4b; 290.01, subdivision 19e; 290.0674, subdivision 3; 290.191, subdivision 4; and 290.33, and Minnesota Rules, part 8007.0200, are repealed.

(b) Minnesota Statutes 2012, sections 16D.02, subdivisions 5 and 8; 16D.11, subdivision 2; 270C.53; 270C.991, subdivision 4; 272.02, subdivisions 1, 1a, 43, 48, 51, 53, 67, 72, and 82; ~~272.027, subdivision 2;~~ 272.031; 273.015, subdivision 1; 273.03, subdivision 3; 273.075; 273.13, subdivision 21a; 273.1383; 273.1386; 273.80; 275.77; 279.32; 281.173, subdivision 8; 281.174, subdivision 8; 281.328; 282.10; 282.23; 287.20, subdivision 4; 287.27, subdivision 2; 290.01, subdivisions 4b and 20e; 295.52, subdivision 7; 297A.666; 297A.71, subdivisions 4, 5, 7, 9, 10, 17, 18, 20, 32, and 41; 297F.08, subdivision 11; 297H.10, subdivision 2; 469.174, subdivision 10c; 469.175, subdivision 2b; 469.176, subdivision 1i; 469.177, subdivision 10; 477A.0124, subdivisions 1 and 6; and 505.173, Minnesota Statutes 2013 Supplement, section 273.1103, Laws 1993, chapter 375, article 9, section 47, and Minnesota Rules, parts 8002.0200, subpart 8; 8100.0800; and 8130.7500, subpart 7, are repealed.

(c) Minnesota Statutes 2012, section 469.1764, is repealed.

(d) Minnesota Statutes 2012, sections 289A.56, subdivision 7; 297A.68, subdivision 38; 469.330; 469.331; 469.332; 469.333; 469.334; 469.335; 469.336; 469.337; 469.338; 469.339; 469.340, subdivisions 1, 2, 3, and 5; and 469.341, and Minnesota Statutes 2013 Supplement, section 469.340, subdivision 4, are repealed.

(e) Minnesota Statutes 2012, section 290.06, subdivisions 30 and 31, are repealed.

EFFECTIVE DATE. This section is effective retroactively from May 20, 2014, and pursuant to Minnesota Statutes, section 645.36, Minnesota Statutes, section 272.027, subdivision 2, is revived and reenacted as of that date.

Sec. 38. **REPEALER.**

(a) Minnesota Statutes 2016, section 281.22, is repealed.

(b) Minnesota Rules, part 8100.0700, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective for assessment year 2017 and thereafter.

ARTICLE 19
DEPARTMENT OF REVENUE 2015-2016 POLICY AND TECHNICAL PROVISIONS; MISCELLANEOUS

Section 1. Minnesota Statutes 2016, section 270.82, subdivision 1, is amended to read:

Subdivision 1. **Annual report required.** Every railroad company doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make the valuation and equalization required by sections 270.80 to 270.87. The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

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

Sec. 2. Minnesota Statutes 2016, section 270A.03, subdivision 5, is amended to read:

Subd. 5. **Debt.** (a) "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds $25 and which is due and payable to a claimant agency. The term includes criminal fines imposed under section 609.10 or 609.125, fines imposed for petty misdemeanors as defined in section 609.02, subdivision 4a, and restitution. A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment.

A debt includes any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant where that payment is based on a client waiver or an administrative or judicial finding of an intentional program violation; or where the debt is owed to a program wherein the debtor is not a client at the time notification is provided to initiate recovery under this chapter and the debtor is not a current recipient of food support, transitional child care, or transitional medical assistance.

(b) A debt does not include any legal obligation to pay a claimant agency for medical care, including hospitalization if the income of the debtor at the time when the medical care was rendered does not exceed the following amount:

(1) for an unmarried debtor, an income of ~~$8,800~~ $12,560 or less;

(2) for a debtor with one dependent, an income of ~~$11,270~~ $16,080 or less;

(3) for a debtor with two dependents, an income of ~~$13,330~~ $19,020 or less;

(4) for a debtor with three dependents, an income of ~~$15,120~~ $21,580 or less;

(5) for a debtor with four dependents, an income of ~~$15,950~~ $22,760 or less; and

(6) for a debtor with five or more dependents, an income of ~~$16,630~~ $23,730 or less.

For purposes of this paragraph, "debtor" means the individual whose income, together with the income of the individual's spouse, other than a separated spouse, brings the individual within the income provisions of this paragraph. For purposes of this paragraph, a spouse, other than a separated spouse, shall be considered a dependent.

(c) The commissioner shall adjust the income amounts in paragraph (b) 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 "~~1999~~ 2014" shall be substituted for the word "1992." For ~~2001~~ 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1999~~ 2014, to the 12 months ending on August 31, ~~2000~~ 2015, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14. The income amount as adjusted must be rounded to the nearest $10 amount. If the amount ends in $5, the amount is rounded up to the nearest $10 amount.

(d) Debt also includes an agreement to pay a MinnesotaCare premium, regardless of the dollar amount of the premium authorized under section 256L.15, subdivision 1a.

EFFECTIVE DATE. The section is effective retroactively for debts incurred after December 31, 2014.

Sec. 3. Minnesota Statutes 2016, section 270B.14, subdivision 1, is amended to read:

Subdivision 1. **Disclosure to commissioner of human services.** (a) On the request of the commissioner of human services, the commissioner shall disclose return information regarding taxes imposed by chapter 290, and claims for refunds under chapter 290A, to the extent provided in paragraph (b) and for the purposes set forth in paragraph (c).

(b) Data that may be disclosed are limited to data relating to the identity, whereabouts, employment, income, and property of a person owing or alleged to be owing an obligation of child support.

(c) The commissioner of human services may request data only for the purposes of carrying out the child support enforcement program and to assist in the location of parents who have, or appear to have, deserted their children. Data received may be used only as set forth in section 256.978.

(d) The commissioner shall provide the records and information necessary to administer the supplemental housing allowance to the commissioner of human services.

(e) At the request of the commissioner of human services, the commissioner of revenue shall electronically match the Social Security numbers and names of participants in the telephone assistance plan operated under sections 237.69 to 237.71, with those of property tax refund filers, and determine whether each participant's household income is within the eligibility standards for the telephone assistance plan.

(f) The commissioner may provide records and information collected under sections 295.50 to 295.59 to the commissioner of human services for purposes of the Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991, Public Law 102-234. Upon the written agreement by the United States Department of Health and Human Services to maintain the confidentiality of the data, the commissioner may provide records and information collected under sections 295.50 to 295.59 to the Centers for Medicare and Medicaid Services section of the United States Department of Health and Human Services for purposes of meeting federal reporting requirements.

(g) The commissioner may provide records and information to the commissioner of human services as necessary to administer the early refund of refundable tax credits.

(h) The commissioner may disclose information to the commissioner of human services as necessary ~~to verify income~~ for income verification for eligibility and premium payment under the MinnesotaCare program, under section 256L.05, subdivision 2, as well as the medical assistance program under chapter 256B.

(i) The commissioner may disclose information to the commissioner of human services necessary to verify whether applicants or recipients for the Minnesota family investment program, general assistance, food support, Minnesota supplemental aid program, and child care assistance have claimed refundable tax credits under chapter 290 and the property tax refund under chapter 290A, and the amounts of the credits.

(j) The commissioner may disclose information to the commissioner of human services necessary to verify income for purposes of calculating parental contribution amounts under section 252.27, subdivision 2a.

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

Sec. 4. Minnesota Statutes 2016, section 270C.30, is amended to read:

270C.30 RETURNS AND OTHER DOCUMENTS; FORMAT; FURNISHING.

Except as otherwise provided by law, the commissioner shall prescribe the content ~~and~~, format, and manner of all returns and other forms required to be filed under a law administered by the commissioner, and may furnish them subject to charge on application.

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

Sec. 5. Minnesota Statutes 2016, section 270C.33, subdivision 5, is amended to read:

Subd. 5. **Prohibition against collection during appeal period of an order.** No collection action can be taken on an order of assessment, or any other order imposing a liability, including the filing of liens under section 270C.63, and no late payment penalties may be imposed when a return has been filed for the tax type and period upon which the order is based, during the appeal period of an order. The appeal period of an order ends: (1) 60 days after the ~~order has been mailed to the taxpayer~~ notice date designated by the commissioner on the order; (2) if an administrative appeal is filed under section 270C.35, 60 days after the notice date designated by the commissioner on the written determination of the administrative appeal; (3) if an appeal to Tax Court is filed under chapter 271, when the decision of the Tax Court is made; or (4) if an appeal to Tax Court is filed and the appeal is based upon a constitutional challenge to the tax, 60 days after final determination of the appeal. This subdivision does not apply to a jeopardy assessment under section 270C.36, or a jeopardy collection under section 270C.36.

EFFECTIVE DATE. This section is effective for orders dated after December 31, 2017.

Sec. 6. Minnesota Statutes 2016, section 270C.33, subdivision 8, is amended to read:

Subd. 8. **Sufficiency of notice.** An assessment of tax made by the commissioner, sent postage prepaid by United States mail to the taxpayer at the taxpayer's last known address, or sent by electronic mail to the taxpayer's last known electronic mailing address as provided for in section 325L.08, is sufficient even if the taxpayer is deceased or is under a legal disability, or, in the case of a corporation, has terminated its existence, unless the commissioner has been provided with a new address by a party authorized to receive notices of assessment. Notice of an assessment is sufficient if it is sent on or before the notice date designated by the commissioner on the assessment.

EFFECTIVE DATE. This section is effective for assessments dated after December 31, 2017.

Sec. 7. Minnesota Statutes 2016, section 270C.34, subdivision 2, is amended to read:

Subd. 2. **Procedure.** (a) A request for abatement of penalty under subdivision 1 or section 289A.60, subdivision 4, or a request for abatement of interest or additional tax charge, must be filed with the commissioner within 60 days of the notice date of the ~~notice was mailed to the taxpayer's last known address, stating that a~~ penalty ~~has been imposed~~ or additional tax charge. For purposes of this section, "notice date" means the notice date designated by the commissioner on the order or other notice that a penalty or additional tax charge has been imposed.

(b) If the commissioner issues an order denying a request for abatement of penalty, interest, or additional tax charge, the taxpayer may file an administrative appeal as provided in section 270C.35 or appeal to Tax Court as provided in section 271.06.

(c) If the commissioner does not issue an order on the abatement request within 60 days from the date the request is received, the taxpayer may appeal to Tax Court as provided in section 271.06.

EFFECTIVE DATE. This section is effective for orders and notices dated after December 31, 2017.

Sec. 8. Minnesota Statutes 2016, section 270C.35, subdivision 3, is amended to read:

Subd. 3. **Notice date.** For purposes of this section, ~~the term~~ "notice date" means the notice date ~~of~~ designated by the commissioner on the order adjusting the tax or order denying a request for abatement, or, in the case of a denied refund, the notice date ~~of~~ designated by the commissioner on the notice of denial.

EFFECTIVE DATE. This section is effective for orders and notices dated after December 31, 2017.

Sec. 9. Minnesota Statutes 2016, section 270C.35, is amended by adding a subdivision to read:

Subd. 11. **Dismissal of administrative appeal.** If a taxpayer files an administrative appeal for an order of the commissioner and also files an appeal to the Tax Court for that same order of the commissioner, the administrative appeal is dismissed and the commissioner is no longer required to make a determination of appeal under subdivision 6.

EFFECTIVE DATE. This section is effective for all administrative appeals filed after June 30, 2017.

Sec. 10. Minnesota Statutes 2016, section 270C.38, subdivision 1, is amended to read:

Subdivision 1. **Sufficient notice.** (a) If no method of notification of a written determination or action of the commissioner is otherwise specifically provided for by law, notice of the determination or action sent postage prepaid by United States mail to the taxpayer or other person affected by the determination or action at the taxpayer's or person's last known address, is sufficient. If the taxpayer or person being notified is deceased or is under a legal disability, or, in the case of a corporation being notified that has terminated its existence, notice to the last known address of the taxpayer, person, or corporation is sufficient, unless the department has been provided with a new address by a party authorized to receive notices from the commissioner.

(b) If a taxpayer or other person agrees to accept notification by electronic means, notice of a determination or action of the commissioner sent by electronic mail to the taxpayer's or person's last known electronic mailing address as provided for in section 325L.08 is sufficient.

(c) Notice of a determination or action of the commissioner is sufficient if it is sent on or before the notice date designated by the commissioner on the notice.

EFFECTIVE DATE. This section is effective for notices dated after December 31, 2017.

Sec. 11. Minnesota Statutes 2016, section 270C.445, is amended by adding a subdivision to read:

Subd. 9. **Enforcement; limitations.** (a) Notwithstanding any other law, the imposition of a penalty or any other action against a tax preparer authorized by subdivision 6 with respect to a return may be taken by the commissioner within the period provided by section 289A.38 to assess tax on that return.

(b) Imposition of a penalty or other action against a tax preparer authorized by subdivision 6 other than with respect to a return must be taken by the commissioner within five years of the violation of statute.

EFFECTIVE DATE. This section is effective for tax preparation services provided after the day following final enactment.

Sec. 12. Minnesota Statutes 2016, section 270C.446, subdivision 5, is amended to read:

Subd. 5. **Removal from list.** The commissioner shall remove the name of a tax preparer from the list of tax preparers published under this section:

(1) when the commissioner determines that the name was included on the list in error;

(2) within ~~90 days~~ three years after the preparer has demonstrated to the commissioner that the preparer fully paid all fines or penalties imposed, served any suspension, satisfied any sentence imposed, successfully completed any probationary period imposed, and successfully completed any remedial actions required by the commissioner, the State Board of Accountancy, or the Lawyers Board of Professional Responsibility; or

(3) when the commissioner has been notified that the tax preparer is deceased.

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

Sec. 13. Minnesota Statutes 2016, section 270C.72, subdivision 4, is amended to read:

Subd. 4. **Licensing authority; duties.** All licensing authorities must require the applicant to provide the applicant's Social Security number or individual taxpayer identification number and Minnesota business identification number, as applicable, on all license applications. Upon request of the commissioner, the licensing authority must provide the commissioner with a list of all applicants, including the name, address, business name and address, and Social Security number~~,~~ or individual taxpayer identification number and business identification number, as applicable, of each applicant. The commissioner may request from a licensing authority a list of the applicants no more than once each calendar year.

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

Sec. 14. Minnesota Statutes 2016, section 271.06, subdivision 2, is amended to read:

Subd. 2. **Time; notice; intervention.** Except as otherwise provided by law, within 60 days after the notice ~~of the making and filing~~ date of an order of the commissioner of revenue, the appellant, or the appellant's attorney, shall serve a notice of appeal upon the commissioner and file the original, with proof of such service, with the Tax Court administrator or with the court administrator of district court acting as court administrator of the Tax Court; provided, that the Tax Court, for cause shown, may by written order extend the time for appealing for an additional period not exceeding 30 days. For purposes of this section, "notice date" means the notice date designated by the commissioner on the order. The notice of appeal shall be in the form prescribed by the Tax Court. Within five days after receipt, the commissioner shall transmit a copy of the notice of appeal to the attorney general. The attorney general shall represent the commissioner, if requested, upon all such appeals except in cases where the attorney general has appealed in behalf of the state, or in other cases where the attorney general deems it against the interests of the state to represent the commissioner, in which event the attorney general may intervene or be substituted as an appellant in behalf of the state at any stage of the proceedings.

Upon a final determination of any other matter over which the court is granted jurisdiction under section 271.01, subdivision 5, the taxpayer or the taxpayer's attorney shall file a petition or notice of appeal as provided by law with the court administrator of district court, acting in the capacity of court administrator of the Tax Court, with proof of service of the petition or notice of appeal as required by law and within the time required by law. As used in this subdivision, "final determination" includes a notice of assessment and equalization for the year in question received from the local assessor, an order of the local board of equalization, or an order of a county board of equalization.

The Tax Court shall prescribe a filing system so that the notice of appeal or petition filed with the district court administrator acting as court administrator of the Tax Court is forwarded to the Tax Court administrator. In the case of an appeal or a petition concerning property valuation for which the assessor, a local board of equalization, a county board of equalization or the commissioner of revenue has issued an order, the officer issuing the order shall be notified of the filing of the appeal. The notice of appeal or petition shall be in the form prescribed by the Tax Court.

EFFECTIVE DATE. This section is effective for orders dated after December 31, 2017.

Sec. 15. Minnesota Statutes 2016, section 271.06, subdivision 7, is amended to read:

Subd. 7. **Rules.** Except as provided in section 278.05, subdivision 6, the Rules of Evidence and Civil Procedure for the district court of Minnesota shall govern the procedures in the Tax Court, where practicable. The Rules of Civil Procedure do not apply to alter the 60-day period of time to file a notice of appeal provided in subdivision 2. The Tax Court may adopt rules under chapter 14.

EFFECTIVE DATE. This section is effective for orders dated after December 31, 2017.

Sec. 16. Minnesota Statutes 2016, section 272.02, subdivision 10, is amended to read:

Subd. 10. **Personal property used for pollution control.** Personal property used primarily for the abatement and control of air, water, or land pollution is exempt to the extent that it is so used, and real property is exempt if it is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota Pollution Control Agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1030, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, or as part of an electric generation system. For purposes of this subdivision, personal property includes ponderous machinery and equipment used in a business or production activity that at common law is considered real property.

Any taxpayer requesting exemption of all or a portion of any real property or any equipment or device, or part thereof, operated primarily for the control or abatement of air, water, or land pollution shall file an application with the commissioner of revenue. The commissioner shall develop an electronic means to notify interested parties when electric power generation facilities have filed an application. The commissioner shall prescribe the content, format, and manner of the application pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws, and if an application is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws. The Minnesota Pollution Control Agency shall upon request of the commissioner furnish information and advice to the commissioner.

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

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

Sec. 17. Minnesota Statutes 2016, section 272.0211, subdivision 1, is amended to read:

Subdivision 1. **Efficiency determination and certification.** An owner or operator of a new or existing electric power generation facility, excluding wind energy conversion systems, may apply to the commissioner of revenue for a market value exclusion on the property as provided for in this section. This exclusion shall apply only to the market value of the equipment of the facility, and shall not apply to the structures and the land upon which the facility is located. The commissioner of revenue shall prescribe the ~~forms~~ content, format, manner, and procedures for this application pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. If an application is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws. Upon receiving the application, the commissioner of revenue shall: (1) request the commissioner of commerce to make a determination of the efficiency of the applicant's electric power generation facility; and (2) shall develop an electronic means to notify interested parties when electric power generation facilities have filed an application. The commissioner of commerce shall calculate efficiency as the ratio of useful energy outputs to energy inputs, expressed as a percentage, based on the performance of the facility's equipment during normal full load operation. The commissioner must include in this formula the energy used in any on-site preparation of materials necessary to convert the materials into the fuel used to generate electricity, such as a process to gasify petroleum coke. The commissioner shall use the Higher Heating Value (HHV) for all substances in the commissioner's efficiency calculations, except for wood for fuel in a biomass-eligible project under section 216B.2424; for these instances, the commissioner shall adjust the heating value to allow for energy consumed for evaporation of the moisture in the wood. The applicant shall provide the commissioner of commerce with whatever information the commissioner deems necessary to make the determination. Within 30 days of the receipt of the necessary information, the commissioner of commerce shall certify the findings of the efficiency determination to the commissioner of revenue and to the applicant. The commissioner of commerce shall determine the efficiency of the facility and certify the findings of that determination to the commissioner of revenue every two years thereafter from the date of the original certification.

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

Sec. 18. Minnesota Statutes 2016, section 272.025, subdivision 1, is amended to read:

Subdivision 1. **Statement of exemption.** (a) Except in the case of property owned by the state of Minnesota or any political subdivision thereof, and property exempt from taxation under section 272.02, subdivisions 9, 10, 13, 15, 18, 20, and 22 to 25, and at the times provided in subdivision 3, a taxpayer claiming an exemption from taxation on property described in section 272.02, subdivisions 2 to 33, must file a statement of exemption with the assessor of the assessment district in which the property is located.

(b) A taxpayer claiming an exemption from taxation on property described in section 272.02, subdivision 10, must file a statement of exemption with the commissioner of revenue, on or before February 15 of each year for which the taxpayer claims an exemption.

(c) In case of sickness, absence or other disability or for good cause, the assessor or the commissioner may extend the time for filing the statement of exemption for a period not to exceed 60 days.

(d) The commissioner of revenue shall prescribe the ~~form and contents~~ content, format, and manner of the statement of exemption pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws.

(e) If a statement is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

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

Sec. 19. Minnesota Statutes 2016, section 272.029, subdivision 4, is amended to read:

Subd. 4. **Reports.** (a) An owner of a wind energy conversion system subject to tax under subdivision 3 shall file a report with the commissioner of revenue annually on or before ~~February 1~~ January 15 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the ~~form~~ content, format, and manner of the report pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a wind energy conversion system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 60 percent.

(b) If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

~~(b)~~ (c) On or before February 28, the commissioner of revenue shall notify the owner of the wind energy conversion systems of the tax due to each county for the current year and shall certify to the county auditor of each county in which the systems are located the tax due from each owner for the current year.

EFFECTIVE DATE. This section is effective the day following final enactment, except that the amendment in paragraph (a) moving the date to file the report is effective for reports filed in 2018 and thereafter.

Sec. 20. Minnesota Statutes 2016, section 272.0295, subdivision 4, is amended to read:

Subd. 4. **Reports.** An owner of a solar energy generating system subject to tax under this section shall file a report with the commissioner of revenue annually on or before January 15 detailing the amount of electricity in megawatt-hours that was produced by the system in the previous calendar year. The commissioner shall prescribe the ~~form~~ content, format, and manner of the report pursuant to section 270C.30. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a solar energy generating system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 30 percent.

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

Sec. 21. Minnesota Statutes 2016, section 272.115, subdivision 2, is amended to read:

Subd. 2. **Form; information required.** The certificate of value shall require such facts and information as may be determined by the commissioner to be reasonably necessary in the administration of the state education aid formulas. The ~~form~~ commissioner shall prescribe the content, format, and manner of the certificate of value ~~shall be prescribed by the Department of Revenue which shall provide an adequate supply of forms to each county auditor~~ pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws.

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

Sec. 22. Minnesota Statutes 2016, section 273.124, subdivision 13, is amended to read:

Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) ~~The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue.~~ The commissioner shall prescribe the content, format, and manner of the homestead application required to be filed under this chapter pursuant to section 270C.30. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to receive homestead treatment.

(c) Every property owner applying for homestead classification must furnish to the county assessor the Social Security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and Social Security number of each owner's spouse who occupies the property. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and Social Security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The Social Security number of each relative and spouse of a relative occupying the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The Social Security number of a relative or relative's spouse occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(e) The homestead application shall also notify the property owners that if the property is granted homestead status for any assessment year, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

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

Sec. 23. Minnesota Statutes 2016, section 273.371, is amended to read:

273.371 REPORTS OF UTILITY COMPANIES.

Subdivision 1. **Report required.** Every electric light, power, gas, water, express, stage, ~~and~~ transportation ~~company,~~ and pipeline company doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make valuations, recommended valuations, and equalization required under sections 273.33, 273.35, 273.36, 273.37, and 273.3711. The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. If all the required information is not available on March 31, the company or pipeline shall file the information that is available on or before March 31, and the balance of the information as soon as it becomes available. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

Subd. 2. **Extension.** The commissioner for good cause may extend the time for filing the report required by subdivision 1. The extension ~~may~~ must not exceed 15 days.

Subd. 3. **Reports filed by the commissioner.** If a company fails to file a report required by subdivision 1, the commissioner may, from information in the commissioner's possession or obtainable by the commissioner, make and file a report for the company or make the valuations, recommended valuations, and equalizations required under sections 273.33, 273.35 to 273.37, and 273.3711.

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

Sec. 24. Minnesota Statutes 2016, section 287.2205, is amended to read:

287.2205 TAX-FORFEITED LAND.

Before a state deed for tax-forfeited land may be issued, the deed tax must be paid by the purchaser of tax-forfeited land whether the purchase is the result of a public auction or private sale or a repurchase of tax-forfeited land. State agencies and local units of government that acquire tax-forfeited land by purchase or any other means are subject to this section. The deed tax is $1.65 for a conveyance of tax-forfeited lands to a governmental subdivision for an authorized public use under section 282.01, subdivision 1a, for a school forest under section 282.01, subdivision 1a, or for redevelopment purposes under section 282.01, subdivision 1b.

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

Sec. 25. Minnesota Statutes 2016, section 289A.08, is amended by adding a subdivision to read:

Subd. 17. **Format.** The commissioner shall prescribe the content, format, and manner of the returns and other documents pursuant to section 270C.30. This does not authorize the commissioner to require individual income taxpayers to file individual income tax returns electronically.

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

Sec. 26. Minnesota Statutes 2016, section 289A.09, subdivision 1, is amended to read:

Subdivision 1. **Returns.** (a) An employer who is required to deduct and withhold tax under section 290.92, subdivision 2a or 3, and a person required to deduct and withhold tax under section 290.923, subdivision 2, must file a return with the commissioner for each quarterly period unless otherwise prescribed by the commissioner.

(b) A person or corporation required to make deposits under section 290.9201, subdivision 8, must file an entertainer withholding tax return with the commissioner.

(c) A person required to withhold an amount under section 290.9705, subdivision 1, must file a return.

(d) A partnership required to deduct and withhold tax under section 290.92, subdivision 4b, must file a return.

(e) An S corporation required to deduct and withhold tax under section 290.92, subdivision 4c, must also file a return.

(f) ~~Returns must be filed in the form and manner, and contain the information prescribed by the commissioner.~~ The commissioner shall prescribe the content, format, and manner of the returns pursuant to section 270C.30. Every return for taxes withheld must be signed by the employer, entertainment entity, contract payor, partnership, or S corporation, or a designee.

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

Sec. 27. Minnesota Statutes 2016, section 289A.11, subdivision 1, is amended to read:

Subdivision 1. **Return required.** (a) Except as provided in section 289A.18, subdivision 4, for the month in which taxes imposed by chapter 297A are payable, or for which a return is due, a return for the preceding reporting period must be filed with the commissioner ~~in the form and manner the commissioner prescribes~~. The commissioner shall prescribe the content, format, and manner of the returns pursuant to section 270C.30. A person making sales at retail at two or more places of business may file a consolidated return subject to rules prescribed by the commissioner. In computing the dollar amount of items on the return, the amounts are rounded off to the nearest whole dollar, disregarding amounts less than 50 cents and increasing amounts of 50 cents to 99 cents to the next highest dollar.

(b) Notwithstanding this subdivision, a person who is not required to hold a sales tax permit under chapter 297A and who makes annual purchases, for use in a trade or business, of less than $18,500, or a person who is not required to hold a sales tax permit and who makes purchases for personal use, that are subject to the use tax imposed by section 297A.63, may file an annual use tax return ~~on a form prescribed by the commissioner~~. The commissioner shall prescribe the content, format, and manner of the return pursuant to section 270C.30. If a person who qualifies for an annual use tax reporting period is required to obtain a sales tax permit or makes use tax purchases, for use in a trade or business, in excess of $18,500 during the calendar year, the reporting period must be considered ended at the end of the month in which the permit is applied for or the purchase in excess of $18,500 is made and a return must be filed for the preceding reporting period.

(c) Notwithstanding ~~paragraph~~ paragraphs (a) and (b), a person prohibited by the person's religious beliefs from using electronics shall be allowed to file by mail, without any additional fees. The filer must notify the commissioner of revenue of the intent to file by mail on a form prescribed by the commissioner. A return filed under this paragraph must be postmarked no later than the day the return is due in order to be considered filed on a timely basis.

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

Sec. 28. Minnesota Statutes 2016, section 289A.18, subdivision 1, is amended to read:

Subdivision 1. **Individual income, fiduciary income, corporate franchise, and entertainment taxes; partnership and S corporation returns; information returns; mining company returns.** The returns required to be made under sections 289A.08 and 289A.12 must be filed at the following times:

(1) returns made on the basis of the calendar year must be filed on April 15 following the close of the calendar year, except that returns of corporations and partnerships must be filed on the due date for filing the federal income tax return;

(2) returns made on the basis of the fiscal year must be filed on the 15th day of the fourth month following the close of the fiscal year, except that returns of corporations and partnerships must be filed on the due date for filing the federal income tax return;

(3) returns for a fractional part of a year must be filed on the due date for filing the federal income tax return;

(4) in the case of a final return of a decedent for a fractional part of a year, the return must be filed on the 15th day of the fourth month following the close of the 12-month period that began with the first day of that fractional part of a year;

(5) in the case of the return of a cooperative association, returns must be filed on or before the 15th day of the ninth month following the close of the taxable year;

(6) if a corporation has been divested from a unitary group and files a return for a fractional part of a year in which it was a member of a unitary business that files a combined report under section 290.17, subdivision 4, the divested corporation's return must be filed on the 15th day of the third month following the close of the common accounting period that includes the fractional year;

(7) returns of entertainment entities must be filed on April 15 following the close of the calendar year;

(8) returns required to be filed under section 289A.08, subdivision 4, must be filed on the 15th day of the fifth month following the close of the taxable year;

(9) returns of mining companies must be filed on May 1 following the close of the calendar year; and

(10) returns required to be filed with the commissioner under section 289A.12, subdivision 2, 4 to 10, or 16 must be filed within 30 days after being demanded by the commissioner.

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

Sec. 29. Minnesota Statutes 2016, section 289A.37, subdivision 2, is amended to read:

Subd. 2. **Erroneous refunds.** ~~An erroneous refund is considered an underpayment of tax on the date made. An assessment of a deficiency arising out of an erroneous refund may be made at any time within two years from the making of the refund. If part of the refund was induced by fraud or misrepresentation of a material fact, the assessment may be made at any time.~~ (a) Except as provided in paragraph (b), an erroneous refund occurs when the commissioner issues a payment to a person that exceeds the amount the person is entitled to receive under law. An erroneous refund is considered an underpayment of tax on the date issued.

(b) To the extent that the amount paid does not exceed the amount claimed by the taxpayer, an erroneous refund does not include the following:

(1) any amount of a refund or credit paid pursuant to a claim for refund filed by a taxpayer, including but not limited to refunds of claims made under section 290.06, subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068; 290.0681; or 290.0692; or chapter 290A; or

(2) any amount paid pursuant to a claim for refund of an overpayment of tax filed by a taxpayer.

(c) The commissioner may make an assessment to recover an erroneous refund at any time within two years from the issuance of the erroneous refund. If all or part of the erroneous refund was induced by fraud or misrepresentation of a material fact, the assessment may be made at any time.

(d) Assessments of amounts that are not erroneous refunds under paragraph (b) must be conducted under section 289A.38.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all refunds issued after that date. Notwithstanding any law to the contrary, the changes in this section do not invalidate any assessments made by the commissioner prior to this effective date.

Sec. 30. Minnesota Statutes 2016, section 289A.50, subdivision 7, is amended to read:

Subd. 7. **Remedies.** (a) If the taxpayer is notified by the commissioner that the refund claim is denied in whole or in part, the taxpayer may:

(1) file an administrative appeal as provided in section 270C.35, or an appeal with the Tax Court, within 60 days after ~~issuance~~ the notice date of the commissioner's notice of denial; or

(2) file an action in the district court to recover the refund.

(b) An action in the district court on a denied claim for refund must be brought within 18 months of the notice date of the denial of the claim by the commissioner. For the purposes of this section, "notice date" has the meaning given in section 270C.35, subdivision 3.

(c) No action in the district court or the Tax Court shall be brought within six months of the filing of the refund claim unless the commissioner denies the claim within that period.

(d) If a taxpayer files a claim for refund and the commissioner has not issued a denial of the claim, the taxpayer may bring an action in the district court or the Tax Court at any time after the expiration of six months from the time the claim was filed.

(e) The commissioner and the taxpayer may agree to extend the period for bringing an action in the district court.

(f) An action for refund of tax by the taxpayer must be brought in the district court of the district in which lies the county of the taxpayer's residence or principal place of business. In the case of an estate or trust, the action must be brought at the principal place of its administration. Any action may be brought in the district court for Ramsey County.

EFFECTIVE DATE. This section is effective for claims for refund denied after December 31, 2017.

Sec. 31. **[290B.11] FORMS.**

The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30.

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

Sec. 32. **[293.15] FORMS.**

The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30.

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

Sec. 33. Minnesota Statutes 2016, section 295.55, subdivision 6, is amended to read:

Subd. 6. **Form of returns.** ~~The estimated payments and annual return must contain the information and be in the form prescribed by the commissioner.~~ The commissioner shall prescribe the content, format, and manner of the estimated payment forms and annual return pursuant to section 270C.30.

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

Sec. 34. Minnesota Statutes 2016, section 296A.02, is amended by adding a subdivision to read:

Subd. 5. **Forms.** The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30.

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

Sec. 35. Minnesota Statutes 2016, section 296A.22, subdivision 9, is amended to read:

Subd. 9. **Abatement of penalty.** (a) The commissioner may by written order abate any penalty imposed under this section, if in the commissioner's opinion there is reasonable cause to do so.

(b) A request for abatement of penalty must be filed with the commissioner within 60 days of the notice date of the ~~notice stating that a~~ penalty ~~has been imposed was mailed to the taxpayer's last known address~~. For purposes of this section, "notice date" means the notice date designated by the commissioner on the order or other notice that a penalty has been imposed.

(c) If the commissioner issues an order denying a request for abatement of penalty, the taxpayer may file an administrative appeal as provided in section 270C.35 or appeal to Tax Court as provided in section 271.06. If the commissioner does not issue an order on the abatement request within 60 days from the date the request is received, the taxpayer may appeal to Tax Court as provided in section 271.06.

EFFECTIVE DATE. This section is effective for orders and notices dated after December 31, 2017.

Sec. 36. Minnesota Statutes 2016, section 296A.26, is amended to read:

296A.26 JUDICIAL REVIEW; APPEAL TO TAX COURT.

In lieu of an administrative appeal under section 270C.35, any person aggrieved by an order of the commissioner fixing a tax, penalty, or interest under this chapter may, within 60 days from the notice date of ~~the notice of~~ the order, appeal to the Tax Court in the manner provided under section 271.06. For purposes of this section, "notice date" means the notice date designated by the commissioner on the order fixing a tax, penalty, or interest.

EFFECTIVE DATE. This section is effective for orders dated after December 31, 2017.

Sec. 37. Minnesota Statutes 2016, section 297D.02, is amended to read:

297D.02 ADMINISTRATION.

The commissioner of revenue shall administer this chapter. The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30. Payments required by this chapter must be made to the commissioner on the form provided by the commissioner. Tax obligors are not required to give their name, address, Social Security number, or other identifying information on the form. The commissioner shall collect all taxes under this chapter.

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

Sec. 38. Minnesota Statutes 2016, section 297E.02, subdivision 3, is amended to read:

Subd. 3. **Collection; disposition.** (a) Taxes imposed by this section are due and payable to the commissioner when the gambling tax return is required to be filed. Distributors must file their monthly sales figures with the commissioner on a form prescribed by the commissioner. Returns covering the taxes imposed under this section must be filed with the commissioner on or before the 20th day of the month following the close of the previous calendar month. ~~The commissioner may require that the returns be filed via magnetic media or electronic data transfer.~~ The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30. The proceeds, along with the revenue received from all license fees and other fees under sections 349.11 to 349.191, 349.211, and 349.213, must be paid to the commissioner of management and budget for deposit in the general fund.

(b) The sales tax imposed by chapter 297A on the sale of pull-tabs and tipboards by the distributor is imposed on the retail sales price. The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

(c) One-half of one percent of the revenue deposited in the general fund under paragraph (a), is appropriated to the commissioner of human services for the compulsive gambling treatment program established under section 245.98. One-half of one percent of the revenue deposited in the general fund under paragraph (a), is appropriated to the commissioner of human services for a grant to the state affiliate recognized by the National Council on Problem Gambling to increase public awareness of problem gambling, education and training for individuals and organizations providing effective treatment services to problem gamblers and their families, and research relating to problem gambling. Money appropriated by this paragraph must supplement and must not replace existing state funding for these programs.

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

Sec. 39. Minnesota Statutes 2016, section 297E.04, subdivision 1, is amended to read:

Subdivision 1. **Reports of sales.** A manufacturer who sells gambling product for use or resale in this state, or for receipt by a person or entity in this state, shall file with the commissioner, on a form prescribed by the commissioner, a report of gambling product sold to any person in the state, including the established governing body of an Indian tribe recognized by the United States Department of the Interior. The report must be filed monthly on or before the 20th day of the month succeeding the month in which the sale was made. ~~The commissioner may require that the report be submitted via magnetic media or electronic data transfer.~~ The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30. The commissioner may inspect the premises, books, records, and inventory of a manufacturer without notice during the normal business hours of the manufacturer. A person violating this section is guilty of a misdemeanor.

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

Sec. 40. Minnesota Statutes 2016, section 297E.05, subdivision 4, is amended to read:

Subd. 4. **Reports.** A distributor shall report monthly to the commissioner, on a form the commissioner prescribes, its sales of each type of gambling product. This report must be filed monthly on or before the 20th day of the month succeeding the month in which the sale was made. ~~The commissioner may require that a distributor submit the monthly report and invoices required in this subdivision via magnetic media or electronic data transfer.~~ The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30.

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

Sec. 41. Minnesota Statutes 2016, section 297E.06, subdivision 1, is amended to read:

Subdivision 1. **Reports.** An organization must file with the commissioner, on a form prescribed by the commissioner, a report showing all gambling activity conducted by that organization for each month. Gambling activity includes all gross receipts, prizes, all gambling taxes owed or paid to the commissioner, all gambling expenses, and all lawful purpose and board-approved expenditures. The report must be filed with the commissioner on or before the 20th day of the month following the month in which the gambling activity takes place. ~~The commissioner may require that the reports be filed via magnetic media or electronic data transfer.~~ The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30.

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

Sec. 42. Minnesota Statutes 2016, 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 shall prescribe the content, format, and manner of returns pursuant to section 270C.30, and the returns 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. 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 the day following final enactment.

Sec. 43. Minnesota Statutes 2016, section 297F.23, is amended to read:

297F.23 JUDICIAL REVIEW.

In lieu of an administrative appeal under section 270C.35, a person aggrieved by an order of the commissioner fixing a tax, penalty, or interest under this chapter may, within 60 days from the notice date of ~~the notice of~~ the order, appeal to the Tax Court in the manner provided under section 271.06. For purposes of this section, "notice date" means the notice date designated by the commissioner on the order fixing a tax, penalty, or interest.

EFFECTIVE DATE. This section is effective for orders dated after December 31, 2017.

Sec. 44. Minnesota Statutes 2016, section 297G.09, subdivision 1, is amended to read:

Subdivision 1. **Monthly returns; manufacturers, wholesalers, brewers, or importers.** On or before the 18th day of each calendar month following the month in which a licensed manufacturer or wholesaler first sells wine and distilled spirits within the state, or a brewer or importer first sells or imports fermented malt beverages, or a wholesaler knowingly acquires title to or possession of untaxed fermented malt beverages, the licensed manufacturer, wholesaler, brewer, or importer liable for the excise tax must file a return with the commissioner, and in addition must keep records and render reports as required by the commissioner. ~~Returns must be made in a form and manner prescribed by the commissioner, and~~ The commissioner shall prescribe the content, format, and manner of returns pursuant to section 270C.30. The returns must contain any other information required by the commissioner. Returns must be accompanied by a remittance for the full unpaid tax liability. Returns must be filed regardless of whether a tax is due.

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

Sec. 45. Minnesota Statutes 2016, section 297G.22, is amended to read:

297G.22 JUDICIAL REVIEW.

In lieu of an administrative appeal under this chapter, a person aggrieved by an order of the commissioner fixing a tax, penalty, or interest under this chapter may, within 60 days from ~~the date of~~ the notice date of the order, appeal to the Tax Court in the manner provided under section 271.06. For purposes of this section, "notice date" means the notice date designated by the commissioner on the order fixing a tax, penalty, or interest.

EFFECTIVE DATE. This section is effective for orders dated after December 31, 2017.

Sec. 46. Minnesota Statutes 2016, section 297I.30, is amended by adding a subdivision to read:

Subd. 11. **Format.** The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30.

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

Sec. 47. Minnesota Statutes 2016, section 297I.60, subdivision 2, is amended to read:

Subd. 2. **Remedies.** (a) If the taxpayer is notified that the refund claim is denied in whole or in part, the taxpayer may contest the denial by:

(1) filing an administrative appeal with the commissioner under section 270C.35;

(2) filing an appeal in Tax Court within 60 days of the notice date of the ~~notice of~~ denial; or

(3) filing an action in the district court to recover the refund.

(b) An action in the district court must be brought within 18 months ~~following~~ of the notice date of the ~~notice of~~ denial. For purposes of this section, "notice date" has the meaning given in section 270C.35, subdivision 3. An action for refund of tax or surcharge must be brought in the district court of the district in which lies the taxpayer's principal place of business or in the District Court for Ramsey County. If a taxpayer files a claim for refund and the commissioner has not issued a denial of the claim, the taxpayer may bring an action in the district court or the Tax Court at any time after the expiration of six months from the time the claim was filed.

EFFECTIVE DATE. This section is effective for claims for refund denied after December 31, 2017.

Sec. 48. Minnesota Statutes 2016, section 469.319, subdivision 5, is amended to read:

Subd. 5. **Waiver authority.** (a) The commissioner may waive all or part of a repayment required under subdivision 1, if the commissioner, in consultation with the commissioner of employment and economic development and appropriate officials from the local government units in which the qualified business is located, determines that requiring repayment of the tax is not in the best interest of the state or the local government units and the business ceased operating as a result of circumstances beyond its control including, but not limited to:

(1) a natural disaster;

(2) unforeseen industry trends; or

(3) loss of a major supplier or customer.

(b)(1) The commissioner shall waive repayment required under subdivision 1a if the commissioner has waived repayment by the operating business under subdivision 1, unless the person that received benefits without having to operate a business in the zone was a contributing factor in the qualified business becoming subject to repayment under subdivision 1;

(2) the commissioner shall waive the repayment required under subdivision 1a, even if the repayment has not been waived for the operating business if:

(i) the person that received benefits without having to operate a business in the zone and the business that operated in the zone are not related parties as defined in section 267(b) of the Internal Revenue Code of 1986, as amended through December 31, 2007; and

(ii) actions of the person were not a contributing factor in the qualified business becoming subject to repayment under subdivision 1.

(c) Requests for waiver must be made no later than 60 days after the earlier of the notice date of an order issued under subdivision 4, paragraph (d), or the date of a tax statement issued under subdivision 4, paragraph (c). For purposes of this section, "notice date" means the notice date designated by the commissioner on the order.

EFFECTIVE DATE. This section is effective for orders of the commissioner of revenue dated after December 31, 2017.

Sec. 49. Laws 2016, chapter 187, section 5, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective for orders and notices dated after ~~September 30, 2015~~ December 31, 2017.

EFFECTIVE DATE. This section is effective retroactively from September 30, 2015.

ARTICLE 20
DEPARTMENT OF REVENUE 2015-2016 SUSTAINABLE FOREST INCENTIVE ACT PROVISIONS

Section 1. Minnesota Statutes 2016, section 290C.03, is amended to read:

290C.03 ELIGIBILITY REQUIREMENTS.

(a) Land may be enrolled in the sustainable forest incentive program under this chapter if all of the following conditions are met:

(1) the land consists of at least 20 contiguous acres and at least 50 percent of the land must meet the definition of forest land in section 88.01, subdivision 7, during the enrollment;

(2) a forest management plan for the land must be (i) prepared by an approved plan writer and implemented during the period in which the land is enrolled, and (ii) registered with the Department of Natural Resources;

(3) timber harvesting and forest management guidelines must be used in conjunction with any timber harvesting or forest management activities conducted on the land during the period in which the land is enrolled;

(4) the land must be enrolled for a minimum of eight years;

(5) there are no delinquent property taxes on the land; ~~and~~

(6) claimants enrolling more than 1,920 acres in the sustainable forest incentive program must allow year-round, nonmotorized access to fish and wildlife resources and motorized access on established and maintained roads and trails, unless the road or trail is temporarily closed for safety, natural resource, or road damage reasons on enrolled land except within one-fourth mile of a permanent dwelling or during periods of high fire hazard as determined by the commissioner of natural resources~~.~~; and

(7) the land is not classified as 2c managed forest land.

(b) Claimants required to allow access under paragraph (a), clause (6), do not by that action:

(1) extend any assurance that the land is safe for any purpose;

(2) confer upon the person the legal status of an invitee or licensee to whom a duty of care is owed; or

(3) assume responsibility for or incur liability for any injury to the person or property caused by an act or omission of the person.

(c) A minimum of three acres must be excluded from enrolled land when the land is improved with a structure that is not a minor, ancillary, or nonresidential structure. If land does not meet the definition of forest land in section 290C.02, subdivision 6, because the land is (1) enrolled in the reinvest in Minnesota program, (2) enrolled in a state or federal conservation reserve or easement program under sections 103F.501 to 103F.531, (3) subject to the Minnesota agricultural property tax under section 273.111, or (4) subject to agricultural land preservation controls or restrictions as defined in section 40A.02 or the Metropolitan Agricultural Preserves Act under chapter 473H, the entire parcel that contains the land is not eligible to be enrolled in the program.

EFFECTIVE DATE. The amendment to paragraph (a), clause (2), is effective for certifications filed after July 1, 2018. The amendment adding paragraph (a), clause (7), is effective for certifications and applications due in 2017 and thereafter. The amendment adding paragraph (c) is effective the day following final enactment.

Sec. 2. **[290C.051] VERIFICATION OF FOREST MANAGEMENT PLAN.**

On request of the commissioner, the commissioner of natural resources must annually provide verification that the claimant has a current forest management plan on file with the Department of Natural Resources.

EFFECTIVE DATE. This section is effective for certifications filed after July 1, 2018.

Sec. 3. **REPEALER.**

Minnesota Statutes 2016, sections 290C.02, subdivisions 5 and 9; and 290C.06, are repealed.

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

ARTICLE 21
DEPARTMENT OF REVENUE INDIVIDUAL INCOME, CORPORATE FRANCHISE,
AND ESTATE TAX TECHNICAL PROVISIONS

Section 1. Minnesota Statutes 2016, section 290.0132, subdivision 21, is amended to read:

Subd. 21. **Military service pension; retirement pay.** To the extent included in federal taxable income, compensation received 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, and 12733, is a subtraction. The subtraction ~~must not include any amount used to claim the credit allowed under section 290.0677~~ is limited to individuals who do not claim the credit under section 290.0677.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2015.

Sec. 2. Minnesota Statutes 2016, section 290A.03, subdivision 3, is amended to read:

Subd. 3. **Income.** (a) "Income" means the sum of the following:

(1) federal adjusted gross income as defined in 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, to the extent the sum of amounts exceeds the retirement base amount for the claimant and spouse;

(xii) to the extent not included in federal adjusted gross income, distributions received by the claimant or spouse from a traditional or Roth style retirement account or plan;

(xiii) nontaxable scholarship or fellowship grants;

(xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;

(xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

(xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code; and

(xvii) 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" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(b) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(2) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) to the extent included in federal adjusted gross income, amounts contributed by the claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed the retirement base amount reduced by the amount of contributions excluded from federal adjusted gross income, but not less than zero;

(4) surplus food or other relief in kind supplied by a governmental agency;

(5) relief granted under this chapter;

(6) child support payments received under a temporary or final decree of dissolution or legal separation; or

(7) 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.

(c) The sum of the following amounts may be subtracted from income:

(1) for the claimant's first dependent, the exemption amount multiplied by 1.4;

(2) for the claimant's second dependent, the exemption amount multiplied by 1.3;

(3) for the claimant's third dependent, the exemption amount multiplied by 1.2;

(4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

(5) for the claimant's fifth dependent, the exemption amount; and

(6) if the claimant or claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

(d) For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported; "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)~~(D)~~(C) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional or Roth style retirement account or plan" means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

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

Sec. 3. Minnesota Statutes 2016, section 290A.10, is amended to read:

290A.10 PROOF OF TAXES PAID.

~~Every~~ If requested by the commissioner of revenue, a claimant who files a claim for relief for property taxes payable shall ~~include with the claim~~ provide a property tax statement or a reproduction thereof in a form deemed satisfactory by the commissioner of revenue indicating that there are no delinquent property taxes on the homestead. Indication on the property tax statement from the county treasurer that there are no delinquent taxes on the homestead shall be sufficient proof. Taxes included in a confession of judgment under section 277.23 or 279.37 shall not constitute delinquent taxes as long as the claimant is current on the payments required to be made under section 277.23 or 279.37.

EFFECTIVE DATE. This section is effective for refunds based on rent paid after December 31, 2015, and property taxes payable after December 31, 2016.

Sec. 4. Minnesota Statutes 2016, section 291.075, is amended to read:

291.075 SPECIAL USE VALUATION OF QUALIFIED PROPERTY.

If, after the final determination of the tax imposed by this chapter, the property valued pursuant to section 2032A of the Internal Revenue Code is disposed of or fails to qualify and an additional tax is imposed pursuant to section 2032A(c), any increase in ~~the credit for state death taxes~~ federal gross or taxable estate shall be reported to the commissioner within 90 days ~~after final determination of the increased credit~~ of the federal adjustment. Upon notification the commissioner may assess an additional tax in accordance with section 291.03, subdivision 1.

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

Sec. 5. **REPEALER.**

Minnesota Statutes 2016, sections 290.9743; and 290.9744, are repealed.

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

ARTICLE 22
DEPARTMENT OF REVENUE PROPERTY TAX AND LOCAL GOVERNMENT AID
TECHNICAL PROVISIONS

Section 1. Minnesota Statutes 2016, section 270.078, subdivision 1, is amended to read:

Subdivision 1. **Conformance to federal law.** If any provision of sections 270.071 to 270.079 is contrary to any provision of any law of the United States of America, hereinafter enacted, providing for or relating to the ad valorem taxation by a state of aircraft or flying equipment of an airline company, such provision shall be of no effect and the commissioner is authorized and directed to prescribe by rule such provisions as may be necessary to make sections 270.071 to 270.079 conform to the federal act and to effectuate the purposes of sections 270.071 to 270.079, provided such rules do not prescribe a rate of taxation higher than that provided in section 270.075 or a net tax capacity based on a percentage higher than that provided in section 270.074, subdivision ~~2~~ 3.

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

Sec. 2. Minnesota Statutes 2016, section 273.0755, is amended to read:

273.0755 TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.

(a) Beginning with the four-year period starting on July 1, 2000, every person licensed by the state Board of Assessors at the Accredited Minnesota Assessor level or higher, shall successfully complete a weeklong Minnesota laws course sponsored by the Department of Revenue at least once in every four-year period. An assessor need not attend the course if they successfully pass the test for the course.

(b) The commissioner of revenue may require that each county, and each city for which the city assessor performs the duties of county assessor, have (i) a person on the assessor's staff who is certified by the Department of Revenue in sales ratio calculations, (ii) an officer or employee who is certified by the Department of Revenue in tax calculations, and (iii) an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of assessment. The commissioner of revenue may require that each county have an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of tax lists. Certifications under this paragraph expire after four years.

(c) Beginning with the four-year educational licensing period starting on July 1, 2004, every Minnesota assessor licensed by the State Board of Assessors must attend and participate in a seminar that focuses on ethics, professional conduct and the need for standardized assessment practices developed and presented by the commissioner of revenue. This requirement must be met at least once in every subsequent four-year period. This requirement applies to all assessors licensed for one year or more in the four-year period.

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

Sec. 3. Minnesota Statutes 2016, section 273.135, subdivision 1, is amended to read:

Subdivision 1. **Reduction in tax; tax relief area.** The property tax to be paid in respect to property taxable within a tax relief area as defined in section 273.134, paragraph (b), on homestead property, as otherwise determined by law and regardless of the market value of the property, and on nonhomestead portions of property classified as both homestead and nonhomestead property as provided in section 273.124, subdivision 11, for all purposes shall be reduced in the amount prescribed by subdivision 2, subject to the limitations contained therein.

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

Sec. 4. Minnesota Statutes 2016, section 414.09, subdivision 2, is amended to read:

Subd. 2. **Transmittal of order.** The chief administrative law judge shall see that copies of the order are mailed to all parties entitled to mailed notice of hearing under subdivision 1, the secretary of state, ~~the Department of Revenue,~~ the state demographer, individual property owners if initiated in that manner, affected county auditor, and any other party of record. The affected county auditor shall record the order against the affected property.

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

Sec. 5. Minnesota Statutes 2016, section 477A.0124, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given them.

(b) "County program aid" means the sum of "county need aid," "county tax base equalization aid," and "county transition aid."

(c) "Age-adjusted population" means a county's population multiplied by the county age index.

(d) "County age index" means the percentage of the population ~~over~~ age 65 and over within the county divided by the percentage of the population ~~over~~ age 65 and over within the state, except that the age index for any county may not be greater than 1.8 nor less than 0.8.

(e) "Population ~~over~~ age 65 and over" means the population ~~over~~ age 65 and over established as of July 15 in an aid calculation year by the most recent federal census, by a special census conducted under contract with the United States Bureau of the Census, by a population estimate made by the Metropolitan Council, or by a population estimate of the state demographer made pursuant to section 4A.02, whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year and which has been certified to the commissioner of revenue on or before July 15 of the aid calculation year. A revision to an estimate or count is effective for these purposes only if certified to the commissioner on or before July 15 of the aid calculation year. Clerical errors in the certification or use of estimates and counts established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under section 477A.014.

(f) "Part I crimes" means the three-year average annual number of Part I crimes reported for each county by the Department of Public Safety for the most recent years available. By July 1 of each year, the commissioner of public safety shall certify to the commissioner of revenue the number of Part I crimes reported for each county for the three most recent calendar years available.

(g) "Households receiving food stamps" means the average monthly number of households receiving food stamps for the three most recent years for which data is available. By July 1 of each year, the commissioner of human services must certify to the commissioner of revenue the average monthly number of households in the state and in each county that receive food stamps, for the three most recent calendar years available.

(h) "County net tax capacity" means the county's adjusted net tax capacity under section 273.1325.

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

Sec. 6. Minnesota Statutes 2016, section 477A.013, subdivision 1, is amended to read:

Subdivision 1. **Towns.** (a) In 2014 and thereafter, each town is eligible for a distribution under this subdivision equal to the product of (i) its agricultural property factor, (ii) its town area factor, (iii) its population factor, and (iv) 0.0045. As used in this subdivision, the following terms have the meanings given them:

(1) "agricultural property factor" means the ratio of the adjusted net tax capacity of agricultural property located in a town, ~~divided by~~ to the adjusted net tax capacity of all other property located in the town. The agricultural property factor cannot exceed eight;

(2) "agricultural property" means property classified under section 273.13, as homestead and nonhomestead agricultural property, rural vacant land, and noncommercial seasonal recreational property;

(3) "town area factor" means the most recent estimate of total acreage, not to exceed 50,000 acres, located in the township available as of July 1 in the aid calculation year, estimated or established by:

(i) the United States Bureau of the Census;

(ii) the State Land Management Information Center; or

(iii) the secretary of state; and

(4) "population factor" means the square root of the towns' population.

(b) If the sum of the aids payable to all towns under this subdivision exceeds the limit under section 477A.03, subdivision 2c, the distribution to each town must be reduced proportionately so that the total amount of aids distributed under this section does not exceed the limit in section 477A.03, subdivision 2c.

(c) Data used in calculating aids to towns under this subdivision, other than acreage, shall be the most recently available data as of January 1 in the year in which the aid is calculated.

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

ARTICLE 23
DEPARTMENT OF REVENUE SALES AND USE, AND SPECIAL TAXES TECHNICAL PROVISIONS

Section 1. Minnesota Statutes 2016, section 270C.171, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) If a special law grants a local government unit or group of units the authority to impose a local tax other than sales tax, including but not limited to taxes such as lodging, entertainment, admissions, or food and beverage taxes, and the Department of Revenue either has agreed to or is required to administer the tax, such that the tax is reported and paid with the chapter 297A taxes, then ~~the local government unit or group of units must adopt~~ each ~~definition~~ term used in the special law is defined as follows:

(1) ~~the definition must be identical to the definition found~~ as defined in chapter 297A or in Minnesota Rules, chapter 8130; or

(2) if the specific term is not defined either in chapter 297A or in Minnesota Rules, chapter 8130, then ~~the definition must be~~ defined consistent with the position of the Department of Revenue as to the extent of the tax base.

(b) This subdivision does not apply to terms that are defined by the authorizing special law.

(c) This subdivision applies notwithstanding whether a local government unit or group of units adopts consistent definitions into local law.

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

Sec. 2. Minnesota Statutes 2016, section 298.01, subdivision 3, is amended to read:

Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of mining, refining, or producing ores, metals, or minerals in this state, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. For purposes of this subdivision, mining includes the application of hydrometallurgical processes. Hydrometallurgical processes are processes that extract the ores, metals, or minerals, by use of aqueous solutions that leach, concentrate, and recover the ore, metal, or mineral. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must be computed by applying to taxable income the rate of 2.45 percent. ~~A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:~~

~~(1) 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;~~

~~(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and~~

~~(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.~~

The tax is in addition to all other taxes.

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

Sec. 3. Minnesota Statutes 2016, section 298.01, subdivision 4, is amended to read:

Subd. 4. **Occupation tax; iron ore; taconite concentrates.** A person engaged in the business of mining or producing of iron ore, taconite concentrates or direct reduced ore in this state shall pay an occupation tax to the state of Minnesota. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax shall be computed by applying to taxable income the rate of 2.45 percent. ~~A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:~~

~~(1) 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;~~

~~(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and~~

~~(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.~~

The tax is in addition to all other taxes.

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

Sec. 4. Minnesota Statutes 2016, 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) The tax under paragraph (a) is also imposed upon other iron-bearing material. The tax on other iron-bearing material shall be imposed on the current year production. The rate of the tax imposed is the current year's tax rate.

~~(e)~~ (f) 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)~~ (g) 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)~~ (h)(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. 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~~ ore 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 the day following final enactment.

Sec. 5. Minnesota Statutes 2016, section 298.28, subdivision 2, is amended to read:

Subd. 2. **City or town where quarried or produced.** (a) 4.5 cents per gross ton of merchantable iron ore concentrate, hereinafter referred to as "taxable ton," plus the amount provided in paragraph (c), must be allocated to the city or town in the county in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among such subdivisions upon the basis of attributing 50 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each such taxing district. The commissioner's order making such apportionment shall be subject to review by the Tax Court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner.

(b)(1) Four cents per taxable ton shall be allocated to cities and organized townships affected by mining because their boundaries are within three miles of a taconite mine pit that:

(i) was actively mined by LTV Steel Mining Company in 1999; or

(ii) has been actively mined in at least one of the prior three years.

(2) If a city or town is located near more than one mine meeting ~~these~~ the criteria under this paragraph, the city or town is eligible to receive aid calculated from only the mine producing the largest taxable tonnage. When more than one municipality qualifies for aid based on one company's production, the aid must be apportioned among the municipalities in proportion to their populations. The amounts distributed under this paragraph to each municipality must be used for infrastructure improvement projects.

(c) The amount that would have been computed for the current year under Minnesota Statutes 2008, section 126C.21, subdivision 4, for a school district shall be distributed to the cities and townships within the school district in the proportion that their taxable net tax capacity within the school district bears to the taxable net tax capacity of the school district for property taxes payable in the year prior to distribution.

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

Sec. 6. Minnesota Statutes 2016, section 298.28, subdivision 5, is amended to read:

Subd. 5. **Counties.** (a) 21.05 cents per taxable ton for distributions in 2015 through 2023, and 26.05 cents per taxable ton for distributions beginning in 2024, is allocated to counties to be distributed, based upon certification by the commissioner of revenue, under paragraphs (b) to (d).

(b) 10.525 cents per taxable ton shall be distributed to the county in which the taconite is mined or quarried or in which the concentrate is produced, less any amount which is to be distributed pursuant to paragraph (c). The apportionment formula prescribed in subdivision 2 is the basis for the distribution.

(c) ~~If~~ 1.0 cent per taxable ton of the tax distributed to the counties under paragraph (b) shall be paid to a county that received a distribution under this section in 2000 because there was located in the county an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite ~~is located~~ in a different county ~~other than the county in which the mining and the concentrating processes are conducted, one cent per taxable ton of the tax distributed to the counties pursuant to paragraph (b) and imposed on and collected from such taxpayer shall be paid to the county in which the power plant is located~~.

(d) 10.525 cents per taxable ton for distributions in 2015 through 2023, and 15.525 cents per taxable ton for distributions beginning in 2024, shall be paid to the county from which the taconite was mined, quarried or concentrated to be deposited in the county road and bridge fund. If the mining, quarrying and concentrating, or separate steps in any of those processes are carried on in more than one county, the commissioner shall follow the apportionment formula prescribed in subdivision 2.

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

ARTICLE 24
DEPARTMENT OF REVENUE PROPERTY TAX AND LOCAL GOVERNMENT AID POLICY PROVISIONS

Section 1. Minnesota Statutes 2016, section 270.074, subdivision 1, is amended to read:

Subdivision 1. **Valuation.** The commissioner shall determine the market valuation of all flight property operated or used by every airline company in air commerce in this state. The valuation apportioned to this state of such flight property shall be the proportion of the total valuation thereof determined on the basis of the total of the following percentages:

~~(1) 33-1/3 percent of the percentage which the total tonnage of passengers, express and freight first received by the airline company in this state during the preceding calendar year plus the total tonnage of passengers, express and freight finally discharged by it within this state during the preceding calendar year is of the total of such tonnage first received by the airline company or finally discharged by it, within and without this state during the preceding calendar year.~~

~~(2) 33-1/3 percent of the percentage which, in equated plane hours, the total time of all aircraft of the airline company in flight in this state during the preceding calendar year, is of the total of such time in flight within and without this state during the preceding calendar year.~~

~~(3) 33-1/3~~ (1) 50 percent of the percentage which the number of revenue ton miles of passengers, mail, express and freight flown by the airline company within this state during the preceding calendar year is of the total number of such miles flown by it within and without this state during the preceding calendar year.

(2) 50 percent of the percentage that the total departures performed by the airline company within this state during the preceding calendar year is of the total departures performed within and without this state during the preceding calendar year.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 2. Minnesota Statutes 2016, section 272.025, subdivision 1, is amended to read:

Subdivision 1. **Statement of exemption.** (a) Except in the case of property owned by the state of Minnesota or any political subdivision thereof, ~~and property exempt from taxation under section 272.02, subdivisions 9, 10, 13, 15, 18, 20, and 22 to 25, and at the times provided in subdivision 3,~~ a taxpayer claiming an exemption from taxation on property described in section 272.02~~, subdivisions 2 to 33,~~ must file a statement of exemption with the assessor of the assessment district in which the property is located. By February 1, 2018, and by February 1 of each third year thereafter, the commissioner of revenue shall publish on its Web site a list of the exemptions for which a taxpayer claiming an exemption must file a statement of exemption. The commissioner's requirement that a taxpayer file a statement of exemption pursuant to this subdivision shall not be considered a rule and is not subject to the Administrative Procedure Act, chapter 14.

(b) A taxpayer claiming an exemption from taxation on property described in section 272.02, subdivision 10, must file a statement of exemption with the commissioner of revenue, on or before February 15 of each year for which the taxpayer claims an exemption.

(c) In case of sickness, absence or other disability or for good cause, the assessor or the commissioner may extend the time for filing the statement of exemption for a period not to exceed 60 days.

(d) The commissioner of revenue shall prescribe the form and contents of the statement of exemption.

EFFECTIVE DATE. This section is effective for applications for exemption submitted in 2018 and thereafter.

Sec. 3. Minnesota Statutes 2016, section 272.0295, is amended by adding a subdivision to read:

Subd. 8. **Extension.** The commissioner may, for good cause, extend the time for filing the report required by subdivision 4. The extension must not exceed 15 days.

EFFECTIVE DATE. This section is effective for reports filed in 2018 and thereafter.

Sec. 4. Minnesota Statutes 2016, section 272.115, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5 or 6, whenever any real estate is sold for a consideration in excess of ~~$1,000~~ $1,500, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for recording. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The items and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property, and shall include any proposed change in use of the property known to the person filing the certificate that could change the classification of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. If the property is being acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code of 1986, as amended through December 31, 2006, that must be indicated on the certificate. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate. The certificate of value must include the Social Security number or the federal employer identification number of the grantors and grantees. However, a married person who is not an owner of record and who is signing a conveyance instrument along with the person's spouse solely to release and convey their marital interest, if any, in the real property being conveyed is not a grantor for the purpose of the preceding sentence. A statement in the deed that is substantially in the following form is sufficient to allow the county auditor to accept a certificate for filing without the Social Security number of the named spouse: "(Name) claims no ownership interest in the real property being conveyed and is executing this instrument solely to release and convey a marital interest, if any, in that real property." The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown on the certificate of value is limited to the information required as of the date of the acknowledgment on the deed or other document to be recorded. The commissioner's determination of the amount for which a certificate of value is required pursuant to this subdivision shall not be considered a rule and is not subject to the Administrative Procedure Act, chapter 14.

EFFECTIVE DATE. This section is effective for certificates of value filed after December 31, 2017.

Sec. 5. Minnesota Statutes 2016, section 272.115, subdivision 2, is amended to read:

Subd. 2. **Form; information required.** The certificate of value shall require such facts and information as may be determined by the commissioner to be reasonably necessary in the administration of the state education aid formulas. The form of the certificate of value shall be prescribed by the Department of Revenue ~~which shall provide an adequate supply of forms to each county auditor~~.

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

Sec. 6. Minnesota Statutes 2016, section 272.115, subdivision 3, is amended to read:

Subd. 3. **Copies transmitted; homestead status.** The county auditor shall transmit ~~two true copies of~~ the certificate of value to the assessor who shall insert into the certificate of value the most recent market value and when available, the year of original construction of each parcel of property ~~on both copies~~, and shall transmit ~~one copy~~ the certificate of value to the Department of Revenue. Upon the request of a city council located within the county, a copy of each certificate of value for property located in that city shall be made available to the governing body of the city. The assessor shall remove the homestead classification for the following assessment year from a property which is sold or transferred, unless the grantee or the person to whom the property is transferred completes a homestead application under section 273.124, subdivision 13, and qualifies for homestead status.

EFFECTIVE DATE. This section is effective for certificates of value filed after December 31, 2017.

Sec. 7. Minnesota Statutes 2016, section 273.124, subdivision 13, is amended to read:

Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to receive homestead treatment.

(c) Every property owner applying for homestead classification must furnish to the county assessor the Social Security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and Social Security number of each owner's spouse ~~who occupies the property~~. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and Social Security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The Social Security number of each relative occupying the property and the name and Social Security number of the spouse of a relative occupying the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The Social Security number of a relative occupying the property or ~~relative's~~ the spouse of a relative occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(e) The homestead application shall also notify the property owners that if the property is granted homestead status for any assessment year, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

EFFECTIVE DATE. This section is effective for applications for homestead filed in 2018 and thereafter.

Sec. 8. Minnesota Statutes 2016, section 273.124, subdivision 13d, is amended to read:

Subd. 13d. **Homestead data.** On or before April 30 each year beginning in 2007, each county must provide the commissioner with the following data for each parcel of homestead property by electronic means as defined in section 289A.02, subdivision 8:

(1) the property identification number assigned to the parcel for purposes of taxes payable in the current year;

(2) the name and Social Security number of each occupant of homestead property who is the property owner~~,~~ ~~property owner's spouse,~~ or qualifying relative of a property owner, and the spouse of the property owner who occupies homestead property or spouse of a qualifying relative of a property owner who occupies homestead property;

(3) the classification of the property under section 273.13 for taxes payable in the current year and in the prior year;

(4) an indication of whether the property was classified as a homestead for taxes payable in the current year because of occupancy by a relative of the owner or by a spouse of a relative;

(5) the property taxes payable as defined in section 290A.03, subdivision 13, for the current year and the prior year;

(6) the market value of improvements to the property first assessed for tax purposes for taxes payable in the current year;

(7) the assessor's estimated market value assigned to the property for taxes payable in the current year and the prior year;

(8) the taxable market value assigned to the property for taxes payable in the current year and the prior year;

(9) whether there are delinquent property taxes owing on the homestead;

(10) the unique taxing district in which the property is located; and

(11) such other information as the commissioner decides is necessary.

The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

EFFECTIVE DATE. This section is effective for applications for homestead filed in 2018 and thereafter.

Sec. 9. Minnesota Statutes 2016, section 274.014, subdivision 3, is amended to read:

Subd. 3. **Proof of compliance; transfer of duties.** (a) Any city or town that conducts local boards of appeal and equalization meetings must ~~provide proof to the county assessor by February 1 that it is in compliance~~ comply with the training requirements of subdivision 2 by February 1, by having at least one member who has attended an appeals and equalization course described in subdivision 2 within the last four years. ~~This notice must also verify~~

~~that there was a quorum of voting members at each meeting of the board of appeal and equalization in the previous year.~~ A city or town that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the county for a minimum of two assessment years, beginning with the current year's assessment and continuing thereafter unless the powers are reinstated under paragraph (c).

(b) The county shall notify the taxpayers when the board of appeal and equalization for a city or town has been transferred to the county under this subdivision and, prior to the meeting time of the county board of equalization, the county shall make available to those taxpayers a procedure for a review of the assessments, including, but not limited to, open book meetings. This alternate review process shall take place in April and May.

(c) A local board whose powers are transferred to the county under this subdivision may be reinstated by resolution of the governing body of the city or town and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the county assessor by February 1 in order to be effective for the following year's assessment.

(d) A local board whose powers are transferred to the county under this subdivision may continue to employ a local assessor and is not deemed to have transferred its powers to make assessments.

EFFECTIVE DATE. This section is effective for board of appeal and equalization meetings held in 2018 and thereafter.

Sec. 10. Minnesota Statutes 2016, section 274.135, subdivision 3, is amended to read:

Subd. 3. **Proof of compliance; transfer of duties.** (a) Any county that conducts county boards of appeal and equalization meetings must ~~provide proof to the commissioner by December 1, 2009, and each year thereafter, that it is in compliance~~ comply with the training requirements of subdivision 2 by February 1, by having at least one member who has attended an appeals and equalization course described in subdivision 2 within the last four years. ~~Beginning in 2009, this notice must also verify that there was a quorum of voting members at each meeting of the board of appeal and equalization in the current year.~~ A county that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the special board of equalization appointed pursuant to section 274.13, subdivision 2, for a minimum of two assessment years, beginning with the following year's assessment and continuing thereafter unless the powers are reinstated under paragraph (c). A county that does not comply with the requirements of subdivision 2 and has not appointed a special board of equalization shall appoint a special board of equalization before the following year's assessment.

(b) The county shall notify the taxpayers when the board of appeal and equalization for a county has been transferred to the special board of equalization under this subdivision and, prior to the meeting time of the special board of equalization, the county shall make available to those taxpayers a procedure for a review of the assessments, including, but not limited to, open book meetings. This alternate review process must take place in April and May.

(c) A county board whose powers are transferred to the special board of equalization under this subdivision may be reinstated by resolution of the county board and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the commissioner by December 1 in order to be effective for the following year's assessment.

(d) If a person who was entitled to appeal to the county board of appeal and equalization or to the county special board of equalization is not able to do so in a particular year because the county board or special board did not meet the quorum and training requirements in this section and section 274.13, or because the special board was not appointed, that person may instead appeal to the commissioner of revenue, provided that the appeal is received by the commissioner prior to August 1. The appeal is not subject to either chapter 14 or section 270C.92. The commissioner must issue an appropriate order to the county assessor in response to each timely appeal, either upholding or changing the valuation or classification of the property. Prior to October 1 of each year, the commissioner must charge and bill the county where the property is located $500 for each tax parcel covered by an order issued under this paragraph in that year. Amounts received by the commissioner under this paragraph must be deposited in the state's general fund. If payment of a billed amount is not received by the commissioner before December 1 of the year when billed, the commissioner must deduct that unpaid amount from any state aid the commissioner would otherwise pay to the county under chapter 477A in the next year. Late payments may either be returned to the county uncashed and undeposited or may be accepted. If a late payment is accepted, the state aid paid to the county under chapter 477A must be adjusted within 12 months to eliminate any reduction that occurred because the payment was late. Amounts needed to make these adjustments are included in the appropriation under section 477A.03, subdivision 2.

EFFECTIVE DATE. This section is effective for board of appeal and equalization meetings held in 2018 and thereafter.

Sec. 11. **REPEALER.**

Minnesota Statutes 2016, section 270.074, subdivision 2, is repealed.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

ARTICLE 25
DEPARTMENT OF REVENUE SALES AND USE,
AND SPECIAL TAXES POLICY PROVISIONS

Section 1. Minnesota Statutes 2016, section 84.82, subdivision 10, is amended to read:

Subd. 10. **Proof of sales tax payment; collection and refund.** (a) A person applying for initial registration of a snowmobile must provide a ~~snowmobile purchaser's certificate, showing a complete description of the snowmobile, the seller's name and address, the full purchase price of the snowmobile, and the trade-in allowance, if any. The certificate must include information showing either~~ receipt, invoice, or other document to prove that:

(1) ~~that~~ the sales and use tax under chapter 297A was paid ~~or~~;

(2) the purchase was exempt from tax under chapter 297A~~. The commissioner of public safety, in consultation with the commissioner and the commissioner of revenue, shall prescribe the form of the certificate. The certificate is not required if the applicant provides a receipt, invoice, or other document that shows~~; or

(3) the snowmobile was purchased from a retailer that is maintaining a place of business in this state as defined in section 297A.66, subdivision 1, and is a dealer.

(b) The commissioner or authorized deputy registrars, acting as agents of the commissioner of revenue under an agreement between the commissioner and the commissioner of revenue, as provided in section 297A.825:

(1) must collect use tax from the applicant if the applicant does not provide the proof required under paragraph (a); and

(2) are authorized to issue refunds of use tax paid to them in error.

(c) Subdivision 11 does not apply to refunds under this subdivision.

EFFECTIVE DATE. This section is effective for snowmobiles registered after June 30, 2017.

Sec. 2. Minnesota Statutes 2016, section 84.922, subdivision 11, is amended to read:

Subd. 11. **Proof of sales tax payment; collection and refund.** (a) A person applying for initial registration in Minnesota of an all-terrain vehicle ~~shall~~ must provide a ~~purchaser's certificate showing a complete description of the all-terrain vehicle, the seller's name and address, the full purchase price of the all-terrain vehicle, and the trade-in allowance, if any. The certificate also must include information showing either~~ receipt, invoice, or other document to prove that:

(1) the sales and use tax under chapter 297A was paid~~, or~~;

(2) the purchase was exempt from tax under chapter 297A~~. The certificate is not required if the applicant provides a receipt, invoice, or other document that shows~~; or

(3) the all-terrain vehicle was purchased from a retailer that is maintaining a place of business in this state as defined in section 297A.66, subdivision 1, and is a dealer.

(b) The commissioner or authorized deputy registrars, acting as agents of the commissioner of revenue under an agreement between the commissioner and the commissioner of revenue, as provided in section 297A.825:

(1) must collect use tax from the applicant if the applicant does not provide the proof required under paragraph (a); and

(2) are authorized to issue refunds of use tax paid to them in error.

(c) Subdivision 12 does not apply to refunds under this subdivision.

EFFECTIVE DATE. This section is effective for all-terrain vehicles registered after June 30, 2017.

Sec. 3. Minnesota Statutes 2016, section 86B.401, subdivision 12, is amended to read:

Subd. 12. **Proof of sales tax payment; collection and refund.** (a) A person applying for initial licensing of a watercraft must provide a ~~watercraft purchaser's certificate, showing a complete description of the watercraft, the seller's name and address, the full purchase price of the watercraft, and the trade-in allowance, if any. The certificate must include information showing either~~ receipt, invoice, or other document to prove that:

(1) ~~that~~ the sales and use tax under chapter 297A was paid ~~or~~;

(2) the purchase was exempt from tax under chapter 297A~~. The commissioner of public safety, in consultation with the commissioner and the commissioner of revenue, shall prescribe the form of the certificate. The certificate is not required if the applicant provides a receipt, invoice, or other document that shows~~; or

(3) the watercraft was purchased from a retailer that is maintaining a place of business in this state as defined in section 297A.66, subdivision 1, and is a dealer.

(b) The commissioner or authorized deputy registrars, acting as agents of the commissioner of revenue under an agreement between the commissioner and the commissioner of revenue, as provided in section 297A.825:

(1) must collect use tax from the applicant if the applicant does not provide the proof required under paragraph (a); and

(2) are authorized to issue refunds of use tax paid to them in error.

(c) Section 86B.415, subdivision 11, does not apply to refunds under this subdivision.

EFFECTIVE DATE. This section is effective for watercraft licensed after June 30, 2017.

Sec. 4. Minnesota Statutes 2016, section 270B.14, is amended by adding a subdivision to read:

Subd. 20. **Department of Natural Resources; authorized deputy registrars of motor vehicles.** The commissioner may disclose return information related to the taxes imposed by chapter 297A to the Department of Natural Resources or an authorized deputy registrar of motor vehicles only:

(1) if the commissioner has an agreement with the commissioner of natural resources under section 297A.825, subdivision 1; and

(2) to the extent necessary for the Department of Natural Resources or an authorized deputy registrar of motor vehicles, as agents for the commissioner, to verify that the applicable sales or use tax has been paid or that a sales tax exemption applies on the purchase of a snowmobile, all-terrain vehicle, or watercraft, and to administer sections 84.82, subdivision 10; 84.922, subdivision 11; 86B.401, subdivision 12; and 297A.825, regarding either their collection of use tax or their issuance of refunds to applicants of use tax paid to them in error.

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

Sec. 5. Minnesota Statutes 2016, section 270B.14, is amended by adding a subdivision to read:

Subd. 21. **Department of Transportation.** The commissioner may disclose return information related to the taxes imposed by chapter 297A to the Department of Transportation only:

(1) if the commissioner has an agreement with the commissioner of transportation under section 297A.82, subdivision 7; and

(2) to the extent necessary for the Department of Transportation, as agent for the commissioner, to verify that the applicable sales or use tax has been paid or that a sales tax exemption applies on the lease, purchase, or sale of an aircraft by an individual or business who owns and operates the aircraft that must be registered or licensed in Minnesota under section 360.018, and to otherwise administer section 297A.82, regarding the collection of tax by the Department of Transportation.

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

Sec. 6. Minnesota Statutes 2016, section 289A.50, subdivision 2a, is amended to read:

Subd. 2a. **Refund of sales tax to purchasers.** (a) If a vendor has collected from a purchaser a tax on a transaction that is not subject to the tax imposed by chapter 297A, the purchaser may apply directly to the commissioner for a refund under this section if:

(1) the purchaser is currently registered or was registered during the period of the claim, to collect and remit the sales tax or to remit the use tax; and

(2) either

(i) the amount of the refund to be applied for exceeds $500, or

(ii) the amount of the refund to be applied for does not exceed $500, but the purchaser also applies for a capital equipment claim at the same time, and the total of the two refunds exceeds $500.

(b) The purchaser may not file more than two applications for refund under this subdivision in a calendar year.

(c) Refunds shall not be issued for sales for resale where the vendor has a published no resale policy.

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

Sec. 7. Minnesota Statutes 2016, section 296A.01, subdivision 7, is amended to read:

Subd. 7. **Aviation gasoline.** "Aviation gasoline" means any gasoline that is ~~capable of use for the purpose of producing or generating~~ used to produce or generate power for propelling internal combustion engine aircraft~~, that meets the specifications in ASTM specification D910-11, and that either:~~.

~~(1) is~~ Aviation gasoline includes any such gasoline invoiced and billed by a producer, manufacturer, refiner, or blender to a distributor or dealer, by a distributor to a dealer or consumer, or by a dealer to consumer, as "aviation gasoline"~~; or~~ that meets specifications in ASTM specification D910-16 or any other ASTM specification as gasoline appropriate for use in producing or generating power for propelling internal combustion engine aircraft.

~~(2) whether or not invoiced and billed as provided in clause (1), is received, sold, stored, or withdrawn from storage by any person, to be used for the purpose of producing or generating power for propelling internal combustion engine aircraft.~~

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

Sec. 8. **[297A.825] SNOWMOBILES; ALL-TERRAIN VEHICLES; WATERCRAFT; PAYMENT OF TAXES; REFUNDS.**

Subdivision 1. **Agreement with commissioners of natural resources and public safety; collection and refunds.** The commissioner may enter into an agreement with the commissioner of natural resources, in consultation with the commissioner of public safety, that provides that:

(1) the commissioner of natural resources and authorized deputy registrars of motor vehicles must collect use tax on snowmobiles, all-terrain vehicles, and watercraft from persons applying for initial registration or license of the item unless the applicant provides a receipt, invoice, or other document to prove that:

(i) sales tax was paid on the purchase;

(ii) the purchase was exempt under this chapter;

(iii) use tax was paid to the commissioner in a form prescribed by the commissioner; or

(iv) the item was purchased from a retailer that is maintaining a place of business in this state as defined in section 297A.66, subdivision 1, and is a dealer as defined in section 84.81, subdivision 10; 84.92, subdivision 3; or 86B.005, subdivision 4; and

(2) the commissioner of natural resources and authorized deputy registrars of motor vehicles are authorized to issue refunds of use tax paid to them in error, meaning that either the sales or use tax had already been paid or that the purchase was exempt from tax under this chapter.

Subd. 2. **Agents.** For the purposes of collecting or refunding the tax under this section, the commissioner of natural resources and authorized deputy registrars of motor vehicles are the agents of the commissioner and are subject to, and must strictly comply with, all rules consistent with this chapter prescribed by the commissioner.

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

Sec. 9. Minnesota Statutes 2016, section 297B.07, is amended to read:

297B.07 PRESUMPTIONS.

Subdivision 1. **Presumption; sale and registration.** For the purpose of the proper administration of ~~Laws 1971, chapter 853~~ this chapter, and to prevent evasion of the tax, the following presumptions shall apply:

(a) Evidence that a motor vehicle was sold for delivery in this state shall be prima facie evidence that it was sold for use in this state.

(b) When an application for registration plates for a motor vehicle is received by the motor vehicle registrar within 30 days of the date it was purchased or acquired by the purchaser, it shall be presumed, until the contrary is shown by the purchaser, that it was purchased or acquired for use in this state. This presumption shall apply whether or not such vehicle was previously titled or registered in another state.

Subd. 2. **Presumption; ownership.** (a) When a business entity not organized under the laws of this state owns a motor vehicle that is under the control of a Minnesota resident, it is presumed that the Minnesota resident is the owner of the motor vehicle if two or more of the following are true:

(1) the business entity lacks a specific business activity or purpose other than the avoidance of tax;

(2) the business entity maintains no physical location in the jurisdiction where it is organized;

(3) the business entity earns de minimis or no revenue;

(4) the business entity maintains minimal or no business records;

(5) the business entity fails to employ individual persons and provide those persons with federal income tax W-2 wage and tax statements; or

(6) the business entity fails to file federal income tax returns or fails to file a required state tax return where it is organized.

(b) For purposes of this subdivision, a motor vehicle is under the control of a Minnesota resident if the Minnesota resident:

(1) is a partner, member, or shareholder of the business entity;

(2) is insured to drive the vehicle; and

(3) operates or stores the vehicle in Minnesota for any period of time.

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

Sec. 10. Minnesota Statutes 2016, section 297I.30, subdivision 7, is amended to read:

Subd. 7. **Surcharge.** ~~(a) By April 30 of each year, every company required to pay the surcharge under section 297I.10, subdivision 1, shall file a return for the five-month period ending March 31 in the form prescribed by the commissioner.~~

~~(b)~~ (a) By June 30 of each year, every company required to pay the surcharge under section 297I.10, subdivision 1, shall file a return for the ~~two-month~~ seven-month period ending May 31 in the form prescribed by the commissioner.

~~(c)~~ (b) By November 30 of each year, every company required to pay the surcharge under section 297I.10, subdivision 1, shall file a return for the five-month period ending October 31 in the form prescribed by the commissioner.

EFFECTIVE DATE. This section is effective for returns due after October 31, 2017.

Sec. 11. **REPEALER.**

Minnesota Rules, part 8125.1300, subpart 3, is repealed.

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

ARTICLE 26
DEPARTMENT OF REVENUE PAID PREPARER POLICY PROVISIONS

Section 1. Minnesota Statutes 2016, section 270C.445, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For purposes of this section and sections 270C.4451 to 270C.447, the following terms have the meanings given.

(b) "Advertise" means to solicit business through any means or medium.

(c) "Client" means ~~an individual~~ a person for whom a tax preparer performs or agrees to perform tax preparation services.

(d) "Facilitate" means to individually or in conjunction or cooperation with another person:

(1) accept an application for a refund anticipation loan;

(2) pay to a client the proceeds, through direct deposit, a negotiable instrument, or any other means, of a refund anticipation loan; or

(3) offer, arrange, process, provide, or in any other manner act to allow the making of, a refund anticipation loan.

~~(e) "Person" means an individual, corporation, partnership, limited liability company, association, trustee, or other legal entity.~~

~~(f)~~ (e) "Refund anticipation check" means a negotiable instrument provided to a client by the tax preparer or another person, which is issued from the proceeds of a taxpayer's federal or state income tax refund or both and represents the net of the refund minus the tax preparation fee and any other fees. A refund anticipation check includes a refund transfer.

~~(g)~~ (f) "Refund anticipation loan" means a loan or any other extension of credit, whether provided by the tax preparer or another entity such as a financial institution, in anticipation of, and whose payment is secured by, a client's federal or state income tax refund or both.

~~(h)~~ (g) "Tax preparation services" means services provided for ~~a fee or other consideration~~ compensation to a client to:

(1) assist with preparing or filing ~~state or federal individual income tax returns~~ a return;

(2) assume final responsibility for completed work on ~~an individual income tax~~ a return on which preliminary work has been done by another; ~~or~~

(3) sign or include on a return the preparer tax identification number required under section 6109(a)(4) of the Internal Revenue Code; or

~~(3)~~ (4) facilitate the provision of a refund anticipation ~~loans and~~ loan or a refund anticipation ~~checks~~ check.

~~(i)~~ (h) "Tax preparer" or "preparer" means a person providing tax preparation services ~~subject to this section.~~ except:

(1) an employee who prepares their employer's return;

(2) any fiduciary, or the regular employees of a fiduciary, while acting on behalf of the fiduciary estate, testator, trustor, grantor, or beneficiaries of them;

(3) nonprofit organizations providing tax preparation services under the Internal Revenue Service Volunteer Income Tax Assistance Program or Tax Counseling for the Elderly Program;

(4) a person who merely furnishes typing, reproducing, or other mechanical assistance;

(5) a third-party bulk filer as defined in section 290.92, subdivision 30, that is currently registered with the commissioner; and

(6) a certified service provider as defined in section 297A.995, subdivision 2, paragraph (c), that provides all of the sales tax functions for a retailer not maintaining a place of business in this state as described in section 297A.66.

(i) Except as otherwise provided, "return" means:

(1) a return as defined in section 270C.01, subdivision 8;

(2) a claim for refund of an overpayment;

(3) a claim filed pursuant to chapter 290A; and

(4) a claim for a credit filed under section 290.0677, subdivision 1.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 2. Minnesota Statutes 2016, section 270C.445, subdivision 3, is amended to read:

Subd. 3. **Standards of conduct.** No tax preparer shall:

(1) without good cause fail to promptly, diligently, and without unreasonable delay complete a client's ~~tax~~ return;

(2) obtain the signature of a client to a ~~tax~~ return or authorizing document that contains blank spaces to be filled in after it has been signed;

(3) fail to sign a client's ~~tax~~ return when ~~payment~~ compensation for services rendered has been made;

(4) fail to provide on a client's return the preparer tax identification number when required under section 6109(a)(4) of the Internal Revenue Code or section 289A.60, subdivision 28;

~~(4)~~ (5) fail or refuse to give a client a copy of any document requiring the client's signature within a reasonable time after the client signs the document;

~~(5)~~ (6) fail to retain for at least four years a copy of ~~individual income tax~~ a client's returns;

~~(6)~~ (7) fail to maintain a confidential relationship with clients or former clients;

~~(7)~~ (8) fail to take commercially reasonable measures to safeguard a client's nonpublic personal information;

~~(8)~~ (9) make, authorize, publish, disseminate, circulate, or cause to make, either directly or indirectly, any false, deceptive, or misleading statement or representation relating to or in connection with the offering or provision of tax preparation services;

~~(9)~~ (10) require a client to enter into a loan arrangement in order to complete a ~~tax~~ client's return;

~~(10)~~ (11) claim credits or deductions on a client's ~~tax~~ return for which the tax preparer knows or reasonably should know the client does not qualify;

(12) report a household income on a client's claim filed under chapter 290A that the tax preparer knows or reasonably should know is not accurate;

(13) engage in any conduct that is subject to a penalty under section 289A.60, subdivision 13, 20, 20a, 26, or 28;

(14) whether or not acting as a taxpayer representative, fail to conform to the standards of conduct required by Minnesota Rules, part 8052.0300, subpart 4;

(15) whether or not acting as a taxpayer representative, engage in any conduct that is incompetent conduct under Minnesota Rules, part 8052.0300, subpart 5;

(16) whether or not acting as a taxpayer representative, engage in any conduct that is disreputable conduct under Minnesota Rules, part 8052.0300, subpart 6;

~~(11)~~ (17) charge, offer to accept, or accept a fee based upon a percentage of an anticipated refund for tax preparation services;

~~(12)~~ (18) under any circumstances, withhold or fail to return to a client a document provided by the client for use in preparing the client's ~~tax~~ return;

~~(13)~~ (19) establish an account in the preparer's name to receive a client's refund through a direct deposit or any other instrument unless the client's name is also on the account, except that a taxpayer may assign the portion of a refund representing the Minnesota education credit available under section 290.0674 to a bank account without the client's name, as provided under section 290.0679;

~~(14)~~ (20) fail to act in the best interests of the client;

~~(15)~~ (21) fail to safeguard and account for any money handled for the client;

~~(16)~~ (22) fail to disclose all material facts of which the preparer has knowledge which might reasonably affect the client's rights and interests;

~~(17)~~ (23) violate any provision of section 332.37;

~~(18)~~ (24) include any of the following in any document provided or signed in connection with the provision of tax preparation services:

(i) a hold harmless clause;

(ii) a confession of judgment or a power of attorney to confess judgment against the client or appear as the client in any judicial proceeding;

(iii) a waiver of the right to a jury trial, if applicable, in any action brought by or against a debtor;

(iv) an assignment of or an order for payment of wages or other compensation for services;

(v) a provision in which the client agrees not to assert any claim or defense otherwise available;

(vi) a waiver of any provision of this section or a release of any obligation required to be performed on the part of the tax preparer; or

(vii) a waiver of the right to injunctive, declaratory, or other equitable relief or relief on a class basis; or

~~(19)~~ (25) if making, providing, or facilitating a refund anticipation loan, fail to provide all disclosures required by the federal Truth in Lending Act, United States Code, title 15, in a form that may be retained by the client.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 3. Minnesota Statutes 2016, section 270C.445, subdivision 5a, is amended to read:

Subd. 5a. **Nongame wildlife checkoff.** A tax preparer must give written notice of the option to contribute to the nongame wildlife management account in section 290.431 to corporate clients that file an income tax return and to individual clients who file an income tax return or ~~property tax refund~~ claim ~~form~~ under chapter 290A. This notification must be included with information sent to the client at the same time as the preliminary worksheets or other documents used in preparing the client's return and must include a line for displaying contributions.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 4. Minnesota Statutes 2016, section 270C.445, subdivision 6, is amended to read:

Subd. 6. **Enforcement; administrative order; penalties; cease and desist.** (a) The commissioner may impose an administrative penalty of not more than $1,000 per violation of subdivision 3~~, 3a, 4, 5, or 5b~~ or 5, or section 270C.4451, provided that a penalty may not be imposed for any conduct ~~that is also subject to the~~ for which a tax ~~return~~ preparer ~~penalties in~~ penalty is imposed under section 289A.60, subdivision 13. The commissioner may terminate a tax preparer's authority to transmit returns electronically to the state, if the commissioner determines the tax preparer engaged in a pattern and practice of violating this section. Imposition of a penalty under this ~~subdivision~~ paragraph is subject to the contested case procedure under chapter 14. The commissioner shall collect the penalty in the same manner as the income tax. There is no right to make a claim for refund under section 289A.50 of the penalty imposed under this paragraph. Penalties imposed under this ~~subdivision~~ paragraph are public data.

(b) In addition to the penalty under paragraph (a), if the commissioner determines that a tax preparer has violated subdivision 3 or 5, or section 270C.4451, the commissioner may issue an administrative order to the tax preparer requiring the tax preparer to cease and desist from committing the violation. The administrative order may include an administrative penalty provided in paragraph (a).

(c) If the commissioner issues an administrative order under paragraph (b), the commissioner must send the order to the tax preparer addressed to the last known address of the tax preparer.

(d) A cease and desist order under paragraph (b) must:

(1) describe the act, conduct, or practice committed and include a reference to the law that the act, conduct, or practice violates; and

(2) provide notice that the tax preparer may request a hearing as provided in this subdivision.

(e) Within 30 days after the commissioner issues an administrative order under paragraph (b), the tax preparer may request a hearing to review the commissioner's action. The request for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed.

(f) If a tax preparer does not timely request a hearing regarding an administrative order issued under paragraph (b), the order becomes a final order of the commissioner and is not subject to review by any court or agency.

(g) If a tax preparer timely requests a hearing regarding an administrative order issued under paragraph (b), the hearing must be commenced within ten days after the commissioner receives the request for a hearing.

(h) A hearing timely requested under paragraph (e) is subject to the contested case procedure under chapter 14, as modified by this subdivision. The administrative law judge must issue a report containing findings of fact, conclusions of law, and a recommended order within ten days after the completion of the hearing, the receipt of late-filed exhibits, or the submission of written arguments, whichever is later.

(i) Within five days of the date of the administrative law judge's report issued under paragraph (h), any party aggrieved by the administrative law judge's report may submit written exceptions and arguments to the commissioner. Within 15 days after receiving the administrative law judge's report, the commissioner must issue an order vacating, modifying, or making final the administrative order.

(j) The commissioner and the tax preparer requesting a hearing may by agreement lengthen any time periods prescribed in paragraphs (g) to (i).

(k) An administrative order issued under paragraph (b) is in effect until it is modified or vacated by the commissioner or an appellate court. The administrative hearing provided by paragraphs (e) to (i) and any appellate judicial review as provided in chapter 14 constitute the exclusive remedy for a tax preparer aggrieved by the order.

(l) The commissioner may impose an administrative penalty, in addition to the penalty under paragraph (a), up to $5,000 per violation of a cease and desist order issued under paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under this paragraph, the tax preparer assessed the penalty may request a hearing to review the penalty order. The request for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The cease and desist order issued under paragraph (b) is not subject to review in a proceeding to challenge the penalty order under this paragraph. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed. If the tax preparer does not timely request a hearing, the penalty order becomes a final order of the commissioner and is not subject to review by any court or agency. A penalty imposed by the commissioner under this paragraph may be collected and enforced by the commissioner as an income tax liability. There is no right to make a claim for refund under section 289A.50 of the penalty imposed under this paragraph. A penalty imposed under this paragraph is public data.

(m) If a tax preparer violates a cease and desist order issued under paragraph (b), the commissioner may terminate the tax preparer's authority to transmit returns electronically to the state. Termination under this paragraph is public data.

(n) A cease and desist order issued under paragraph (b) is public data when it is a final order.

(o) Notwithstanding any other law, the commissioner may impose a penalty or take other action under this subdivision against a tax preparer, with respect to a return, within the period to assess tax on that return as provided by section 289A.38.

(p) Notwithstanding any other law, the imposition of a penalty or any other action against a tax preparer under this subdivision, other than with respect to a return, must be taken by the commissioner within five years of the violation of statute.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 5. Minnesota Statutes 2016, section 270C.445, subdivision 6a, is amended to read:

Subd. 6a. **Exchange of data; State Board of Accountancy.** The State Board of Accountancy shall refer to the commissioner complaints it receives about tax preparers who are not subject to the jurisdiction of the State Board of Accountancy and who are alleged to have violated the provisions of ~~subdivisions 3, 3a, 4, 4a, 4b, 5, and 5b~~ this section, except subdivision 5a, or section 270C.4451.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 6. Minnesota Statutes 2016, section 270C.445, subdivision 6b, is amended to read:

Subd. 6b. **Exchange of data; Lawyers Board of Professional Responsibility.** The Lawyers Board of Professional Responsibility may refer to the commissioner complaints it receives about tax preparers who are not subject to its jurisdiction and who are alleged to have violated the provisions of ~~subdivisions 3, 3a, 4, 4a, 4b, 5, and 5b~~ this section, except subdivision 5a, or section 270C.4451.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 7. Minnesota Statutes 2016, section 270C.445, subdivision 6c, is amended to read:

Subd. 6c. **Exchange of data; commissioner.** The commissioner shall refer information and complaints about tax preparers who are alleged to have violated the provisions of ~~subdivisions 3, 3a, 4, 4a, 4b, 5, and 5b~~ this section, except subdivision 5a, or section 270C.4451, to:

(1) the State Board of Accountancy, if the tax preparer is under its jurisdiction; and

(2) the Lawyers Board of Professional Responsibility, if the tax preparer is under its jurisdiction.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 8. Minnesota Statutes 2016, section 270C.445, subdivision 7, is amended to read:

Subd. 7. **Enforcement; civil actions.** (a) Any violation of this section or section 270C.4451 is an unfair, deceptive, and unlawful trade practice within the meaning of section 8.31. An action taken under this section is in the public interest.

(b) A client may bring a civil action seeking redress for a violation of this section in the conciliation or the district court of the county in which unlawful action is alleged to have been committed or where the respondent resides or has a principal place of business.

(c) A court finding for the plaintiff must award:

(1) actual damages;

(2) incidental and consequential damages;

(3) statutory damages of twice the sum of: (i) the tax preparation fees; and (ii) if the plaintiff violated ~~subdivision 3a, 4, or 5b~~ section 270C.4451, subdivision 1, 2, or 5, all interest and fees for a refund anticipation loan;

(4) reasonable attorney fees;

(5) court costs; and

(6) any other equitable relief as the court considers appropriate.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 9. Minnesota Statutes 2016, section 270C.445, subdivision 8, is amended to read:

Subd. 8. **Limited exemptions.** (a) Except as provided in paragraph (b), the provisions of ~~this section, except for subdivisions 3a, 4, and 5b,~~ subdivisions 3; 5; 5a; 6, paragraphs (a) to (n); and 7, do not apply to:

(1) an attorney admitted to practice under section 481.01;

(2) a registered accounting practitioner, a registered accounting practitioner firm, a certified public accountant~~,~~ or ~~other person who is subject to the jurisdiction of the State Board of Accountancy~~ a certified public accountant firm, licensed in accordance with chapter 326A;

(3) an enrolled agent who has passed the special enrollment examination administered by the Internal Revenue Service; ~~or~~

(4) ~~anyone~~ a person who provides, or assists in providing, tax preparation services within the scope of duties as an employee ~~or supervisor~~ under the direction or supervision of a person who is exempt under this subdivision~~.~~; or

(5) a person acting as a supervisor to a tax preparer who is exempt under this subdivision.

(b) The provisions of subdivisions 3; 6, paragraphs (a) to (n); and 7, apply to a tax preparer who would otherwise be exempt under paragraph (a) if the tax preparer has:

(1) had a professional license suspended or revoked for cause, not including a failure to pay a professional licensing fee, by any authority of any state, territory, or possession of the United States, including a commonwealth, or the District of Columbia, any federal court of record, or any federal agency, body, or board;

(2) irrespective of whether an appeal has been taken, been convicted of any crime involving dishonesty or breach of trust;

(3) been censured, suspended, or disbarred under United States Treasury Department Circular 230;

(4) been sanctioned by a court of competent jurisdiction, whether in a civil or criminal proceeding, including suits for injunctive relief, relating to any taxpayer's tax liability or the tax preparer's own tax liability, for:

(i) instituting or maintaining proceedings primarily for delay;

(ii) advancing frivolous or groundless arguments; or

(iii) failing to pursue available administrative remedies; or

(5) demonstrated a pattern of willful disreputable conduct by:

(i) failing to file a return that the tax preparer was required to file annually for two of the three immediately preceding tax periods; or

(ii) failing to file a return that the tax preparer was required to file more frequently than annually for three of the six immediately preceding tax periods.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 10. Minnesota Statutes 2016, section 270C.445, is amended by adding a subdivision to read:

Subd. 9. **Powers additional.** The powers and authority granted in this section are in addition to all other powers of the commissioner. The use of the powers granted in this section does not preclude the use of any other power or authority of the commissioner.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 11. Minnesota Statutes 2016, section 270C.446, subdivision 2, is amended to read:

Subd. 2. **Required and excluded tax preparers.** (a) Subject to the limitations of paragraph (b), the commissioner must publish lists of tax preparers as defined in section ~~289A.60, subdivision 13, paragraph (f)~~ 270C.445, subdivision 2, paragraph (h), who have been:

(1) convicted under section 289A.63 ~~for returns or claims prepared as a tax preparer or~~;

(2) assessed penalties in excess of $1,000 under section 289A.60, subdivision 13, paragraph (a)~~.~~;

(3) convicted for identity theft under section 609.527, or a similar statute, for a return filed with the commissioner, the Internal Revenue Service, or another state;

(4) assessed a penalty under section 270C.445, subdivision 6, paragraph (a), in excess of $1,000;

(5) issued a cease and desist order under section 270C.445, subdivision 6, paragraph (b), that has become a final order; or

(6) assessed a penalty under section 270C.445, subdivision 6, paragraph (l), for violating a cease and desist order.

(b) For the purposes of this section, tax preparers are not subject to publication if:

(1) an administrative or court action contesting ~~the~~ or appealing a penalty described in paragraph (a), clause (2), (4), or (6), has been filed or served and is unresolved at the time when notice would be given under subdivision 3;

(2) an appeal period to contest ~~the~~ a penalty described in paragraph (a), clause (2), (4), or (6), has not expired; ~~or~~

(3) the commissioner has been notified that the tax preparer is deceased~~.~~;

(4) an appeal period to contest a cease and desist order issued under section 270C.445, subdivision 6, paragraph (b), has not expired;

(5) an administrative or court action contesting or appealing a cease and desist order issued under section 270C.445, subdivision 6, paragraph (b), has been filed or served and is unresolved at the time when notice would be given under subdivision 3;

(6) a direct appeal of a conviction described in paragraph (a), clause (1) or (3), has been filed or served and is unresolved at the time when the notice would be given under subdivision 3; or

(7) an appeal period to contest a conviction described in paragraph (a), clause (1) or (3), has not expired.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 12. Minnesota Statutes 2016, section 270C.446, subdivision 3, is amended to read:

Subd. 3. **Notice to tax preparer.** (a) At least 30 days before publishing the name of a tax preparer subject to ~~penalty~~ publication under this section, the commissioner shall mail a written notice to the tax preparer, detailing the ~~amount and nature of each penalty~~ basis for the publication and the intended publication of the information listed in subdivision 4 related to the penalty. The notice must be ~~mailed by first class and certified mail~~ sent to the tax preparer addressed to the last known address of the tax preparer. The notice must include information regarding the exceptions listed in subdivision 2, paragraph (b), and must state that the tax preparer's information will not be published if the tax preparer provides information establishing that subdivision 2, paragraph (b), prohibits publication of the tax preparer's name.

(b) Thirty days after the notice is mailed and if the tax preparer has not proved to the commissioner that subdivision 2, paragraph (b), prohibits publication, the commissioner may publish in a list of tax preparers subject to penalty the information about the tax preparer that is listed in subdivision 4.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 13. Minnesota Statutes 2016, section 270C.446, subdivision 4, is amended to read:

Subd. 4. **Form of list.** The list may be published by any medium or method. The list must contain the name, associated business name or names, address or addresses, and violation or violations ~~for which a penalty was imposed of~~ that make each tax preparer subject to ~~penalty~~ publication.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 14. Minnesota Statutes 2016, section 270C.446, subdivision 5, is amended to read:

Subd. 5. **Removal from list.** The commissioner shall remove the name of a tax preparer from the list of tax preparers published under this section:

(1) when the commissioner determines that the name was included on the list in error;

(2) within ~~90 days~~ three years after the preparer has demonstrated to the commissioner that the preparer fully paid all fines and penalties imposed, served any suspension, satisfied any sentence imposed, successfully completed any probationary period imposed, and successfully completed any remedial actions required by the commissioner, the State Board of Accountancy, or the Lawyers Board of Professional Responsibility; or

(3) when the commissioner has been notified that the tax preparer is deceased.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 15. Minnesota Statutes 2016, section 270C.447, subdivision 1, is amended to read:

Subdivision 1. **Commencement of action.** (a) Whenever it appears to the commissioner that a tax preparer doing business in Minnesota has engaged in any conduct described in subdivision 2, a civil action in the name of the state of Minnesota may be commenced to enjoin ~~any person who is a tax return preparer doing business in this state from further engaging in any conduct described in subdivision 2~~ the conduct and enforce compliance.

(b) An action under this subdivision must be brought by the attorney general in:

(1) the district court for the judicial district of the tax ~~return~~ preparer's residence or principal place of business~~, or in which the~~;

(2) the district court for the judicial district of the residence of any taxpayer with respect to whose ~~tax~~ return the action is brought ~~resides~~; or

(3) Ramsey County District Court.

(c) The court may exercise its jurisdiction over the action separate and apart from any other action brought by the state of Minnesota against the tax ~~return~~ preparer or any taxpayer. The court must grant a permanent injunction or other appropriate relief if the commissioner shows that the person has engaged in conduct constituting a violation of a law administered by the commissioner or a cease and desist order issued by the commissioner. The commissioner shall not be required to show irreparable harm.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 16. Minnesota Statutes 2016, section 270C.447, subdivision 2, is amended to read:

Subd. 2. **Injunction prohibiting specific conduct.** In an action under subdivision 1, the court may enjoin the person from further engaging in that conduct if the court finds that a tax ~~return~~ preparer has:

(1) engaged in any conduct subject to a civil penalty under section 289A.60 ~~or~~, a criminal penalty under section 289A.63, or a criminal penalty under section 609.527 or a similar statute for a return filed with the commissioner, the Internal Revenue Service, or another state;

(2) misrepresented the preparer's eligibility to practice before the Department of Revenue, or ~~otherwise~~ misrepresented the preparer's experience or education as a tax ~~return~~ preparer;

(3) guaranteed the payment of any tax refund or the allowance of any tax credit; ~~or~~

(4) violated a cease and desist order issued by the commissioner; or

~~(4)~~ (5) engaged in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of a law administered by the commissioner, and injunctive relief is appropriate to prevent the recurrence of that conduct~~,~~.

~~the court may enjoin the person from further engaging in that conduct.~~

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 17. Minnesota Statutes 2016, section 270C.447, subdivision 3, is amended to read:

Subd. 3. **Injunction prohibiting all business activities.** If the court finds that a tax ~~return~~ preparer has continually or repeatedly engaged in conduct described in subdivision 2, and that an injunction prohibiting that conduct would not be sufficient to prevent the person's interference with the proper administration of a law administered by the commissioner, the court may enjoin the person from acting as a tax ~~return~~ preparer. The court may not enjoin the employer of a tax ~~return~~ preparer for conduct described in subdivision 2 engaged in by one or more of the employer's employees unless the employer was also actively involved in that conduct.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 18. Minnesota Statutes 2016, section 270C.447, is amended by adding a subdivision to read:

Subd. 3a. **Enforcement of cease and desist orders.** (a) Whenever the commissioner under subdivision 1 or 3 seeks to enforce compliance with a cease and desist order, the court must consider the allegations in the cease and desist order conclusively established if the order is a final order.

(b) If the court finds the tax preparer was not in compliance with a cease and desist order, the court may impose a further civil penalty against the tax preparer for contempt in an amount up to $10,000 for each violation and may grant any other relief the court determines is just and proper in the circumstances. A civil penalty imposed by a court under this section may be collected and enforced by the commissioner as an income tax liability.

(c) The court may not require the commissioner to post a bond in an action or proceeding under this section.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 19. Minnesota Statutes 2016, section 289A.60, subdivision 13, is amended to read:

Subd. 13. **Penalties for tax ~~return~~ preparers.** (a) If an understatement of liability with respect to a return or claim for refund is due to a reckless disregard of laws and rules or willful attempt in any manner to understate the liability for a tax by a person who is a tax ~~return~~ preparer with respect to the return or claim, the person shall pay to the commissioner a penalty of $500. If a part of a ~~property tax refund~~ claim filed under section 290.0677, subdivision 1, or chapter 290A is excessive due to a reckless disregard or willful attempt in any manner to overstate the claim ~~for relief~~ allowed ~~under chapter 290A~~ by a person who is a tax ~~refund or return~~ preparer, the ~~person~~ tax preparer shall pay to the commissioner a penalty of $500 with respect to the claim. These penalties may not be assessed against the employer of a tax ~~return~~ preparer unless the employer was actively involved in the reckless disregard or willful attempt to understate the liability for a tax or to overstate the claim for refund. These penalties are income tax liabilities and may be assessed at any time as provided in section 289A.38, subdivision 5.

(b) A civil action in the name of the state of Minnesota may be commenced to enjoin any person who is a tax ~~return~~ preparer doing business in this state as provided in section 270C.447.

(c) The commissioner may terminate or suspend a tax preparer's authority to transmit returns electronically to the state, if the commissioner determines that the tax preparer has engaged in a pattern and practice of conduct in violation of paragraph (a) of this subdivision or has been convicted under section 289A.63.

(d) For purposes of this subdivision, the term "understatement of liability" means an understatement of the net amount payable with respect to a tax imposed by state tax law, or an overstatement of the net amount creditable or refundable with respect to a tax. The determination of whether or not there is an understatement of liability must be made without regard to any administrative or judicial action involving the taxpayer. For purposes of this subdivision, the amount determined for underpayment of estimated tax under either section 289A.25 or 289A.26 is not considered an understatement of liability.

(e) For purposes of this subdivision, the term "overstatement of claim" means an overstatement of the net amount refundable with respect to a claim ~~for property tax relief provided by~~ filed under section 290.0677, subdivision 1, or chapter 290A. The determination of whether or not there is an overstatement of a claim must be made without regard to administrative or judicial action involving the claimant.

(f) For purposes of this section, the term ~~"tax refund or return preparer" means an individual who prepares for compensation, or who employs one or more individuals to prepare for compensation, a return of tax, or a claim for refund of tax. The preparation of a substantial part of a return or claim for refund is treated as if it were the preparation of the entire return or claim for refund. An individual is not considered a tax return preparer merely because the individual:~~

~~(1) gives typing, reproducing, or other mechanical assistance;~~

~~(2) prepares a return or claim for refund of the employer, or an officer or employee of the employer, by whom the individual is regularly and continuously employed;~~

~~(3) prepares a return or claim for refund of any person as a fiduciary for that person; or~~

~~(4) prepares a claim for refund for a taxpayer in response to a tax order issued to the taxpayer.~~ "tax preparer" or "preparer" has the meaning given in section 270C.445, subdivision 2, paragraph (h).

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 20. Minnesota Statutes 2016, section 289A.60, subdivision 28, is amended to read:

Subd. 28. **Preparer identification number.** ~~Any Minnesota individual income tax return or claim for refund prepared by a "tax refund or return preparer" as defined in subdivision 13, paragraph (f), shall bear the identification number the preparer is required to use federally under section 6109(a)(4) of the Internal Revenue Code.~~ (a) Each of the following that is prepared by a tax preparer must include the tax preparer's tax identification number:

(1) a tax return required to be filed under this chapter;

(2) a claim filed under section 290.0677, subdivision 1, or chapter 290A; and

(3) a claim for refund of an overpayment.

(b) A tax preparer is not required to include their preparer tax identification number on a filing if the number is not required in the forms or filing requirements provided by the commissioner.

(c) A tax ~~refund or return~~ preparer who ~~prepares a Minnesota individual income tax return or claim for refund and~~ fails to include the ~~required~~ preparer tax identification number ~~on the return or claim~~ as required by this section is subject to a penalty of $50 for each failure.

(d) A tax preparer who fails to include the preparer tax identification number as required by this section, and who is required to have a valid preparer tax identification number issued under section 6109(a)(4) of the Internal Revenue Code, but does not have one, is subject to a $500 penalty for each failure. A tax preparer subject to the penalty in this paragraph is not subject to the penalty in paragraph (c).

(e) For the purposes of this subdivision, "tax preparer" has the meaning given in section 270C.445, subdivision 2, paragraph (h), and "preparer tax identification number" means the number the tax preparer is required to use federally under section 6109(a)(4) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 21. **REVISOR'S INSTRUCTION.**

(a) The revisor of statutes shall renumber the provisions of Minnesota Statutes listed in column A to the references listed in column B.

Column A	Column B
270C.445, subdivision 3a	270C.4451, subdivision 1
270C.445, subdivision 4	270C.4451, subdivision 2

270C.445, subdivision 4a	270C.4451, subdivision 3
270C.445, subdivision 4b	270C.4451, subdivision 4
270C.445, subdivision 5b	270C.4451, subdivision 5

(b) The revisor shall make necessary cross-reference changes in Minnesota Statutes and Minnesota Rules consistent with the renumbering of Minnesota Statutes, section 270C.445, subdivisions 3a, 4, 4a, 4b, and 5b.

(c) The revisor shall publish the statutory derivations of the laws renumbered in this act in Laws of Minnesota and report the derivations in Minnesota Statutes.

(d) If Minnesota Statutes, section 270C.445, subdivisions 3a, 4, 4a, 4b, and 5b, are further amended in the 2017 legislative session, the revisor shall codify the amendments in a manner consistent with this act. The revisor may make necessary changes to sentence structure to preserve the meaning of the text.

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

Sec. 22. **REPEALER.**

Minnesota Statutes 2016, sections 270C.445, subdivision 1; and 270C.447, subdivision 4, are repealed.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017."

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, estate, property, sales and use, excise, mineral, tobacco, gambling, special, local, and other miscellaneous taxes and tax-related provisions; modifying provisions related to taxpayer empowerment, local government aids, credits, refunds, in perpetuity payments on land purchases, tax increment financing, and public finance; providing for new income tax subtractions, additions, and credits; establishing a first-time home buyer savings account program; providing for conformity to federal tax extenders by administrative action; modifying the education credit; providing a credit for donations to fund K-12 scholarships; modifying residency definitions; providing estate tax conformity; modifying property tax exemptions, classifications, and refunds; allowing a reverse referendum for property tax levies under certain circumstances; establishing school building bond agricultural tax credit; modifying state general levy; modifying certain local government aids; modifying sales tax definitions and exemptions; providing sales tax exemptions; clarifying the appropriation for sales tax refunds; establishing sales tax collection duties for marketplace providers and certain retailers; dedicating certain sales tax revenues; providing exemptions from sales taxes and property taxes for a Major League Soccer stadium; authorizing certain tax increment financing authority; prohibiting municipalities from taxing paper or plastic bags; modifying county levy authority; authorizing certain local taxes; requiring voter approval for certain transportation sales taxes; restricting rail project expenditures; modifying provisions related to taconite; repealing political contribution refund; modifying taxes on tobacco products and cigarettes; providing for a private letter ruling program; modifying tax administration procedures; dedicating transportation-related taxes; modifying vehicle taxes and fees; making minor policy, technical, and conforming changes; requiring reports; appropriating money; amending Minnesota Statutes 2016, sections 13.4967, by adding a subdivision; 13.51, subdivision 2; 40A.18, subdivision 2; 69.021, subdivision 5; 84.82, subdivision 10; 84.922, subdivision 11; 86B.401, subdivision 12; 97A.056, subdivisions 1a, 3, by adding subdivisions; 116P.02, subdivision 1, by adding subdivisions; 116P.08, subdivisions 1, 4; 123B.63, subdivision 3; 126C.17, subdivision 9; 127A.45, subdivisions 10, 13; 128C.24; 168.013, subdivision 1a, by adding a subdivision; 169.011, by adding a subdivision; 205.10, subdivision 1; 205A.05, subdivision 1; 216B.36; 216B.46; 237.19; 270.071, subdivisions 2, 7, 8, by adding a subdivision; 270.072, subdivisions 2, 3, by adding a subdivision; 270.074, subdivision 1; 270.078, subdivision 1; 270.12, by adding a subdivision; 270.82, subdivision 1; 270A.03, subdivisions 5, 7; 270B.14, subdivision 1, by adding subdivisions; 270C.13, subdivision 1; 270C.171, subdivision 1;

270C.30; 270C.31, by adding a subdivision; 270C.33, subdivisions 5, 8, by adding subdivisions; 270C.34, subdivisions 1, 2; 270C.35, subdivisions 3, 4, by adding a subdivision; 270C.38, subdivision 1; 270C.445, subdivisions 2, 3, 5a, 6, 6a, 6b, 6c, 7, 8, by adding a subdivision; 270C.446, subdivisions 2, 3, 4, 5; 270C.447, subdivisions 1, 2, 3, by adding a subdivision; 270C.72, subdivision 4; 270C.89, subdivision 1; 271.06, subdivisions 2, 2a, 6, 7; 271.08, subdivision 1; 271.18; 272.02, subdivisions 9, 10, 23, 86, by adding a subdivision; 272.0211, subdivision 1; 272.0213; 272.025, subdivision 1; 272.029, subdivisions 2, 4, by adding a subdivision; 272.0295, subdivision 4, by adding a subdivision; 272.115, subdivisions 1, 2, 3; 272.162; 273.061, subdivision 7; 273.0755; 273.08; 273.121, by adding a subdivision; 273.124, subdivisions 3a, 13, 13d, 14, 21; 273.125, subdivision 8; 273.13, subdivisions 22, 23, 25, 34; 273.135, subdivision 1; 273.1392; 273.1393; 273.33, subdivisions 1, 2; 273.371; 273.372, subdivisions 2, 4, by adding subdivisions; 274.01, subdivision 1; 274.014, subdivision 3; 274.13, subdivision 1; 274.135, subdivision 3; 275.025, subdivisions 1, 2, 4, by adding a subdivision; 275.065, subdivisions 1, 3; 275.066; 275.07, subdivisions 1, 2; 275.08, subdivision 1b; 275.60; 275.62, subdivision 2; 276.017, subdivision 3; 276.04, subdivisions 1, 2; 278.01, subdivision 1; 279.01, subdivisions 1, 2, 3; 279.37, by adding a subdivision; 281.17; 281.173, subdivision 2; 281.174, subdivision 3; 282.01, subdivisions 1a, 1d, 4, 6, by adding a subdivision; 282.016; 282.018, subdivision 1; 282.02; 282.241, subdivision 1; 282.322; 287.08; 287.2205; 289A.08, subdivisions 11, 16, by adding a subdivision; 289A.09, subdivisions 1, 2; 289A.10, subdivision 1; 289A.11, subdivision 1; 289A.12, subdivision 14; 289A.18, subdivision 1, by adding a subdivision; 289A.20, subdivision 2; 289A.31, subdivision 1; 289A.35; 289A.37, subdivision 2; 289A.38, subdivision 6; 289A.40, subdivision 1; 289A.50, subdivisions 1, 2a, 7; 289A.60, subdivisions 1, 13, 28, by adding a subdivision; 289A.63, by adding a subdivision; 290.01, subdivisions 6, 7; 290.0131, by adding subdivisions; 290.0132, subdivisions 4, 14, 21, by adding subdivisions; 290.0133, by adding a subdivision; 290.06, subdivision 22, by adding subdivisions; 290.067, subdivisions 1, 2b; 290.0672, subdivision 1; 290.0674, subdivisions 1, 2, by adding a subdivision; 290.068, subdivisions 1, 2, 3, 6a; 290.0685, subdivision 1; 290.091, subdivision 2; 290.0922, subdivision 2; 290.17, subdivision 2; 290.31, subdivision 1; 290A.03, subdivisions 3, 11, 13; 290A.10; 290A.19; 290C.03; 291.005, subdivision 1, as amended; 291.016, subdivisions 2, 3; 291.03, subdivisions 1, 9, 11; 291.075; 295.54, subdivision 2; 295.55, subdivision 6; 296A.01, subdivisions 7, 12, 33, 42, by adding a subdivision; 296A.02, by adding a subdivision; 296A.07, subdivision 1; 296A.08, subdivision 2; 296A.16, subdivision 2; 296A.22, subdivision 9; 296A.26; 297A.66, subdivisions 1, 2, 4, by adding a subdivision; 297A.67, subdivision 13a, by adding a subdivision; 297A.68, subdivisions 5, 9, 19, 35a; 297A.70, subdivisions 4, 12, 14, by adding subdivisions; 297A.71, subdivision 44, by adding subdivisions; 297A.75, subdivisions 1, 2, 3, 5; 297A.815, subdivision 3; 297A.82, subdivisions 4, 4a; 297A.94; 297A.992, subdivision 6a; 297A.993, subdivisions 1, 2, by adding subdivisions; 297B.07; 297D.02; 297E.02, subdivisions 3, 6, 7; 297E.04, subdivision 1; 297E.05, subdivision 4; 297E.06, subdivision 1; 297F.01, subdivision 13a; 297F.05, subdivisions 1, 3, 3a, 4a; 297F.09, subdivision 1; 297F.23; 297G.09, subdivision 1; 297G.22; 297H.06, subdivision 2; 297I.05, subdivision 2; 297I.10, subdivisions 1, 3; 297I.20, by adding a subdivision; 297I.30, subdivision 7, by adding a subdivision; 297I.60, subdivision 2; 298.01, subdivisions 3, 4, 4c; 298.225, subdivision 1; 298.24, subdivision 1; 298.28, subdivisions 2, 3, 5; 366.095, subdivision 1; 383B.117, subdivision 2; 398A.10, subdivisions 3, 4; 410.32; 412.221, subdivision 2; 412.301; 414.09, subdivision 2; 426.19, subdivision 2; 447.045, subdivisions 2, 3, 4, 6, 7; 452.11; 455.24; 455.29; 459.06, subdivision 1; 462.353, subdivision 4; 469.053, subdivision 5; 469.101, subdivision 1; 469.107, subdivision 2; 469.169, by adding a subdivision; 469.174, subdivision 12; 469.175, subdivision 3; 469.176, subdivision 4c; 469.1761, by adding a subdivision; 469.1763, subdivisions 1, 2, 3; 469.178, subdivision 7; 469.190, subdivisions 1, 5; 469.319, subdivision 5; 471.57, subdivision 3; 471.571, subdivision 3; 471.572, subdivisions 2, 4; 473.39, by adding subdivisions; 473H.09; 473H.17, subdivision 1a; 475.59; 475.60, subdivision 2; 477A.011, subdivisions 34, 45; 477A.0124, subdivision 2; 477A.013, subdivisions 1, 8, 9, by adding a subdivision; 477A.10; 477A.11, by adding subdivisions; 477A.19, by adding subdivisions; 504B.285, subdivision 1; 504B.365, subdivision 3; 559.202, subdivision 2; 609.5316, subdivision 3; 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; Laws 1996, chapter 471, article 2, section 29, subdivisions 1, as amended, 4, as amended; article 3, section 51; Laws 1999, chapter 243, article 4, sections 17, subdivisions 3, 5, by adding a subdivision; 18, subdivision 1, as amended; Laws 2005, First Special Session chapter 3, article 5, section 38, subdivisions 2, as amended, 4, as amended; Laws 2008, chapter 154, article 9, section 21, subdivision 2; Laws 2008, chapter 366, article 7, section 20; Laws 2009, chapter

88, article 5, section 17, as amended; Laws 2014, chapter 308, article 6, sections 8, subdivision 1; 9; article 9, section 94; Laws 2016, chapter 187, section 5; proposing coding for new law in Minnesota Statutes, chapters 11A; 16A; 16B; 41B; 88; 103C; 116P; 117; 174; 222; 270C; 273; 274; 275; 281; 289A; 290; 290B; 290C; 293; 297A; 416; 459; 462A; 471; 473; 477A; proposing coding for new law as Minnesota Statutes, chapter 462D; repealing Minnesota Statutes 2016, sections 10A.322, subdivision 4; 13.4967, subdivision 2; 136A.129; 205.10, subdivision 3; 270.074, subdivision 2; 270C.445, subdivision 1; 270C.447, subdivision 4; 270C.9901; 281.22; 289A.10, subdivision 1a; 289A.12, subdivision 18; 289A.18, subdivision 3a; 289A.20, subdivision 3a; 290.06, subdivisions 23, 36; 290.067, subdivision 2; 290.9743; 290.9744; 290C.02, subdivisions 5, 9; 290C.06; 291.03, subdivisions 8, 9, 10, 11; 297A.992, subdivision 12; 297F.05, subdivision 1a; 477A.085; 477A.20; Minnesota Rules, parts 4503.1400, subpart 4; 8092.1400; 8092.2000; 8100.0700; 8125.1300, subpart 3."

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

The report was adopted.

Torkelson from the Committee on Transportation Finance to which was referred:

H. F. No. 861, A bill for an act relating to transportation; modifying various provisions governing commercial motor vehicles, highway-rail grade crossing signs, Department of Transportation contract preference requirements, and transportation plan due dates; amending Minnesota Statutes 2016, sections 161.321, subdivision 6; 169.865, subdivision 3; 171.12, subdivision 6; 174.03, subdivisions 1a, 1c; 219.20, subdivision 1; 221.031, by adding a subdivision.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1
TRANSPORTATION APPROPRIATIONS

Section 1. **CITATION.**

This act may be cited as the "Road and Bridge Act."

Sec. 2. **SUMMARY OF APPROPRIATIONS.**

The amounts shown in this section summarize direct appropriations by fund made in this article and do not have legal effect.

	2018	**2019**	**Total**
General	$82,396,000	$55,270,000	$137,666,000
Airports	42,631,000	22,609,000	65,240,000
C.S.A.H.	744,172,000	759,502,000	1,503,673,000
M.S.A.S.	195,682,000	200,365,000	396,047,000
Special Revenue	66,445,000	65,087,000	131,532,000
H.U.T.D.	10,474,000	10,486,000	20,960,000
Transportation Priorities	105,104,000	128,147,000	233,251,000
Trunk Highway	1,882,987,000	1,758,547,000	3,648,534,000
Total	**$3,024,786,000**	**$2,871,866,000**	**$5,896,652,000**

Sec. 3. **TRANSPORTATION APPROPRIATIONS**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the trunk highway fund, or another named fund, and are available for the fiscal years indicated for each purpose. Amounts for "Total Appropriation" and sums shown in the corresponding columns marked "Appropriations by Fund" are summary only and do not have legal effect. Unless specified otherwise, the amounts in the second year under "Appropriations by Fund" show the base appropriations within the meaning of Minnesota Statutes, section 16A.11, subdivision 3, by fund. The figures "2018" and "2019" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2018, or June 30, 2019, respectively. "The first year" is fiscal year 2018. "The second year" is fiscal year 2019. "The biennium" is fiscal years 2018 and 2019.

	APPROPRIATIONS Available for the Year Ending June 30	
	2018	**2019**
Sec. 4. **DEPARTMENT OF TRANSPORTATION**		
Subdivision 1. **Total Appropriations Summary**	**$2,891,106,000**	**$2,778,175,000**

Appropriations by Fund

	2018	2019
General	24,879,000	18,358,000
Airports	42,631,000	22,609,000
C.S.A.H.	744,172,000	759,502,000
M.S.A.S.	195,682,000	200,365,000
Special Revenue	1,000,000	-0-
Transportation Priorities	105,104,000	128,147,000
Trunk Highway	1,777,639,000	1,649,194,000

The appropriations in this section are to the commissioner of transportation. The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. **Multimodal Systems**

(a) **Aeronautics**

	2018	2019
(1) **Airport Development and Assistance**	17,298,000	17,298,000

This appropriation is from the state airports fund and must be spent according to Minnesota Statutes, section 360.305, subdivision 4.

The base is $15,298,000 in each year for fiscal years 2020 and 2021.

Notwithstanding Minnesota Statutes, section 16A.28, subdivision 6, this appropriation is available for five years after the year of the appropriation. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

If the commissioner of transportation determines that a balance remains in the state airports fund following the appropriations made in this article and that the appropriations made are insufficient for advancing airport development and assistance projects, an amount necessary to advance the projects, not to exceed the balance in the state airports fund, is appropriated in each year to the commissioner and must be spent according to Minnesota Statutes, section 360.305, subdivision 4. Within two weeks of a determination under this contingent appropriation, the commissioner of transportation must notify the commissioner of management and budget and the chairs, ranking minority members, and staff of the legislative committees with jurisdiction over transportation finance concerning the funds appropriated. Funds appropriated under this contingent appropriation do not adjust the base for fiscal years 2020 and 2021.

(2) **Aviation Support Services**	6,710,000	6,854,000

Appropriations by Fund

	2018	2019
Airports	5,231,000	5,231,000
Trunk Highway	1,479,000	1,623,000

(3) **Civil Air Patrol**	3,580,000	80,000

This appropriation is from the state airports fund for the Civil Air Patrol.

$3,500,000 is for a grant to renovate a portion of and construct an addition to the training and maintenance facility located at the South St. Paul airport, and to furnish and equip the facility, including communications equipment and a mobile command post vehicle. Notwithstanding Minnesota Statutes, section 16A.28, subdivision 6, this appropriation is available for five years after the year of the appropriation.

(4) **International Falls-Koochiching County Airport Commission**	3,000,000	-0-

(i) This appropriation is from the state airports fund for a grant to the International Falls-Koochiching County Airport Commission for the following improvements to the Falls International Airport:

(A) demolition of the existing terminal building;

(B) rehabilitation;

(C) site preparation, including utilities and civil work;

(D) design, construction, furnishing, and equipping Phase II of the new terminal building, including a Transportation Safety Administration office, weather office, conference room, circulation corridor, airport administration offices, United States Customs and Border Protection storage rooms, offices, restrooms, passenger-processing area, wet-hold room, interview room, search room, pre- and post-customs passenger waiting areas, and vestibule; and

(E) associated appurtenances of a capital nature.

(ii) After completion of the improvements under item (i), any unspent money from this appropriation may be used by the International Falls-Koochiching County Airport Commission for a commercial airline apron expansion project at the Falls International Airport.

(iii) This appropriation does not require a nonstate contribution or match.

(5) **Duluth Airport Authority**	6,619,000	-0-

This appropriation is from the state airports fund for a grant to the Duluth Airport Authority to provide the federal match to design and construct runway infrastructure at the Duluth International Airport or the Sky Harbor Airport in accordance with Minnesota Statutes, section 360.017. For the purposes of this appropriation, the commissioner may waive the requirements of Minnesota Statutes, section 360.305, subdivision 4, paragraph (b).

(6) **Rochester International Airport**	2,333,000	-0-

This appropriation is from the state airports fund for a grant to the city of Rochester to design, rehabilitate, demolish, and expand portions of the existing passenger terminal building at the Rochester International Airport, provided that this amount also includes money to remodel, construct, furnish, and equip the existing passenger terminal building and associated appurtenances to meet United States Customs and Border Protection and Transportation Security Administration standards for safety, security, and processing time to accommodate domestic and international flights. The capital improvements paid for with this appropriation may be used as the local contribution required by Minnesota Statutes, section 360.305, subdivision 4. This appropriation may be used to reimburse the city for costs incurred after May 1, 2016. This appropriation is not available until the commissioner of management and budget determines that at least an equal amount has been committed to the project from nonstate sources. Work that may be completed with this appropriation includes but is not limited to:

(i) site preparation, including utilities, site civil work, testing, and construction administration services;

(ii) the relocation, modification, and addition of airline ticket counters, baggage claim devices, public spaces, offices, restrooms, support space, break rooms, lockers, equipment storage, communications, hallways, building signage, medical visitor rooms, special needs accommodations, hold rooms, secure storage, equipment maintenance areas, and building engineering and technology systems;

(iii) improvements needed outside the terminal to remove, restore, and tie into adjacent utilities, sidewalks, driveways, parking lots, and aircraft aprons; and

(iv) the construction of covered exterior equipment storage.

(7) **Carlton County Airport Hangar**	320,000	-0-

This appropriation is from the state airports fund for a grant to Carlton County to construct a hangar at the Cloquet - Carlton County Airport that (i) facilitates the basing of air ambulance aircraft and (ii) provides basing for corporate aircraft and turboprop and jet aircraft that operate under Code of Federal Regulations, title 14, part 135.

(8) **St. Cloud Regional Airport Study**	250,000	-0-

Notwithstanding Minnesota Statutes, section 360.017, this appropriation is from the state airports fund for a grant to the city of St. Cloud for an air transport optimization planning study for the St. Cloud Regional Airport. The study must be comprehensive and market-based, using economic development and air service expertise to research, analyze, and develop models and strategies that maximize the return on investments made to enhance the use and impact of the St. Cloud Regional Airport. By January 5, 2018, the city of St. Cloud shall submit a report to the governor and the members and staff of the legislative committees with jurisdiction over capital investment, transportation, and economic development with recommendations based on the findings of the study.

(9) **Availability of Funds**

Notwithstanding Minnesota Statutes, section 16A.28, subdivision 6, the appropriations in clauses (4) to (7) are available for five years after the year of the appropriation.

(b) **Transit**	52,191,000	57,058,000

Appropriations by Fund

	2018	2019
General	17,395,000	17,395,000
Transportation Priorities	33,950,000	38,790,000
Trunk Highway	846,000	873,000

$250,000 in each year is from the general fund to pay administrative costs for the safe routes to school program under Minnesota Statutes, section 174.40.

$150,000 in each year is from the general fund for grants to transportation management organizations that provide services exclusively or primarily in the city located along the marked Interstate Highway 494 corridor having the highest population as of the effective date of this section. The commissioner must not retain any portion of the funds appropriated under this section. From the appropriation in each fiscal year, the commissioner must make grant payments in full by July 31. Permissible uses of funds under this grant include administrative expenses and programming and service expansion, including but not limited to staffing, communications, outreach and education program development, and operations management.

The base from the general fund is $17,245,000 in each year for fiscal years 2020 and 2021.

The base from the transportation priorities fund is as established in Minnesota Statutes, section 174.54, subdivision 3.

(c) **Safe Routes to School** 2,500,000 500,000

This appropriation is from the general fund for the safe routes to school program under Minnesota Statutes, section 174.40.

(d) **Freight**

(1) **Freight and Commercial Vehicle Operations** 6,716,000 5,928,000

Appropriations by Fund

	2018	2019
General	1,366,000	406,000
Trunk Highway	5,350,000	5,522,000

$960,000 in the first year is from the general fund for port development assistance grants under Minnesota Statutes, chapter 457A, in the amounts of: (1) $800,000 to the city of Red Wing; and (2) $160,000 to the Port Authority of Winona. Any improvements made with the proceeds of the grants must be publicly owned. This appropriation is available in the second year.

$150,000 in each year is for additional rail safety and rail service activities, and this amount annually is included in the base.

(2) **Minnesota Rail Service Improvement**	5,651,000	-0-

Appropriations by Fund

	2018	2019
General	3,151,000	-0-
Transportation Priorities	1,500,000	-0-
Special Revenue	1,000,000	-0-

This appropriation is for the Minnesota rail service improvement program under Minnesota Statutes, sections 222.49 and 222.50.

$1,000,000 in the first year is from the rail service improvement account in the special revenue fund for a grant to the city of Grand Rapids to fund rail planning studies, design, and preliminary engineering relating to the construction of a freight rail line located in the counties of Itasca, St. Louis, and Lake to serve local producers and shippers. The city of Grand Rapids shall collaborate with the Itasca Economic Development Corporation and the Itasca County Regional Railroad Authority in the activities funded with the proceeds of this grant. This appropriation is available until June 30, 2019.

(3) **Hazardous Materials Rail Safety**	5,000,000	5,000,000

This appropriation is from the transportation priorities fund for the hazardous materials rail safety program and grants under Minnesota Statutes, section 219.016.

The base is as established in Minnesota Statutes, section 174.54, subdivision 3.

(4) **Railroad Warning Devices**	3,000,000	3,000,000

This appropriation is from the transportation priorities fund to design, construct, and equip replacement of active highway-rail grade crossing warning devices that have reached the end of their useful life.

The base is as established in Minnesota Statutes, section 174.54, subdivision 3.

(5) **Rail Quiet Zones**	1,000,000	1,000,000

This appropriation is from the transportation priorities fund for the public highway-rail grade crossing quiet zone program and grants under Minnesota Statutes, section 219.166.

Up to ten percent of this appropriation may be used for eligible activities necessary to support the implementation and delivery of the program.

The base is as established in Minnesota Statutes, section 174.54, subdivision 3.

Subd. 3. **State Roads**

(a) **Operations and Maintenance**	343,446,000	348,101,000

$4,000,000 in each year is for additional maintenance and improvements related to intelligent transportation systems. This amount is annually included in the base.

$10,000,000 in each year is for additional pavement preservation activities. This amount is annually included in the base.

$10,000,000 in each year is for additional fleet equipment replacement in conformance with performance targets. This amount is annually included in the base.

The commissioner is prohibited from implementing the workforce optimization plan proposed under the budget submitted for the biennium under Minnesota Statutes, section 16A.11, and from otherwise appreciably increasing the staffing complement for snow and ice management.

The base is $356,086,000 in fiscal year 2020 and $357,518,000 in fiscal year 2021.

(b) **Program Planning and Delivery**

(1) **Planning and Research**	30,442,000	30,790,000

If a balance remains of this appropriation, the commissioner may transfer up to that amount for program delivery under clause (2).

Up to $600,000 in the first year is for the congestion and safety improvements study under article 4, section 103.

Up to $250,000 in the first year is for the marked Interstate 94/494/694 interchange improvement study under article 4, section 104.

Up to $160,000 in the first year is for the highway construction costs and cost inflation study under article 4, section 105.

$130,000 in each year is available for administrative costs of the targeted group business program.

$266,000 in each year is available for grants to metropolitan planning organizations outside the seven-county metropolitan area.

$900,000 in each year is available for grants for transportation studies outside the metropolitan area to identify critical concerns, problems, and issues. These grants are available:

(1) to regional development commissions;

(2) in regions where no regional development commission is functioning, to joint powers boards established under agreement of two or more political subdivisions in the region to exercise the planning functions of a regional development commission; and

(3) in regions where no regional development commission or joint powers board is functioning, to the Department of Transportation district office for that region.

(2) **Program Delivery**	222,862,000	221,893,000

This appropriation includes use of consultants to support development and management of projects.

$968,000 in the first year is for a grant to the city of Red Wing for trunk highway costs in excess of the engineer's estimate and associated program delivery for State Project No. 2514-122, consisting of engineering and reconstruction of the segment of marked U.S. Highway 61 in Red Wing from westerly of Old West Main Street to easterly of Potter Street.

Up to $140,000 in the first year is for development, implementation, and reporting on project selection best practices under article 4, section 91.

$1,000,000 in each year is available for management of contaminated and regulated material on property owned by the Department of Transportation, including mitigation of property conveyances, facility acquisition or expansion, chemical release at maintenance facilities, and spills on the trunk highway system where there is no known responsible party. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

The base is $229,878,000 in fiscal year 2020 and $231,305,000 in fiscal year 2021.

(c) **State Road Construction**	1,066,938,000	919,196,000

This appropriation is for the actual construction, reconstruction, and improvement of trunk highways, including design-build contracts, internal department costs associated with delivering the construction program, consultant usage to support these activities, and the cost of actual payments to landowners for lands acquired for highway rights-of-way, payment to lessees, interest subsidies, and relocation expenses.

This appropriation includes federal highway aid.

$10,000,000 in each year is for the transportation economic development program under Minnesota Statutes, section 174.12.

The commissioner may expend up to one-half of one percent of the federal appropriations under this paragraph as grants to opportunity industrialization centers and other nonprofit job training centers for job training programs related to highway construction.

The commissioner may transfer up to $15,000,000 each year to the transportation revolving loan fund.

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

(d) **Corridors of Commerce**	25,000,000	25,000,000

This appropriation is for the corridors of commerce program under Minnesota Statutes, section 161.088.

The commissioner may use up to 17 percent of the amount each year for program delivery.

(e) **Highway Debt Service**	217,196,000	264,190,000

$207,696,000 in fiscal year 2018 and $254,690,000 in fiscal year 2019 are for transfer to the state bond fund. If this appropriation is insufficient to make all transfers required in the year for which it is made, the commissioner of management and budget must transfer the deficiency amount under the statutory open appropriation and notify the chairs, ranking minority members, and staff of the legislative committees with jurisdiction over transportation finance and the chairs of the senate Finance Committee and the house of representatives Ways and Means Committee of the amount of the deficiency. Any excess appropriation cancels to the trunk highway fund.

(f) **Statewide Radio Communications**	5,648,000	5,829,000

Appropriations by Fund

	2018	2019
General	3,000	3,000
Trunk Highway	5,645,000	5,826,000

$3,000 in each year is from the general fund to equip and operate the Roosevelt signal tower for Lake of the Woods weather broadcasting.

Subd. 4. **Local Roads**

(a) **County State-Aid Roads**	744,172,000	759,502,000

This appropriation is from the county state-aid highway fund under Minnesota Statutes, section 161.081, and Minnesota Statutes, chapter 162, and is available until spent.

If the commissioner of transportation determines that a balance remains in the county state-aid highway fund following the appropriations and transfers made in this paragraph, and that the appropriations made are insufficient for advancing county state-aid highway projects, an amount necessary to advance the projects, not to exceed the balance in the county state-aid highway fund, is appropriated in each year to the commissioner. Within two weeks of a determination under this contingent appropriation, the commissioner of transportation must notify the commissioner of management and budget and the chairs, ranking minority members, and staff of the legislative committees with jurisdiction over transportation finance concerning funds appropriated. The commissioner must identify in the next budget submission to the legislature under Minnesota Statutes, section 16A.11, any amount that is appropriated under this paragraph.

(b) **Municipal State-Aid Roads**	195,682,000	200,365,000

This appropriation is from the municipal state-aid street fund under Minnesota Statutes, chapter 162, and is available until spent.

If the commissioner of transportation determines that a balance remains in the municipal state-aid street fund following the appropriations and transfers made in this paragraph, and that the appropriations made are insufficient for advancing municipal state-aid street projects, an amount necessary to advance the projects, not to exceed the balance in the municipal state-aid street fund, is appropriated in each year to the commissioner. Within two weeks of a determination under this contingent appropriation, the commissioner of transportation must notify the commissioner of management and budget and the chairs, ranking minority members, and staff of the legislative committees with jurisdiction over transportation finance concerning funds appropriated. The commissioner must identify in the next budget submission to the legislature under Minnesota Statutes, section 16A.11, any amount that is appropriated under this paragraph.

(c) **Metropolitan Area County Roads**	33,950,000	38,790,000

This appropriation is from the transportation priorities fund for distribution as provided under Minnesota Statutes, section 174.54, subdivision 5.

The base is as established in Minnesota Statutes, section 174.54, subdivision 3.

(d) **Small Cities Assistance**	12,500,000	12,500,000

This appropriation is from the transportation priorities fund for the small cities assistance program under Minnesota Statutes, section 162.145.

The base is as established in Minnesota Statutes, section 174.54, subdivision 3.

(e) **Local Bridge Replacement and Rehabilitation**	12,383,000	12,384,000

This appropriation is from the transportation priorities fund for the local bridge replacement and rehabilitation program as provided in Minnesota Statutes, section 174.50, subdivisions 5 to 7.

The base is as established in Minnesota Statutes, section 174.54, subdivision 3.

Subd. 5. **Agency Management**

(a) **Agency Services**	44,316,000	45,206,000
(b) **Tribal Training**	192,000	218,000

This appropriation is from the general fund to facilitate tribal training for state agencies.

This is a onetime appropriation.

(c) **Buildings**	28,585,000	29,439,000

Appropriations by Fund

	2018	2019
General	54,000	54,000
Trunk Highway	28,531,000	29,385,000

Any money appropriated to the commissioner of transportation for building construction for any fiscal year before the first year is available to the commissioner during the biennium to the extent that the commissioner spends the money on the building construction projects for which the money was originally encumbered during the fiscal year for which it was appropriated. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

(d) **Tort Claims**	600,000	600,000

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

Subd. 6. **Transfers**

(a) With the approval of the commissioner of management and budget, the commissioner of transportation may transfer unencumbered balances among the appropriations from the trunk highway fund and the state airports fund made in this section. Transfers under this paragraph must not be made:

(1) between funds;

(2) from the appropriations for state road construction or debt service;

(3) from the appropriations for operations and maintenance or program delivery, except for a transfer to state road construction or debt service; or

(4) if inconsistent with legislative intent.

(b) The commissioner of transportation must immediately report transfers under this paragraph to the chairs, ranking minority members, and staff of the legislative committees with jurisdiction over transportation finance. The authority for the commissioner of transportation to make transfers under Minnesota Statutes, section 16A.285, is superseded by the authority and requirements under this paragraph.

(c) The commissioner of transportation must transfer from the flexible highway account in the county state-aid highway fund the entire amount in each year to the county turnback account in the county state-aid highway fund. The funds transferred are for highway turnback purposes under Minnesota Statutes, section 161.081, subdivision 3.

Subd. 7. **Previous State Road Construction Appropriations**

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

Subd. 8. **Contingent Appropriations**

The commissioner of transportation, with the approval of the governor and the written approval of at least five members of a group consisting of the members of the Legislative Advisory Commission under Minnesota Statutes, section 3.30, and the ranking minority members of the legislative committees with jurisdiction over transportation finance, may transfer all or part of the unappropriated balance in the trunk highway fund to an appropriation:

(1) for trunk highway design, construction, or inspection that takes advantage of an unanticipated receipt of income to the trunk highway fund or federal advanced construction funding;

(2) for emergency trunk highway maintenance; or

(3) to pay tort or environmental claims.

Nothing in this subdivision authorizes the commissioner to increase the use of federal advanced construction funding beyond amounts specifically authorized. Any transfer as a result of the use of federal advanced construction funding must include an analysis of the effects on the long-term trunk highway fund balance. The amount transferred is appropriated for the purpose of the account to which it is transferred.

Subd. 9. **Requirements for Certain Legal Activities**

The commissioner of transportation is prohibited from permitting legal counsel employed by the Department of Transportation to perform activities related to response to a data practices request of the department under Minnesota Statutes, chapter 13, and the commissioner must enter into an agreement with the attorney general for exclusive services regarding these activities.

Sec. 5. **METROPOLITAN COUNCIL** 39,046,000 22,530,000

Appropriations by Fund

	2018	2019
General	37,546,000	22,530,000
Transportation Priorities	1,500,000	-0-

This appropriation is from the general fund to the Metropolitan Council for transit system operations under Minnesota Statutes, sections 473.371 to 473.449.

$1,500,000 in the first year is from the transportation priorities fund for financial assistance to replacement service providers under Minnesota Statutes, section 473.388, for the purposes of the suburb-to-suburb transit demonstration project. The replacement service providers must collectively identify one or more demonstration projects for financial assistance and submit a notification of the allocation to the council. The council must allocate the appropriated funds as directed by the replacement service providers. Criteria for evaluating and identifying demonstration projects must include but are not limited to:

(1) scope of service offering improvements;

(2) integration with transit facilities and major business, retail, or suburban centers;

(3) extent to which a proposed route complements existing transit service; and

(4) density of employment along a proposed route.

Up to $210,000 in the first year and $98,000 in the second year are for the comprehensive transit finance report under Minnesota Statutes, section 174.93.

The base is $8,349,000 in fiscal year 2020 and $105,000 in fiscal year 2021.

Sec. 6. **PUBLIC SAFETY**

Subdivision 1. **Total Appropriations Summary** **$199,738,000** **$199,308,000**

Appropriations by Fund

	2018	2019
General	19,971,000	14,382,000
Special Revenue	63,945,000	65,087,000
H.U.T.D.	10,474,000	10,486,000
Trunk Highway	105,348,000	109,353,000

The appropriations in this section are to the commissioner of public safety. The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. **Administration and Related Services**

(a) **Office of Communications** 553,000 573,000

Appropriations by Fund

	2018	2019
General	127,000	130,000
Trunk Highway	426,000	443,000

(b) **Public Safety Support**			6,372,000	6,569,000

Appropriations by Fund

	2018	2019
General	1,225,000	1,235,000
H.U.T.D.	1,366,000	1,366,000
Trunk Highway	3,781,000	3,968,000

(c) **Public Safety Officer Survivor Benefits**	640,000	640,000

This appropriation is from the general fund for payment of public safety officer survivor benefits under Minnesota Statutes, section 299A.44.

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

(d) **Public Safety Officer Reimbursements**	1,367,000	1,367,000

This appropriation is from the general fund to be deposited in the public safety officer's benefit account. This money is available for reimbursements under Minnesota Statutes, section 299A.465.

(e) **Soft Body Armor Reimbursements**	700,000	700,000

Appropriations by Fund

	2018	2019
General	600,000	600,000
Trunk Highway	100,000	100,000

This appropriation is for soft body armor reimbursements under Minnesota Statutes, section 299A.38.

(f) **Technology and Support Service**	3,777,000	3,814,000

Appropriations by Fund

	2018	2019
General	1,353,000	1,365,000
H.U.T.D.	19,000	19,000
Trunk Highway	2,405,000	2,430,000

Subd. 3. **State Patrol**

(a) **Patrolling Highways**	95,689,000	93,323,000

Appropriations by Fund

	2018	2019
General	5,787,000	37,000
H.U.T.D.	92,000	92,000
Trunk Highway	89,810,000	93,194,000

$5,750,000 from the general fund in the first year is to purchase a helicopter for the State Patrol.

From this appropriation, State Patrol trainee salaries as provided under Minnesota Statutes, section 299D.03, subdivision 6, must be provided as follows: (1) for trainees in the Law Enforcement Training Opportunity program, 80 percent of the basic salary for patrol officers; and (2) for all other trainees, 100 percent of the basic salary.

(b) **Commercial Vehicle Enforcement**	8,455,000	8,826,000
(c) **Capitol Security**	8,402,000	8,538,000

This appropriation is from the general fund.

The commissioner must not:

(1) spend any money from the trunk highway fund for capitol security; or

(2) permanently transfer any state trooper from the patrolling highways activity to capitol security.

The commissioner must not transfer any money appropriated to the commissioner under this section:

(1) to capitol security; or

(2) from capitol security.

(d) **Vehicle Crimes Unit**	761,000	773,000

This appropriation is from the highway user tax distribution fund.

This appropriation is to investigate:

(1) registration tax and motor vehicle sales tax liabilities from individuals and businesses that currently do not pay all taxes owed; and

(2) illegal or improper activity related to the sale, transfer, titling, and registration of motor vehicles.

Subd. 4. **Driver and Vehicle Services**

(a) **Vehicle Services**			30,745,000	31,159,000

Appropriations by Fund

	2018	2019
Special Revenue	22,509,000	22,923,000
H.U.T.D.	8,236,000	8,236,000

The special revenue fund appropriation is from the vehicle services operating account.

(b) **Driver Services**	32,014,000	32,725,000

This appropriation is from the driver services operating account in the special revenue fund.

$156,000 in each year is to maintain the automated knowledge test system, and this amount annually is included in the base.

(c) **Minnesota Licensing and Registration System (MNLARS)**	8,000,000	8,000,000

This appropriation is for operations and maintenance of the driver and vehicle information system known as the Minnesota Licensing and Registration System.

$1,000,000 in the first year and $5,265,000 in the second year are from the driver services operating account in the special revenue fund. $7,000,000 in the first year and $2,735,000 in the second year are from the vehicle services operating account in the special revenue fund.

This is a onetime appropriation.

Subd. 5. **Traffic Safety**	941,000	962,000

Appropriations by Fund

	2018	2019
General	470,000	470,000
Trunk Highway	471,000	492,000

The appropriation from the general fund in each year is for maintenance of the crash record system, and this amount annually is included in the base.

Subd. 6. **Pipeline Safety**	1,422,000	1,439,000

This appropriation is from the pipeline safety account in the special revenue fund.

Sec. 7. **TRANSPORTATION PRIORITIES FUND TRANSFERS.**

$180,896,000 in fiscal year 2018 and $164,153,000 in fiscal year 2019 are transferred from the transportation priorities fund to the commissioner of transportation for deposit in the highway user tax distribution fund.

Sec. 8. **APPROPRIATION CANCELLATION.**

$1,100,000 of the appropriation for port development assistance under Laws 2015, chapter 75, article 1, section 3, subdivision 2, paragraph (e), is canceled to the general fund on June 30, 2017.

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

Sec. 9. **APPROPRIATIONS BUDGET.**

In the budget submission to the legislature under Minnesota Statutes, section 16A.11, for fiscal years 2020 and 2021, the commissioner of transportation, and the commissioner of public safety with respect to the transportation portion of the public safety budget, must present budget narratives and proposed appropriations for each appropriation established in sections 3 and 5.

Sec. 10. **EFFECT OF APPROPRIATIONS.**

If an appropriation in this act is enacted more than once in the 2017 legislative session for the same purpose, the appropriation must be given effect only once.

Sec. 11. Laws 2015, chapter 75, article 1, section 3, subdivision 3, is amended to read:

Subd. 3. **State Roads**

(a) **Operations and Maintenance**	288,405,000	290,916,000

The base appropriation in fiscal year 2018 is $292,140,000 and in fiscal year 2019 is $301,545,000.

(b) **Program Planning and Delivery**	237,529,000	231,252,000

$130,000 in each year is available for administrative costs of the targeted group business program.

$266,000 in each year is available for grants to metropolitan planning organizations outside the seven-county metropolitan area.

$900,000 in each year is available for grants for transportation studies outside the metropolitan area to identify critical concerns, problems, and issues. These grants are available: (1) to regional development commissions; (2) in regions where no regional development commission is functioning, to joint powers boards established under agreement of two or more political subdivisions in the region to exercise the planning functions of a regional development commission; and (3) in regions where no regional development commission or joint powers board is functioning, to the department's district office for that region.

$1,000,000 in each year is available for management of contaminated and regulated material on property owned by the Department of Transportation, including mitigation of property conveyances, facility acquisition or expansion, chemical release at maintenance facilities, and spills on the trunk highway system where there is no known responsible party. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

$6,804,000 in the first year and $1,000,000 in the second year are available for the purposes stated in Minnesota Statutes, section 12A.16, subdivision 2.

The base appropriation for program planning and delivery in fiscal year 2018 is $227,004,000 and in fiscal year 2019 is $234,331,000.

(c) **State Road Construction**	779,664,000	~~744,166,000~~ 849,166,000

This appropriation is for the actual construction, reconstruction, and improvement of trunk highways, including design-build contracts, internal department costs associated with delivering the construction program, and consultant usage to support these activities. This includes the cost of actual payment to landowners for lands acquired for highway rights-of-way, payment to lessees, interest subsidies, and relocation expenses.

This appropriation includes federal highway aid.

$1,000,000 in the first year is to complete projects using funds made available to the commissioner of transportation under title XII of the American Recovery and Reinvestment Act of 2009, Public Law 111-5, and implemented under Minnesota Statutes, section 161.36, subdivision 7.

$10,000,000 in each year is for the transportation economic development program under Minnesota Statutes, section 174.12.

The commissioner may expend up to one-half of one percent of the federal appropriations under this paragraph as grants to opportunity industrialization centers and other nonprofit job training centers for job training programs related to highway construction.

The commissioner may transfer up to $15,000,000 each year to the transportation revolving loan fund.

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

The base appropriation for state road construction in each of fiscal years 2018 and 2019 is $695,800,000.

(d) **Highway Debt Service**	197,381,000	231,199,000

$187,881,000 the first year and $221,699,000 the second year are for transfer to the state bond fund. If this appropriation is insufficient to make all transfers required in the year for which it is made, the commissioner of management and budget shall transfer the deficiency amount under the statutory open appropriation, and notify the chairs and ranking minority members of the legislative committees with jurisdiction over transportation finance and the chairs of the senate Committee on Finance and the house of representatives Committee on Ways and Means of the amount of the deficiency. Any excess appropriation cancels to the trunk highway fund.

(e) **Statewide Radio Communications**	5,358,000	5,486,000

Appropriations by Fund

	2016	2017
General	35,000	3,000
Trunk Highway	5,323,000	5,483,000

$3,000 in each year is from the general fund to equip and operate the Roosevelt signal tower for Lake of the Woods weather broadcasting.

$32,000 in the first year is from the general fund for a weather transmitter in Lake of the Woods County.

The base appropriation from the trunk highway fund in fiscal year 2018 is $5,645,000 and in fiscal year 2019 is $5,826,000.

EFFECTIVE DATE. This section is effective the day following submission by the commissioner of transportation of all communications and materials, in their entirety and without redaction, previously provided by the commissioner to any member of the legislature following a request pursuant to the Minnesota Government Data Practices Act, Minnesota Statutes, chapter 13, related to the Department of Transportation's 2016 request to the Legislative Advisory Commission for authorization to expend federal funds under the Fixing America's Surface Transportation Act (FAST Act). The submission must be made to the chairs and ranking minority members of the legislative committees with jurisdiction over transportation finance, finance, and ways and means, and to the revisor of statutes.

ARTICLE 2
TRANSPORTATION BONDS

Section 1. **BOND APPROPRIATIONS.**

The sums shown in the column under "Appropriations" are appropriated from the bond proceeds account in the trunk highway fund to the state agencies or officials indicated, to be spent for public purposes. Appropriations of bond proceeds must be spent as authorized by the Minnesota Constitution, articles XI and XIV. Unless otherwise specified, money appropriated in this article for a capital program or project may be used to pay state agency staff costs that are attributed directly to the capital program or project in accordance with accounting policies adopted by the commissioner of management and budget.

SUMMARY

Department of Transportation	$1,300,000,000
Department of Management and Budget	1,300,000
TOTAL	**$1,301,300,000**

APPROPRIATIONS

Sec. 2. **DEPARTMENT OF TRANSPORTATION**

Subdivision 1. **Corridors of Commerce** **$250,000,000**

This appropriation is to the commissioner of transportation for the corridors of commerce program under Minnesota Statutes, section 161.088.

For projects within the department's metropolitan district, the commissioner shall first select projects that: (1) are recommended under Minnesota Statutes, section 161.088, subdivision 5, paragraph (b), from previous selection processes; (2) are on (i) U.S. highways, or (ii) noninterstate highways having an average annual daily traffic volume of at least 50,000 vehicles; and (3) provide for capacity expansion through additional general purpose or auxiliary lanes of travel.

For projects outside of the department's metropolitan district, the commissioner shall first select any projects: (1) in which funds have been previously provided under the corridors of commerce program for right-of-way acquisition, design, or environmental analysis; and (2) that provide for capacity expansion through additional general purpose or auxiliary lanes of travel.

The commissioner may use up to 17 percent of the amount each year for program delivery.

Subd. 2. **State Road Construction** **$1,000,000,000**

This appropriation is to the commissioner of transportation for construction, reconstruction, and improvement of trunk highways, including design-build contracts and use of consultants to support these activities. This includes the cost of actual payment to landowners for lands acquired for highway rights-of-way, payment to lessees, interest subsidies, and relocation expenses.

From this appropriation, $250,000,000 is available in each year for fiscal years 2018 to 2021.

Subd. 3. **State Road Construction** **$50,000,000**

This appropriation is to the commissioner of transportation for the purposes specified in subdivision 2.

From this appropriation, $25,000,000 is available in each year for fiscal years 2018 and 2019.

Subd. 4. **Cancellations**

The appropriations in this section cancel as specified under Minnesota Statutes, section 16A.642, except that the commissioner of management and budget shall count the start of authorization for issuance of state bonds as the first day of the fiscal year during which the bonds are available to be issued as specified under subdivision 1, 2, or 3, and not as the date of enactment of this section.

Sec. 3. **BOND SALE EXPENSES** **$1,300,000**

This appropriation is to the commissioner of management and budget for bond sale expenses under Minnesota Statutes, sections 16A.641, subdivision 8, and 167.50, subdivision 4, and is effective through 2026.

Sec. 4. **BOND SALE AUTHORIZATION.**

To provide the money appropriated in this article from the bond proceeds account in the trunk highway fund, the commissioner of management and budget shall sell and issue bonds of the state in amount up to $1,301,300,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 167.50 to 167.52, and by the Minnesota Constitution, article XIV, section 11, at the times and in the amounts requested by the commissioner of transportation. The proceeds of the bonds, except accrued interest and any premium received from the sale of the bonds, must be deposited in the bond proceeds account in the trunk highway fund.

Sec. 5. **EFFECTIVE DATE.**

This article is effective July 1, 2017.

ARTICLE 3
TRANSPORTATION-RELATED TAXES

Section 1. Minnesota Statutes 2016, 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)~~ <u>(a)</u> On or before June 30 of each fiscal year, the commissioner of revenue shall estimate the amount of ~~the net revenue~~ <u>revenues, including interest and penalties, collected under this section</u> for the current fiscal year.

~~(c)~~ <u>(b)</u> On or after July 1 of the subsequent fiscal year, the commissioner of management and budget shall transfer the ~~net revenue as~~ <u>revenues</u> estimated in paragraph ~~(b)~~ <u>(a)</u> 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; and~~

~~(2) the remainder to the greater Minnesota transit account~~ <u>to the transportation priorities fund</u>.

<u>(c) The revenues 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.</u>

<u>**EFFECTIVE DATE.** This section is effective the day following final enactment and applies beginning with the estimate that must be completed before June 30, 2017, for a transfer that occurs on or after July 1, 2017.</u>

Sec. 2. Minnesota Statutes 2016, section 297A.94, is amended to read:

297A.94 DEPOSIT OF REVENUES.

(a) Except as provided in this section, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed by this chapter in the state treasury and credit them to the general fund.

(b) The commissioner shall deposit taxes in the Minnesota agricultural and economic account in the special revenue fund if:

(1) the taxes are derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project; and

(2) the purchase was made on or after the date on which a conditional commitment was made for a loan guaranty for the project under section 41A.04, subdivision 3.

The commissioner of management and budget shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account must be reduced by any refunds and by the costs incurred by the Department of Revenue to administer and enforce the assessment and collection of the taxes.

(c) The commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance to the general fund.

(d) The commissioner shall deposit the revenues, including interest and penalties, collected under section 297A.64, subdivision 5, in the state treasury and credit them to the general fund. By July 15 of each year the commissioner shall transfer to the highway user tax distribution fund an amount equal to the excess fees collected under section 297A.64, subdivision 5, for the previous calendar year.

(e) 72.43 percent of the revenues, including interest and penalties, transmitted to the commissioner under section 297A.65, must be deposited by the commissioner in the state treasury as follows:

(1) 50 percent of the receipts must be deposited in the heritage enhancement account in the game and fish fund, and may be spent only on activities that improve, enhance, or protect fish and wildlife resources, including conservation, restoration, and enhancement of land, water, and other natural resources of the state;

(2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only for state parks and trails;

(3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only on metropolitan park and trail grants;

(4) three percent of the receipts must be deposited in the natural resources fund, and may be spent only on local trail grants; and

(5) two percent of the receipts must be deposited in the natural resources fund, and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

(f) The revenue dedicated under paragraph (e) may not be used as a substitute for traditional sources of funding for the purposes specified, but the dedicated revenue shall supplement traditional sources of funding for those purposes. Land acquired with money deposited in the game and fish fund under paragraph (e) must be open to public hunting and fishing during the open season, except that in aquatic management areas or on lands where angling easements have been acquired, fishing may be prohibited during certain times of the year and hunting may be prohibited. At least 87 percent of the money deposited in the game and fish fund for improvement, enhancement, or protection of fish and wildlife resources under paragraph (e) must be allocated for field operations.

<u>(g) Beginning with sales taxes remitted after July 1, 2017, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on the lease or rental of a motor vehicle under section 297A.64, subdivision 1, into the state treasury and credit them to the transportation priorities fund.</u>

<u>(h) Beginning with sales taxes remitted after July 1, 2017, in conjunction with the deposit of revenues under paragraph (g), the commissioner shall deposit into the state treasury and credit to the transportation priorities fund 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 (g).</u>

(i) $156,800,000 in fiscal year 2018, $151,100,000 in fiscal year 2019, $266,618,000 in fiscal year 2020, and $287,718,000 in fiscal year 2021 are transferred from the general fund to the commissioner for deposit in the transportation priorities fund. Annually in fiscal year 2022 and thereafter, 4.293 percent of the revenues generated by the sales tax imposed under section 297A.62, subdivision 1, is transferred from the general fund to the commissioner for deposit in the transportation priorities fund. The commissioner must make transfers under this paragraph by July 15 in each year. Transfers in this paragraph represent revenues attributable to sales and purchases of motor vehicle repair and replacement parts.

~~(g)~~ (j) The revenues deposited under ~~paragraphs (a) to (f)~~ 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 July 1, 2017.

Sec. 3. Minnesota Statutes 2016, 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) payment to the Metropolitan Council of 100 percent, or a portion that is not paid by counties under section 297A.993, subdivision 2a, of the annual net operating and capital maintenance costs, as certified by the Metropolitan Council, for all light rail transit lines in which a grant award for project development, capital, capital maintenance, or operating expenditures has been provided under this section; and

(3) as otherwise authorized under this section.

(b) Project development in this subdivision includes but is not limited to feasibility and alternatives analysis, design, engineering, environmental analysis, property acquisition, and construction.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to costs occurring on or after July 1, 2017.

Sec. 4. Minnesota Statutes 2016, section 297A.993, subdivision 2, is amended to read:

Subd. 2. **Allocation; termination.** The proceeds of the taxes must be dedicated exclusively to: (1) payment of the capital cost of a specific transportation project or improvement; (2) payment of the costs, which may include both capital and operating costs, of a specific transit project or improvement; (3) payment of the capital costs of a safe routes to school program under section 174.40; or (4) payment of transit operating and capital maintenance costs, including as provided in subdivision 2a. The transportation or transit project or improvement must be designated by the board of the county, or more than one county acting under a joint powers agreement. Except for taxes for operating costs of a transit project or improvement, or for transit operations, the taxes must terminate when revenues raised are sufficient to finance the project.

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

Sec. 5. Minnesota Statutes 2016, section 297A.993, is amended by adding a subdivision to read:

Subd. 2a. **Allocation for certain transitways.** (a) This subdivision applies to a county:

(1) that has previously imposed and is no longer imposing a local sales tax as part of a joint powers agreement under section 297A.992;

(2) that imposes the tax under this section; and

(3) in which a light rail transit line is located, whether wholly or partially.

(b) All counties subject to this subdivision, and the joint powers board under section 297A.992 if the joint powers agreement under section 297A.992, subdivision 3, is not terminated, must collectively enter into an agreement that determines and allocates payments to the Metropolitan Council that, in total, equal at least the amount required to be provided under section 297A.992, subdivision 6a, paragraph (a), clause (2). Nothing in this paragraph prevents payments from other entities or sources of funds.

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

Sec. 6. **MOTOR VEHICLE PARTS SALES TAXES ESTIMATION.**

(a) By January 15, 2019, the commissioner of revenue must submit a report on state general sales taxes attributable to motor vehicle repair and replacement parts to the members and staff of the legislative committees with jurisdiction over taxes and transportation policy and finance.

(b) The report must provide an estimate, based on federal data and department consumption models, of the percentage of total sales tax revenues collected in a calendar year from the tax rate imposed under Minnesota Statutes, section 297A.62, subdivision 1, that is attributable to sales and purchases of motor vehicle repair and replacement parts.

(c) For purposes of this section, "motor vehicle repair and replacement parts" includes:

(1) all parts, motor vehicle tires, accessories, and equipment incorporated 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.

(d) For purposes of this section, "motor vehicle tire" means any tire of the type used on highway vehicles if wholly or partially made of rubber and if marked according to federal regulations for highway use. For purposes of this section, "motor vehicle" has the meaning given in Minnesota Statutes, section 297B.01, subdivision 11.

Sec. 7. **REPEALER.**

Minnesota Statutes 2016, section 297A.992, subdivision 12, is repealed.

ARTICLE 4
TRANSPORTATION POLICY AND FINANCE

Section 1. Minnesota Statutes 2016, section 16A.88, subdivision 2, is amended to read:

Subd. 2. **Metropolitan area transit account.** (a) The metropolitan area transit account is established within the transit assistance fund in the state treasury. All money in the account is annually appropriated to the Metropolitan Council for the funding of transit systems within the metropolitan area under sections 473.384, 473.386, 473.387, 473.388, and 473.405 to 473.449.

(b) From appropriations in this subdivision, the Metropolitan Council must first allocate funds necessary for special transportation service under section 473.386.

Sec. 2. Minnesota Statutes 2016, section 115A.908, subdivision 2, is amended to read:

Subd. 2. **Deposit of revenue.** Revenue collected under this section shall be credited to the ~~environmental~~ transportation priorities fund.

EFFECTIVE DATE. This section is effective July 1, 2020, and applies for revenues collected on or after that date.

Sec. 3. Minnesota Statutes 2016, section 117.189, is amended to read:

117.189 PUBLIC SERVICE CORPORATION EXCEPTIONS.

(a) Sections 117.031; 117.036; 117.055, subdivision 2, paragraph (b); 117.186; 117.187; 117.188; and 117.52, subdivisions 1a and 4, do not apply to the use of eminent domain authority by public service corporations for any purpose other than construction or expansion of:

(1) a high-voltage transmission line of 100 kilovolts or more, or ancillary substations; ~~or~~

(2) a natural gas, petroleum, or petroleum products pipeline, or ancillary compressor stations or pumping stations~~.~~; or

(3) a light rail transit or bus rapid transit line.

(b) For purposes of an award of appraisal fees under section 117.085, the fees awarded may not exceed $1,500 for all types of property except for a public service corporation's use of eminent domain for:

(1) a high-voltage transmission line, where the award may not exceed $3,000; and

(2) a light rail transit or bus rapid transit line, where the award shall be as provided in section 117.085.

(c) For purposes of this section, "pipeline" does not include a natural gas distribution line transporting gas to an end user.

EFFECTIVE DATE. This section is effective retroactively from January 1, 2017.

Sec. 4. Minnesota Statutes 2016, section 160.18, is amended by adding a subdivision to read:

Subd. 4. **Trunk highway appeal process.** (a) Notwithstanding chapter 14 and section 14.386, the commissioner must establish a concise, expedited process that allows an owner or occupant of a property abutting a trunk highway to appeal a denial or revocation of an access permit. The owner or occupant must initiate an appeal no later than 30 days after the date the commissioner issues written notice of the denial or revocation of an access permit. The process must provide the owner or occupant and Department of Transportation staff the opportunity to present information supporting each party's respective position. The hearing must be conducted by an administrative law judge assigned by the chief administrative law judge. The administrative law judge must maintain a transcript of the hearing and keep a record of all documents and data submitted at the hearing. Within 30 days of the hearing's conclusion, the administrative law judge must transmit to the commissioner the record of the proceedings, along with a report and recommendation based on the record made in the informal hearing. The commissioner must make a written decision regarding the access permit.

(b) Section 15.99 does not apply to appeals under this subdivision.

Sec. 5. Minnesota Statutes 2016, section 161.081, subdivision 3, is amended to read:

Subd. 3. **Flexible highway account; turnback accounts.** (a) The flexible highway account is created in the state treasury. Money in the account ~~shall be used~~ must be allocated as follows:

(1) ~~in fiscal years 2009 and 2010, 100 percent of the excess sum, as calculated in paragraph (i), and in fiscal years 2011 and thereafter, 50~~ 16 percent of the ~~excess sum, as calculated in paragraph (i),~~ amount available in the flexible highway account for counties in the metropolitan area, as defined in section 473.121, subdivision 4, ~~but for the purposes of the calculation cities of the first class will be excluded in the metropolitan area~~ distributed proportionally based on the most recent estimate of county population excluding the population of any city of the first class; and

(2) of the amount available in the flexible highway account less the amount under clause (1), as determined by the commissioner under this section for:

(i) restoration of former trunk highways that have reverted to counties or to statutory or home rule charter cities, or for trunk highways that will be restored and subsequently turned back by agreement between the commissioner and the local road authority;

(ii) safety improvements on county highways, municipal highways, streets, or town roads; and

(iii) routes of regional significance.

(b) For purposes of this subdivision, "restoration" means the level of effort required to improve the route that will be turned back to an acceptable condition as determined by agreement made between the commissioner and the county or city before the route is turned back.

(c) The commissioner shall review the need for funds to restore highways that have been or will be turned back. The commissioner shall determine, on a biennial basis, the percentage of funds in the flexible highway account to be distributed to each district, and within each district the percentage to be used for each of the purposes specified in paragraph (a). Money in the account may be used for safety improvements and routes of regional significance only after money is set aside to restore the identified turnbacks. The commissioner shall make these determinations only after meeting and holding discussions with committees selected by the statewide associations of both county commissioners and municipal officials. The commissioner shall, to the extent feasible, annually allocate 50 percent of the funds in the flexible highway account to the department's metropolitan district, and 50 percent to districts in greater Minnesota.

(d) Money that will be used for the restoration of trunk highways that have reverted or that will revert to cities must be deposited in the municipal turnback account, which is created in the state treasury.

(e) Money that will be used for the restoration of trunk highways that have reverted or that will revert to counties must be deposited in the county turnback account, which is created in the state treasury.

(f) Money that will be used for safety improvements must be deposited in the highway safety improvement account, which is created in the state treasury to be used as grants to statutory or home rule charter cities, towns, and counties to assist in paying the costs of constructing or reconstructing city streets, county highways, or town roads to reduce crashes, deaths, injuries, and property damage.

(g) Money that will be used for routes of regional significance must be deposited in the routes of regional significance account, which is created in the state treasury, and used as grants to statutory or home rule charter cities, towns, and counties to assist in paying the costs of constructing or reconstructing city streets, county highways, or town roads with statewide or regional significance that have not been fully funded through other state, federal, or local funding sources.

(h) As part of each biennial budget submission to the legislature, the commissioner shall describe how the money in the flexible highway account will be apportioned among the county turnback account, the municipal turnback account, the trunk highway fund for routes turned back to local governments by agreement, the highway safety improvement account, and the routes of regional significance account.

~~(i) The excess sum is calculated as the sum of revenue within the flexible highway account:~~

~~(1) attributed to that portion of the gasoline excise tax rate under section 296A.07, subdivision 3, in excess of 20 cents per gallon, and to that portion of the excise tax rates in excess of the energy equivalent of a gasoline excise tax rate of 20 cents per gallon for E85 and M85 under section 296A.07, subdivision 3, and special fuel under section 296A.08, subdivision 2;~~

~~(2) attributed to a change in the passenger vehicle registration tax under section 168.013, imposed on or after July 1, 2008, that exceeds (i) the amount collected in fiscal year 2008, multiplied by (ii) the annual average United States Consumer Price Index for the calendar year previous to the current calendar year, divided by the annual average United States Consumer Price Index for calendar year 2007; and~~

~~(3) attributed to that portion of the motor vehicle sales tax revenue in excess of the percentage allocated to the flexible highway account in fiscal year 2007.~~

~~(j) For purposes of this subdivision, the United States Consumer Price Index identified in paragraph (i), clause (2), is for all urban consumers, United States city average, as determined by the United States Department of Labor.~~

Sec. 6. Minnesota Statutes 2016, section 161.088, subdivision 4, is amended to read:

Subd. 4. **Project eligibility.** (a) The commissioner ~~shall~~ must establish eligibility requirements for projects that can be funded under the program. Eligibility must include:

(1) consistency with the statewide multimodal transportation plan under section 174.03;

(2) location of the project on an interregional corridor, for a project located outside of the Department of Transportation metropolitan district;

(3) placement into at least one project classification under subdivision 3;

(4) a ~~maximum~~ requirement that project construction work is able to commence within three years, or a longer length of time~~,~~ as determined by the commissioner~~, until commencement of construction work on the project~~; and

(5) for each type of project classification under subdivision 3, a maximum allowable amount for the total project cost estimate, as determined by the commissioner with available data.

(b) A project whose construction is programmed in the state transportation improvement program is not eligible for funding under the program. This paragraph does not apply to a project that is programmed as result of selection under this section.

(c) A project may be, but is not required to be, identified in the 20-year state highway capital investment plan under section 174.03.

Sec. 7. Minnesota Statutes 2016, section 161.088, subdivision 5, is amended to read:

Subd. 5. **Project selection process; criteria.** (a) The commissioner ~~shall~~ must establish a process ~~for identification, evaluation, and selection of~~ to identify, evaluate, and select projects under the program.

(b) As part of the project selection process, the commissioner ~~shall~~ must annually accept recommendations on candidate projects from area transportation partnerships and other interested stakeholders in each Department of Transportation district. For each candidate project identified under this paragraph, the commissioner ~~shall~~ must determine eligibility, classify, and if ~~appropriate~~ eligible, evaluate the project for the program.

(c) Project evaluation and prioritization must be performed on the basis of objective criteria, which must include:

(1) a return on investment measure that provides for comparison across eligible projects;

(2) measurable impacts on commerce and economic competitiveness;

(3) efficiency in the movement of freight, ~~including but not limited to~~ which may include:

(i) measures of annual average daily traffic and commercial vehicle miles traveled, which may include data near the project location on that trunk highway or on connecting trunk and local highways; and

(ii) measures of congestion or travel time reliability, which may be within or near the project limits, or both;

(4) improvements to traffic safety;

(5) connections to regional trade centers, local highway systems~~,~~ and other transportation modes;

(6) the extent to which the project addresses multiple transportation system policy objectives and principles; and

(7) support and consensus for the project among members of the surrounding community.

(d) As part of the project selection process, the commissioner may divide funding to be separately available among projects within each classification under subdivision 3, and may apply separate or modified criteria among those projects falling within each classification.

Sec. 8. Minnesota Statutes 2016, section 161.088, subdivision 7, is amended to read:

Subd. 7. **Legislative report; evaluation.** (a) ~~Starting in 2014,~~ Annually by November 1, the commissioner shall electronically submit a report on the corridors of commerce program to the chairs and ranking minority members of the legislative committees with jurisdiction over transportation policy and finance. At a minimum, the report must include:

(1) a summary of the program, including a review of ~~the~~:

(i) project selection process details that address program design and implementation, decision-making procedures, and eligibility ~~and criteria,~~ evaluation; and

(ii) all criteria including any established by the commissioner, criteria measurement methodologies, and any criteria weighting or ranking used in project selection;

(2) a summary of program finance, including funds expended in the previous selection cycle, any future operating costs assigned under subdivision 6, and total funds expended since program inception;

~~(2)~~ (3) a ~~listing~~ list of projects funded under the program in the previous selection cycle, including:

(i) project classification;

(ii) a breakdown of project costs and funding sources; and

(iii) ~~any future operating costs assigned under subdivision 6; and~~

~~(iv)~~ a brief project description that is comprehensible to a lay audience;

~~(3)~~ (4) a ~~listing~~ comprehensive list of evaluated projects and candidate project recommendations as required under subdivision 5, paragraph (b), ~~including~~ that identifies for each project: eligibility, classification, evaluation results for each criterion, ranking if applicable, and disposition in the selection process; and

~~(4)~~ (5) any recommendations for changes to statutory requirements of the program.

(b) ~~Starting in 2016, and in every even-numbered year thereafter~~ In every third year following a year in which project selection is completed, but not more frequently than every other year, the commissioner ~~shall~~ must incorporate into the report the results of an independent evaluation of impacts and effectiveness of the program. The evaluation must be performed by agency staff or a consultant. The individual or individuals performing the evaluation must have experience in program evaluation, but must not be regularly involved in the program's implementation.

(c) Notwithstanding paragraph (a), a report is not required in a year in which:

(1) no project selection was completed during the preceding 12 months; and

(2) an evaluation under paragraph (b) is not due.

Sec. 9. Minnesota Statutes 2016, section 161.115, subdivision 190, is amended to read:

Subd. 190. **Route No. 259.** Beginning at a point on Statutory Route No. 100, at or near Henderson; thence extending in a general southeasterly direction to a point ~~on Statutory Route No. 123,~~ at or near Le Sueur.

EFFECTIVE DATE. This section is effective the day after the commissioner of transportation receives a copy of the agreement between the commissioner of transportation and the governing body of Le Sueur County to transfer jurisdiction of Legislative Route No. 123 and after the commissioner notifies the revisor of statutes under section 108, paragraph (b).

Sec. 10. Minnesota Statutes 2016, section 161.14, is amended by adding a subdivision to read:

Subd. 83. **Chip A. Imker Memorial Highway.** That segment of marked Trunk Highway 65 from Isanti County State-Aid Highway 19, known as 305th Avenue NE, to the northerly limit of Cambridge Township is designated as "Chip A. Imker Memorial Highway." Subject to section 161.139, the commissioner shall adopt a suitable design to mark this highway and erect appropriate signs.

Sec. 11. Minnesota Statutes 2016, section 161.14, is amended by adding a subdivision to read:

Subd. 84. **Medal of Honor Recipient Kenneth L. Olson Highway.** That segment of marked Trunk Highway 23 within the city of Paynesville and the town of Paynesville is designated as "Medal of Honor Recipient Kenneth L. Olson Highway." Subject to section 161.139, the commissioner shall adopt a suitable design to mark this highway and erect appropriate signs.

Sec. 12. Minnesota Statutes 2016, section 161.14, is amended by adding a subdivision to read:

Subd. 85. **Corporal Benjamin S. Kopp Bridge.** The bridge on Dakota County State-Aid Highway 46, known as Brandel Drive within the city of Coates, over marked U.S. Highway 52 is designated as "Corporal Benjamin S. Kopp Bridge." Subject to section 161.139, the commissioner shall adopt a suitable design to mark this highway and erect appropriate signs.

Sec. 13. Minnesota Statutes 2016, section 161.321, subdivision 6, is amended to read:

Subd. 6. **Rules; eligibility.** ~~(a)~~ The rules adopted by the commissioner of administration to define small businesses and to set time and other eligibility requirements for participation in programs under sections 16C.16 to 16C.19 apply to this section. The commissioner may promulgate other rules necessary to carry out this section.

~~(b) In addition to other eligibility requirements, a small targeted group business or veteran-owned small business is eligible for the bid preferences under this section only for eight years following the latest of:~~

~~(1) May 1, 2012;~~

~~(2) for a targeted group business, the date of initial certification by the commissioner of administration, as provided under section 16C.19;~~

~~(3) for a veteran-owned small business, the date of initial certification by the United States Department of Veterans Affairs, as provided under section 16C.19, paragraph (d); or~~

~~(4) for a veteran-owned small business, the release or discharge of any one of the owners from military active service, as defined in section 190.05, subdivision 5, lasting for a period of 179 days or longer.~~

Sec. 14. Minnesota Statutes 2016, section 161.38, is amended by adding a subdivision to read:

Subd. 8. **Spending on trunk highway system.** The commissioner must maintain information on expenditures by local road authorities from local funding sources for trunk highway system projects.

Sec. 15. Minnesota Statutes 2016, section 161.44, subdivision 5, is amended to read:

Subd. 5. **Conveyance to highest bidder in certain cases.** If the larger tract has been platted into lots or divided into smaller tracts and the commissioner elects to proceed under this subdivision, ~~or if~~ the lands constituted an entire tract and the person from whom the lands were acquired and the person's spouse are deceased, or ~~if~~ the offers as provided for are not accepted and the amount of money not tendered within the time prescribed, the lands may be sold and conveyed to the owner of the land abutting upon the lands in the same manner and under the same terms provided under subdivision 2, or the commissioner may sell the lands to the highest responsible bidder upon three weeks' published notice of such sale in a newspaper or other periodical of general circulation in the general area where the lands are located. All bids may be rejected and new bids received upon like advertisement.

Sec. 16. Minnesota Statutes 2016, section 161.44, subdivision 6a, is amended to read:

Subd. 6a. **Services of licensed real estate broker.** If the lands ~~remain unsold after being offered for sale to the highest bidder~~ are withdrawn from sale under subdivision 6b, the commissioner may retain the services of a licensed real estate broker to find a buyer. The sale price may be negotiated by the broker, but must not be less than 90 percent of the appraised market value as determined by the commissioner. The broker's fee must be established by prior agreement between the commissioner and the broker, and must not exceed ten percent of the sale price for sales of $10,000 or more. The broker's fee must be paid to the broker from the proceeds of the sale.

Sec. 17. Minnesota Statutes 2016, section 161.44, is amended by adding a subdivision to read:

Subd. 6b. **Unsold lands.** If lands remain unsold after being offered for sale to the highest bidder, the commissioner may offer the remaining lands to any person who agrees to pay the minimum bid established for the public sale. The sale must continue until all eligible lands have been sold or the commissioner withdraws the remaining lands from sale. The lands to be sold must be listed on the department's Unsold Property Inventory list.

Sec. 18. Minnesota Statutes 2016, section 162.145, subdivision 2, is amended to read:

Subd. 2. **Small cities assistance account.** A small cities assistance account is created in the ~~special revenue~~ transportation priorities fund. The account consists of funds as provided by law, and any other money donated, allotted, transferred, or otherwise provided to the account. Money in the account may only be expended as provided under this section.

Sec. 19. Minnesota Statutes 2016, section 168.013, subdivision 1a, is amended to read:

Subd. 1a. **Passenger automobile; hearse.** (a) On passenger automobiles as defined in section 168.002, subdivision 24, and hearses, except as otherwise provided, the tax ~~shall be~~ is $10 plus an additional tax equal to 1.25 percent of the base value.

(b) Subject to the classification provisions herein, "base value" means the manufacturer's suggested retail price of the vehicle including destination charge using list price information published by the manufacturer or determined by the registrar if no suggested retail price exists, and shall not include the cost of each accessory or item of optional equipment separately added to the vehicle and the suggested retail price.

(c) If the manufacturer's list price information contains a single vehicle identification number followed by various descriptions and suggested retail prices, the registrar shall select from those listings only the lowest price for determining base value.

(d) If unable to determine the base value because the vehicle is specially constructed, or for any other reason, the registrar may establish such value upon the cost price to the purchaser or owner as evidenced by a certificate of cost but not including Minnesota sales or use tax or any local sales or other local tax.

(e) The registrar shall classify every vehicle in its proper base value class as follows:

FROM	TO
$0	$199.99
$200	$399.99

and thereafter a series of classes successively set in brackets having a spread of $200 consisting of such number of classes as will permit classification of all vehicles.

(f) The base value for purposes of this section shall be the middle point between the extremes of its class.

(g) The registrar shall establish the base value, when new, of every passenger automobile and hearse registered prior to the effective date of Extra Session Laws 1971, chapter 31, using list price information published by the manufacturer or any nationally recognized firm or association compiling such data for the automotive industry. If unable to ascertain the base value of any registered vehicle in the foregoing manner, the registrar may use any other available source or method. The registrar shall calculate tax using base value information available to dealers and deputy registrars at the time the application for registration is submitted. The tax on all previously registered vehicles shall be computed upon the base value thus determined taking into account the depreciation provisions of paragraph (h).

(h) The annual additional tax must be computed upon a percentage of the base value as follows: during the first year of vehicle life, upon 100 percent of the base value; for the second year, 90 percent of such value; for the third year, 80 percent of such value; for the fourth year, 70 percent of such value; for the fifth year, 60 percent of such value; for the sixth year, 50 percent of such value; for the seventh year, 40 percent of such value; for the eighth year, 30 percent of such value; for the ninth year, 20 percent of such value; for the tenth year, ten percent of such value; for the 11th and each succeeding year, the sum of $25.

(i) In no event shall the annual additional tax be less than $25.

(j) For any vehicle previously registered in Minnesota and regardless of prior ownership, the ~~annual additional tax~~ total amount due under this subdivision and subdivision 1m must not exceed the smallest total amount ~~of annual additional tax~~ previously paid or due on the vehicle.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to taxes payable for a registration period starting on or after January 1, 2018.

Sec. 20. Minnesota Statutes 2016, section 168.013, is amended by adding a subdivision to read:

Subd. 1m. **Electric vehicle.** In addition to the tax under subdivision 1a, a surcharge of $75 is imposed for an all-electric vehicle, as defined in section 169.011, subdivision 1a. Notwithstanding subdivision 8, revenue from the fee imposed under this subdivision must be deposited in the highway user tax distribution fund.

EFFECTIVE DATE. This section is the day following final enactment and applies for a registration period starting on or after January 1, 2018.

Sec. 21. Minnesota Statutes 2016, section 168.021, subdivision 1, is amended to read:

Subdivision 1. **Disability plates; application.** (a) When a motor vehicle registered under section 168.017, a motorcycle, a motorized bicycle, a one-ton pickup truck, or a self-propelled recreational vehicle is owned or primarily operated by a permanently physically disabled person or a custodial parent or guardian of a permanently physically disabled ~~minor~~ person, the owner may apply for and secure from the commissioner (1) immediately, a temporary permit valid for 30 days if the applicant is eligible for the disability plates issued under this section and (2) two disability plates with attached emblems, one plate to be attached to the front, and one to the rear of the motor vehicle, truck, or recreational vehicle, or, in the case of a motorcycle or a motorized bicycle, one disability plate the same size as a regular motorcycle plate.

(b) The commissioner shall not issue more than one plate to the owner of a motorcycle or a motorized bicycle and not more than one set of plates to any owner of another vehicle described in paragraph (a) at the same time unless the state Council on Disability approves the issuance of a second plate or set of plates to an owner.

(c) When the owner first applies for the disability plate or plates, the owner must submit a medical statement in a format approved by the commissioner under section 169.345, or proof of physical disability provided for in that section.

(d) No medical statement or proof of disability is required when an owner applies for a plate or plates for one or more vehicles listed in paragraph (a) that are specially modified for and used exclusively by permanently physically disabled persons.

(e) The owner of a vehicle listed in paragraph (a) may apply for and secure (i) immediately, a permit valid for 30 days, if the applicant is eligible to receive the disability plate or plates issued under this section, and (ii) a disability plate or plates for the vehicle if:

(1) the owner employs a permanently physically disabled person who would qualify for the disability plate or plates under this section; and

(2) the owner furnishes the motor vehicle to the physically disabled person for the exclusive use of that person in the course of employment.

EFFECTIVE DATE. This section is effective January 1, 2018.

Sec. 22. Minnesota Statutes 2016, section 168.021, subdivision 2, is amended to read:

Subd. 2. **Plate design; furnished by commissioner.** The commissioner shall design and furnish two disability plates, or one disability plate for a motorcycle or a motorized bicycle that is the same size as a regular motorcycle plate, with attached emblem or emblems to an eligible owner. The emblem must bear the internationally accepted wheelchair symbol, as designated in section 326B.106, subdivision 9, approximately three inches square. The emblem must be large enough to be visible plainly from a distance of 50 feet. An applicant eligible for a disability plate or plates shall pay the motor vehicle registration fee authorized by sections 168.013 and 168.09.

EFFECTIVE DATE. This section is effective January 1, 2018.

Sec. 23. Minnesota Statutes 2016, section 168.021, subdivision 2a, is amended to read:

Subd. 2a. **Plate transfer.** (a) When ownership of a vehicle described in subdivision 1, is transferred, the owner of the vehicle shall remove the disability plate or plates. The buyer of the motor vehicle is entitled to receive a regular plate or plates for the vehicle without further cost for the remainder of the registration period.

(b) Notwithstanding section 168.12, subdivision 1, the disability plate or plates may be transferred to a replacement vehicle on notification to the commissioner. However, the disability plate or plates may not be transferred unless the replacement vehicle (1) is listed under section 168.012, subdivision 1, and, in case of a single plate for a motorcycle or a motorized bicycle, the replacement vehicle is a motorcycle or a motorized bicycle, and (2) is owned or primarily operated by the permanently physically disabled person.

EFFECTIVE DATE. This section is effective January 1, 2018.

Sec. 24. **[168.1256] SPECIAL RETIRED LAW ENFORCEMENT PLATES.**

Subdivision 1. **Issuance of plates.** The commissioner shall issue special retired law enforcement license plates or a single motorcycle plate to an applicant who:

(1) is a registered owner of a passenger automobile, noncommercial one-ton pickup truck, motorcycle, or recreational vehicle;

(2) is a retired peace officer as defined in section 626.84, subdivision 1, paragraph (c) or (d);

(3) provides a letter from the chief law enforcement officer affirming that the applicant is a retired peace officer who served ten or more years and separated in good standing;

(4) pays a fee of $10 for each set of plates, along with any other fees required by this chapter;

(5) pays the registration tax as required under section 168.013; and

(6) complies with this chapter and rules governing registration of motor vehicles and licensing of drivers.

Subd. 2. **Design.** The commissioner shall design an emblem and inscription for the special plates, in consultation with interested law enforcement agencies and organizations.

Subd. 3. **Plates transfer.** On application to the commissioner and payment of a transfer fee of $5, special plates issued under this section may be transferred to another motor vehicle if the subsequent vehicle is:

(1) qualified under subdivision 1, clause (1), to bear the special plates; and

(2) registered to the same individual to whom the special plates were originally issued.

Subd. 4. **Exemption.** Special plates issued under this section are not subject to section 168.1293, subdivision 2.

EFFECTIVE DATE. This section is effective January 1, 2018, for special retired law enforcement plates issued on or after that date.

Sec. 25. **[168.1257] SPECIAL LAW ENFORCEMENT MEMORIAL PLATES.**

Subdivision 1. **Issuance of plates.** The commissioner shall issue special law enforcement memorial license plates or a single motorcycle plate to an applicant who:

(1) is a registered owner of a passenger automobile, noncommercial one-ton pickup truck, motorcycle, or recreational vehicle;

(2) pays an additional fee of $10 for each set of plates;

(3) pays the registration tax as required under section 168.013, along with any other fees required by this chapter;

(4) contributes $25 upon initial application and a minimum of $5 annually to the Minnesota law enforcement memorial account; and

(5) complies with this chapter and rules governing registration of motor vehicles and licensing of drivers.

Subd. 2. **Design.** The commissioner shall adopt a suitable design for the plate that must include a black line with a blue line of equal proportion above and below the black line, representing the thin blue line.

Subd. 3. **Plates transfer.** On application to the commissioner and payment of a transfer fee of $5, special plates may be transferred to another motor vehicle if the subsequent vehicle is:

(1) qualified under subdivision (1), clause (1), to bear the special plates; and

(2) registered to the same individual to whom the special plates were originally issued.

Subd. 4. **Exemption.** Special plates issued under this section are not subject to section 168.1293, subdivision 2.

Subd. 5. **Fees.** Fees collected under subdivision 1, clauses (2) and (3), and subdivision 3 are credited to the vehicle services operating account in the special revenue fund.

Subd. 6. **Contributions; memorial account; appropriation.** Contributions collected under subdivision 1, clause (4), must be deposited in the Minnesota law enforcement memorial account, which is established in the special revenue fund. Money in the account is appropriated to the commissioner of public safety. This appropriation is first for the annual cost of administering the account funds, and the remaining funds are for distribution to the Minnesota Law Enforcement Memorial Association, to be used to further the mission of the association in assisting the families and home agencies of Minnesota law enforcement officers who have died in the line of duty.

EFFECTIVE DATE. This section is effective January 1, 2018, for special law enforcement memorial plates issued on or after that date.

Sec. 26. **[168.1294] SPECIAL "START SEEING MOTORCYCLES" PLATES.**

Subdivision 1. **Issuance of plates.** The commissioner shall issue special "Start Seeing Motorcycles" license plates or a single motorcycle plate to an applicant who:

(1) is a registered owner of a passenger automobile, noncommercial one-ton pickup truck, motorcycle, or recreational vehicle;

(2) pays a fee of $10 for each set of plates;

(3) pays the registration tax as required under section 168.013, along with any other fees required by this chapter;

(4) contributes a minimum of $10 annually to the motorcycle safety fund, created under section 171.06, subdivision 2a, paragraph (a), clause (1); and

(5) complies with this chapter and rules governing registration of motor vehicles and licensing of drivers.

Subd. 2. **Design.** The representatives of American Bikers for Awareness, Training, and Education of Minnesota shall design the special plate to contain the inscription "Start Seeing Motorcycles" between the bolt holes on the bottom of the plate with a design area on the left side of the plate, subject to the approval of the commissioner.

Subd. 3. **Plates transfer.** On application to the commissioner and payment of a transfer fee of $5, special plates issued under this section may be transferred to another motor vehicle if the subsequent vehicle is:

(1) qualified under subdivision 1, clause (1), to bear the special plates; and

(2) registered to the same individual to whom the special plates were originally issued.

Subd. 4. **Exemption.** Special plates issued under this section are not subject to section 168.1293, subdivision 2.

Subd. 5. **Fees.** Fees collected under subdivision 1, clause (2), and subdivision 3 are credited to the vehicle services operating account in the special revenue fund.

Subd. 6. **No refund.** Contributions made under this section must not be refunded.

EFFECTIVE DATE. This section is effective January 1, 2018, for special "Start Seeing Motorcycles" plates issued on or after that date.

Sec. 27. Minnesota Statutes 2016, section 168.33, subdivision 2, is amended to read:

Subd. 2. **Deputy registrars.** (a) The commissioner may appoint, and for cause discontinue, a deputy registrar for any statutory or home rule charter city as the public interest and convenience may require, without regard to whether the county auditor of the county in which the city is situated has been appointed as the deputy registrar for the county or has been discontinued as the deputy registrar for the county, and without regard to whether the county in which the city is situated has established a county license bureau that issues motor vehicle licenses as provided in section 373.32.

(b) The commissioner may appoint, and for cause discontinue, a deputy registrar for any statutory or home rule charter city as the public interest and convenience may require, if the auditor for the county in which the city is situated chooses not to accept appointment as the deputy registrar for the county or is discontinued as a deputy registrar, or if the county in which the city is situated has not established a county license bureau that issues motor vehicle licenses as provided in section 373.32.

(c) The commissioner may appoint, and for cause discontinue, the county auditor of each county as a deputy registrar.

(d) Despite any other provision, a person other than a county auditor or a director of a county license bureau, who was appointed by the registrar before August 1, 1976, as a deputy registrar for any statutory or home rule charter city, may continue to serve as deputy registrar and may be discontinued for cause only by the commissioner. The county auditor who appointed the deputy registrars is responsible for the acts of deputy registrars appointed by the auditor.

(e) Each deputy, before entering upon the discharge of duties, shall take and subscribe an oath to faithfully discharge the duties and to uphold the laws of the state.

(f) If a deputy registrar appointed under this subdivision is not an officer or employee of a county or statutory or home rule charter city, the deputy shall in addition give bond to the state in the sum of $10,000, or a larger sum as may be required by the commissioner, conditioned upon the faithful discharge of duties as deputy registrar.

(g) A corporation governed by chapter 302A or 317A may be appointed a deputy registrar. Upon application by an individual serving as a deputy registrar and the giving of the requisite bond as provided in this subdivision, personally assured by the individual or another individual approved by the commissioner, a corporation named in an application then becomes the duly appointed and qualified successor to the deputy registrar.

(h) Each deputy registrar appointed under this subdivision shall keep and maintain office locations approved by the commissioner for the registration of vehicles and the collection of taxes and fees on vehicles.

(i) The deputy registrar shall keep records and make reports to the commissioner as the commissioner requires. The records must be maintained at the offices of the deputy registrar~~.~~ in a manner that complies with sections 13.05, subdivision 5, and 13.055. As an alternative to paper copy storage, a deputy registrar may retain records and documents in a secure electronic medium that complies with the security requirements under the United States Federal Bureau of Investigation, Criminal Justice Information Services Division, Policy 5.4 or any successor policy, provided 60 days have elapsed since the transaction and subject to standards established by the commissioner. The deputy registrar is responsible for all costs associated with the conversion to electronic records and maintenance of the electronic storage medium, including the destruction of existing paper records after conversion to the electronic format. All queries and responses in the secure electronic medium, and all actions in which data are entered, updated, accessed, or shared or disseminated by the deputy registrar must be contained in a data audit trail. Data contained in the audit trail are public to the extent the data are not otherwise classified under this section. The records and offices of the deputy registrar must at all times be open to the inspection of the commissioner or the commissioner's agents. The deputy registrar shall report to the commissioner by the next working day following receipt all registrations made and taxes and fees collected by the deputy registrar.

(j) The filing fee imposed under subdivision 7 must be deposited in the treasury of the place for which appointed or, if not a public official, a deputy shall retain the filing fee, but the registration tax and any additional fees for delayed registration the deputy registrar has collected the deputy registrar shall deposit by the next working day following receipt in an approved state depository to the credit of the state through the commissioner of management and budget. The place for which the deputy registrar is appointed through its governing body must provide the deputy registrar with facilities and personnel to carry out the duties imposed by this subdivision if the deputy is a public official. In all other cases, the deputy shall maintain a suitable facility for serving the public.

Sec. 28. Minnesota Statutes 2016, section 168A.09, subdivision 1, is amended to read:

Subdivision 1. **Application, issuance, form, bond, and notice.** (a) In the event a certificate of title is lost, stolen, mutilated, ~~or~~ destroyed, or becomes illegible, the owner or legal representative of the owner named in the certificate may ~~make~~ submit an application to the department or a deputy registrar for a duplicate in a format prescribed by the department. The department ~~shall~~ or deputy registrar must issue a duplicate certificate of title if satisfied that the applicant is entitled ~~thereto~~ to the duplicate certificate of title. The duplicate certificate of title ~~shall~~ must be plainly marked as a duplicate and mailed or delivered to the owner. The department ~~shall~~ or deputy registrar must indicate in ~~its~~ the driver and vehicle information system records that a duplicate certificate of title has been issued. As a condition to issuing a duplicate certificate of title, the department may require a bond from the applicant in the manner and format prescribed in section 168A.07, subdivision 1, clause (2). The duplicate certificate of title shall contain the legend: "This duplicate certificate of title may be subject to the rights of a person under the original certificate."

(b) On and after the effective date of this section, the commissioner must allow duplicate certificate of title issuance by a deputy registrar subject to procedures established by the commissioner.

EFFECTIVE DATE. This section is effective August 1, 2018.

Sec. 29. Minnesota Statutes 2016, section 169.011, is amended by adding a subdivision to read:

Subd. 1a. **All-electric vehicle.** (a) "All-electric vehicle" means an electric vehicle that is solely able to be powered by an electric motor drawing current from rechargeable storage batteries, fuel cells, or other portable sources of electrical current.

(b) All-electric vehicle excludes a plug-in hybrid electric vehicle.

Sec. 30. Minnesota Statutes 2016, section 169.011, subdivision 34, is amended to read:

Subd. 34. **Head Start bus.** (a) "Head Start bus" means a motor vehicle used to transport children and parents to or from a Head Start facility, or to or from Head Start-related activities, by the Head Start grantee, or by someone under an agreement with the Head Start grantee. A Head Start bus does not include a motor vehicle transporting children or parents to or from a Head Start facility for which parents or guardians receive direct compensation from a Head Start grantee, a motor coach operating under charter carrier authority, or a transit bus providing services as defined in section 174.22, subdivision 7. A Head Start bus may be a type A, B, C, or D bus ~~or type III vehicle, as described in subdivision 71~~.

(b) A Head Start bus manufactured after December 31, 1994, must meet the same standards as a type A, B, C, or D school bus, except that a Head Start bus is not required to be equipped with the warning signals required for a school bus under section 169.442, subdivision 1. A Head Start bus that is not equipped as a school bus must be painted colors other than national school bus yellow.

Sec. 31. Minnesota Statutes 2016, section 169.18, subdivision 5, is amended to read:

Subd. 5. **Driving left of roadway center; exception.** (a) No vehicle shall be driven to the left side of the center of the roadway in overtaking and passing another vehicle proceeding in the same direction unless such left side is clearly visible and is free of oncoming traffic for a sufficient distance ahead to permit such overtaking and passing to be completely made without interfering with the safe operation of any vehicle approaching from the opposite direction or any vehicle overtaken. In every event the overtaking vehicle must return to the right-hand side of the roadway before coming within 100 feet of any vehicle approaching from the opposite direction.

(b) Except on a one-way roadway, no vehicle shall, in overtaking and passing another vehicle or at any other time, be driven to the left half of the roadway under the following conditions:

(1) when approaching the crest of a grade or upon a curve in the highway where the driver's view along the highway is obstructed within a distance of 700 feet;

(2) when approaching within 100 feet of any underpass or tunnel, railroad grade crossing, intersection within a city, or intersection outside of a city if the presence of the intersection is marked by warning signs; or

(3) where official signs are in place prohibiting passing, or a distinctive centerline is marked, which distinctive line also so prohibits passing, as declared in the Manual on Uniform Traffic Control Devices adopted by the commissioner.

(c) Notwithstanding paragraph (b), clause (3), a motor vehicle may be driven to the left side of the roadway to safely overtake a bicycle under the following circumstances:

(1) the bicycle is proceeding in the same direction as the motor vehicle;

(2) the driver of the motor vehicle either (i) provides a safe clearance distance, in no case less than the greater of three feet or one-half the width of the motor vehicle, or (ii) completely enters the left lane of the highway;

(3) the operator of the bicycle is not (i) making a left turn, or (ii) signaling that the bicycle operator intends to make a left turn; and

(4) the driver of the motor vehicle complies with all other applicable requirements under this section.

Sec. 32. Minnesota Statutes 2016, section 169.345, subdivision 1, is amended to read:

Subdivision 1. **Scope of privilege.** (a) A vehicle described in section 168.021, subdivision 1, paragraph (a), that prominently displays the certificate authorized by this section or that bears the disability plate or plates issued under section 168.021 may be parked by or solely for the benefit of a physically disabled person:

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

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

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

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

(b) For purposes of this subdivision, a certificate is prominently displayed if it is displayed so that it may be viewed from the front and rear of the motor vehicle by hanging it from the rearview mirror attached to the front windshield of the motor vehicle or, in the case of a motorcycle <u>or a motorized bicycle</u>, is secured to the vehicle. If there is no rearview mirror or if the certificate holder's disability precludes placing the certificate on the mirror, the certificate must be displayed on the dashboard of the vehicle. No part of the certificate may be obscured.

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

<u>**EFFECTIVE DATE.**</u> <u>This section is effective January 1, 2018.</u>

Sec. 33. Minnesota Statutes 2016, section 169.345, subdivision 3, is amended to read:

Subd. 3. **Identifying certificate.** (a) The commissioner shall issue (1) immediately, a permit valid for 30 days if the person is eligible for the certificate issued under this section and (2) an identifying certificate for a vehicle described in section 168.021, subdivision 1, paragraph (a), when a physically disabled applicant submits proof of physical disability under subdivision 2a. The commissioner shall design separate certificates for persons with permanent and temporary disabilities that can be readily distinguished from each other from outside a vehicle at a distance of 25 feet or, in the case of a motorcycle <u>or a motorized bicycle</u>, can be readily secured to the motorcycle <u>or motorized bicycle</u>. An applicant may be issued up to two certificates if the applicant has not been issued disability plates under section 168.021.

(b) The operator of a vehicle displaying a certificate has the parking privileges provided in subdivision 1 only while the vehicle is actually parked while transporting a physically disabled person.

(c) The commissioner shall cancel all certificates issued to an applicant who fails to comply with the requirements of this subdivision.

<u>**EFFECTIVE DATE.**</u> <u>This section is effective January 1, 2018.</u>

Sec. 34. Minnesota Statutes 2016, section 169.444, subdivision 2, is amended to read:

Subd. 2. **Violations by drivers; penalties.** (a) A person who fails to stop a vehicle or to keep it stopped, as required in subdivision 1, or who violates subdivision 1a, is guilty of a misdemeanor punishable by a fine of not less than ~~$300~~ $500.

(b) A person is guilty of a gross misdemeanor if the person fails to stop a motor vehicle or to keep it stopped, as required in subdivision 1, or who violates subdivision 1a, and commits either or both of the following acts:

(1) passes or attempts to pass the school bus in a motor vehicle on the right-hand, passenger-door side of the bus; or

(2) passes or attempts to pass the school bus in a motor vehicle when a school child is outside of and on the street or highway used by the school bus or on the adjacent sidewalk.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to violations committed on and after that date.

Sec. 35. Minnesota Statutes 2016, section 169.449, subdivision 1, is amended to read:

Subdivision 1. **Rules.** The commissioner of public safety shall adopt rules governing the operation of school buses used for transportation of school children, when owned or operated by a school or privately owned and operated under a contract with a school~~, and these rules must be made a part of that contract by reference~~. Each school, its officers and employees, and each person employed under the contract is subject to these rules.

Sec. 36. **[169.8295] WEIGHT LIMITS; VEHICLES TRANSPORTING MILK.**

Subdivision 1. **Weight limits increase.** (a) The weight limitations under sections 169.823 to 169.829 are increased by ten percent for a single-unit vehicle transporting fluid milk from the point of production to:

(1) another point of production for additional loading; or

(2) the point of first processing.

(b) Notwithstanding sections 169.824, subdivision 1, paragraph (d); 169.826, subdivision 3; or other law to the contrary, a permit is not required to operate a vehicle under this section.

(c) The seasonal weight increases under section 169.826, subdivision 1, do not apply to a vehicle operated under this section.

Subd. 2. **Requirements; restrictions.** A vehicle operated under this section:

(1) is subject to seasonal load restrictions under section 169.87, except as otherwise provided under section 169.87, subdivision 4;

(2) is subject to bridge load limits posted under section 169.84; and

(3) must not be operated with a load that exceeds the tire manufacturer's recommended load, the manufacturer's gross vehicle weight rating as affixed to the vehicle, or other certification of gross vehicle weight rating under Code of Federal Regulations, title 49, sections 567.4 to 567.7.

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

Sec. 37. Minnesota Statutes 2016, section 169.865, subdivision 3, is amended to read:

Subd. 3. **Requirements; restrictions.** (a) A vehicle or combination of vehicles operating under this section:

(1) is subject to axle weight limitations under section 169.824, subdivision 1;

(2) is subject to seasonal load restrictions under section 169.87;

(3) is subject to bridge load limits posted under section 169.84;

(4) may only be operated on paved streets and highways other than interstate highways;

(5) may not be operated with loads that exceed the manufacturer's gross vehicle weight rating as affixed to the vehicle, or other certification of gross vehicle weight rating complying with Code of Federal Regulations, title 49, sections 567.4 to 567.7;

(6) must be issued a permit from each road authority having jurisdiction over a road on which the vehicle is operated, if required;

(7) must comply with the requirements of section 169.851, subdivision 4; and

(8) must have brakes on all wheels.

(b) The percentage allowances for exceeding gross weights if transporting unfinished forest products under section 168.013, subdivision 3, paragraph (b), or for the first haul of unprocessed or raw farm products or unfinished forest products under section 168.013, subdivision 3, paragraph (d), clause (3), do not apply to a vehicle or combination of vehicles operated under this section.

(c) Notwithstanding paragraph (a), clause (4), a vehicle or combination of vehicles hauling fluid milk under a permit issued by the commissioner of transportation may also operate on interstate highways as provided under United States Code, title 23, section 127.

Sec. 38. **[169.869] SPECIAL CONSTRUCTION MATERIALS PERMIT.**

Subdivision 1. **Definition.** For purposes of this section, "construction materials" means highway construction materials, building construction materials, and associated demolition materials, including but not limited to aggregate material as defined in section 298.75, subdivision 1, paragraph (a), hot mix asphalt, plastic concrete, cementitious materials, concrete admixtures, asphalt cement, construction demolition materials, and recycled road materials.

Subd. 2. **Six-axle vehicles.** (a) The commissioner of transportation may issue an annual permit authorizing a vehicle or combination of vehicles with a total of six or more axles to haul construction materials and be operated with a gross vehicle weight of up to:

(1) 90,000 pounds; and

(2) 99,000 pounds during the period set by the commissioner under section 169.826, subdivision 1.

(b) The fee for a permit issued under this subdivision is $300, or a proportional amount as provided in section 169.86, subdivision 5.

Subd. 3. **Seven-axle vehicles.** (a) The commissioner of transportation may issue an annual permit authorizing a vehicle or combination of vehicles with a total of seven or more axles to haul construction materials and be operated with a gross vehicle weight of up to:

(1) 97,000 pounds; and

(2) 99,000 pounds during the period set by the commissioner under section 169.826, subdivision 1.

(b) The fee for a permit issued under this subdivision is $500, or a proportional amount as provided in section 169.86, subdivision 5.

Subd. 4. **Authority; restrictions.** (a) A permit issued by the commissioner under this section is valid for operation on highways regardless of jurisdiction, subject to paragraph (b).

(b) A vehicle or combination of vehicles operating under this section:

(1) may only be operated on paved or unpaved streets and highways, other than interstate highways;

(2) must comply with the requirements and restrictions in section 169.865, subdivision 3, paragraph (a), clauses (1) to (3), (5), (7), and (8); and

(3) must be operated in compliance with truck route requirements and vehicle weight restrictions, as established under section 169.87, subdivision 1, by a local road authority or the commissioner.

Subd. 5. **Revenues.** Revenue from the permits issued by the commissioner under this section must be deposited in the town bridge account. Revenue deposited under this subdivision is available to inspect and post weight limits for town bridges.

Subd. 6. **Expiration date.** Upon request of the permit applicant, the expiration date for a permit issued under this section must be the same as the expiration date of the permitted vehicle's registration.

Subd. 7. **Permit information.** The commissioner must make information available to local road authorities on an Internet Web site that identifies permit issuances under this section and the counties in which a vehicle with a permit is intended to be operated.

Subd. 8. **Local preferred routes.** A local road authority may identify local preferred routes for operating a vehicle on local streets and highways under a permit issued in this section. A holder of a permit issued in this section and any person seeking to apply for a permit are encouraged to:

(1) upon request of a local road authority, provide comment on identification of preferred routes; and

(2) make reasonable efforts to operate a vehicle on the preferred routes when operating under the permit.

EFFECTIVE DATE. This section is effective January 1, 2018.

Sec. 39. Minnesota Statutes 2016, section 171.02, subdivision 2b, is amended to read:

Subd. 2b. **Exception for type III vehicle drivers.** (a) Notwithstanding subdivision 2, the holder of a class A, B, C, or D driver's license, without a school bus endorsement, may operate a type III vehicle described in section 169.011, subdivision 71, paragraph (h), under the conditions in ~~paragraphs (b) through (o)~~ this subdivision.

(b) The operator is an employee of the entity that owns, leases, or contracts for the school bus.

(c) The operator's employer has adopted and implemented a policy that provides for annual training and certification of the operator in:

(1) safe operation of a type III vehicle;

(2) understanding student behavior, including issues relating to students with disabilities;

(3) encouraging orderly conduct of students on the bus and handling incidents of misconduct appropriately;

(4) knowing and understanding relevant laws, rules of the road, and local school bus safety policies;

(5) handling emergency situations;

(6) proper use of seat belts and child safety restraints;

(7) performance of pretrip vehicle inspections;

(8) safe loading and unloading of students, including, but not limited to:

(i) utilizing a safe location for loading and unloading students at the curb, on the nontraffic side of the roadway, or at off-street loading areas, driveways, yards, and other areas to enable the student to avoid hazardous conditions;

(ii) refraining from loading and unloading students in a vehicular traffic lane, on the shoulder, in a designated turn lane, or a lane adjacent to a designated turn lane;

(iii) avoiding a loading or unloading location that would require a pupil to cross a road, or ensuring that the driver or an aide personally escort the pupil across the road if it is not reasonably feasible to avoid such a location;

(iv) placing the type III vehicle in "park" during loading and unloading; and

(v) escorting a pupil across the road under item (iii) only after the motor is stopped, the ignition key is removed, the brakes are set, and the vehicle is otherwise rendered immobile; and

(9) compliance with paragraph (k), concerning reporting certain convictions to the employer within ten days of the date of conviction.

(d) A background check or background investigation of the operator has been conducted that meets the requirements under section 122A.18, subdivision 8, or 123B.03 for school district employees; section 144.057 or chapter 245C for day care employees; or section 171.321, subdivision 3, for all other persons operating a type III vehicle under this subdivision.

(e) Operators shall submit to a physical examination as required by section 171.321, subdivision 2.

(f) The operator's employer requires preemployment drug testing of applicants for operator positions. Current operators must comply with the employer's policy under section 181.951, subdivisions 2, 4, and 5. Notwithstanding any law to the contrary, the operator's employer may use a Breathalyzer or similar device to fulfill random alcohol testing requirements.

(g) The operator's driver's license is verified annually by the entity that owns, leases, or contracts for the type III vehicle as required under section 171.321, subdivision 5.

(h) A person who sustains a conviction, as defined under section 609.02, of violating section 169A.25, 169A.26, 169A.27, or 169A.31, or whose driver's license is revoked under sections 169A.50 to 169A.53 of the implied consent law, or who is convicted of violating or whose driver's license is revoked under a similar statute or ordinance of another state, is precluded from operating a type III vehicle for five years from the date of conviction.

(i) A person who has ever been convicted of a disqualifying offense as defined in section 171.3215, subdivision 1, paragraph (c), may not operate a type III vehicle under this subdivision.

(j) A person who sustains a conviction, as defined under section 609.02, of a moving offense in violation of chapter 169 within three years of the first of three other moving offenses is precluded from operating a type III vehicle for one year from the date of the last conviction.

(k) An operator who sustains a conviction as described in paragraph (h), (i), or (j) while employed by the entity that owns, leases, or contracts for the school bus, shall report the conviction to the employer within ten days of the date of the conviction.

(l) An operator of a type III vehicle whose driver's license is suspended, revoked, canceled, or disqualified by Minnesota, another state, or another jurisdiction must notify the operator's employer in writing of the suspension, revocation, cancellation, lost privilege, or disqualification. The operator must notify the operator's employer before the end of the business day immediately following the day the operator received notice of the suspension, revocation, cancellation, lost privilege, or disqualification.

(m) Students riding the type III vehicle must have training required under section 123B.90, subdivision 2.

~~(m)~~ (n) Documentation of meeting the requirements listed in this subdivision must be maintained under separate file at the business location for each type III vehicle operator. The business manager, school board, governing body of a nonpublic school, or any other entity that owns, leases, or contracts for the type III vehicle operating under this subdivision is responsible for maintaining these files for inspection.

~~(n)~~ (o) The type III vehicle must bear a current certificate of inspection issued under section 169.451.

~~(o)~~ (p) An employee of a school or of a school district, who is not employed for the sole purpose of operating a type III vehicle, is exempt from paragraphs (e) and (f).

Sec. 40. Minnesota Statutes 2016, section 171.06, subdivision 2a, is amended to read:

Subd. 2a. **Two-wheeled vehicle endorsement fee.** (a) The fee for any duplicate driver's license obtained for the purpose of adding a two-wheeled vehicle endorsement is increased by $18.50 for each first such duplicate license and $13 for each renewal thereof. The additional fee must be paid into the state treasury and credited as follows:

(1) $11 of the additional fee for each first duplicate license, and $7 of the additional fee for each renewal, must be credited to the motorcycle safety fund, which is hereby created~~; provided that ten percent of fee receipts in excess of $750,000 in a fiscal year must be credited to the general fund~~.

(2) The remainder of the additional fee must be credited to the general fund.

(b) All application forms prepared by the commissioner for two-wheeled vehicle endorsements must clearly state the amount of the total fee that is dedicated to the motorcycle safety fund.

Sec. 41. Minnesota Statutes 2016, section 171.061, subdivision 3, is amended to read:

Subd. 3. **Application.** An applicant may file an application with an agent. The agent shall receive and accept applications in accordance with the laws and rules of the Department of Public Safety for a driver's license, restricted license, duplicate license, instruction permit, Minnesota identification card, or motorized bicycle operator's permit. Application records must be maintained at the office of the agent in a manner that complies with sections 13.05, subdivision 5, and 13.055. As an alternative to paper copy storage, an agent may retain records and documents in a secure electronic medium that complies with the security requirements under the United States Federal Bureau of Investigation, Criminal Justice Information Services Division, Policy 5.4 or any successor policy, provided 60 days have elapsed since the transaction and subject to standards established by the commissioner. The agent is responsible for all costs associated with the conversion to electronic records and maintenance of the electronic storage medium, including the destruction of existing paper records after conversion to the electronic format. All queries and responses in the secure electronic medium, and all actions in which data are entered, updated, accessed, or shared or disseminated by the agent must be contained in a data audit trail. Data contained in the audit trail are public to the extent the data are not otherwise classified under this section.

Sec. 42. Minnesota Statutes 2016, section 171.12, subdivision 6, is amended to read:

Subd. 6. **Certain convictions not recorded.** (a) Except as provided in paragraph (c), the department shall not keep on the record of a driver any conviction for a violation of a speed limit of 55 miles per hour unless the violation consisted of a speed greater than ten miles per hour in excess of the speed limit.

(b) Except as provided in paragraph (c), the department shall not keep on the record of a driver any conviction for a violation of a speed limit of 60 miles per hour unless the violation consisted of a speed greater than:

(1) ten miles per hour in excess of the speed limit, for any violation occurring on or after August 1, 2012, and before August 1, 2014; or

(2) five miles per hour in excess of the speed limit, for any violation occurring on or after August 1, 2014.

(c) This subdivision does not apply to (1) a violation that occurs in a commercial motor vehicle, or (2) a violation committed by a holder of a class A, B, or C commercial driver's license or commercial driver learner's permit, without regard to whether the violation was committed in a commercial motor vehicle or another vehicle.

Sec. 43. Minnesota Statutes 2016, section 173.02, is amended by adding a subdivision to read:

Subd. 7a. **Abandoned and discontinued.** "Abandoned and discontinued" means an outdoor advertising device that ceases to display advertising copy for a minimum of one year and is not otherwise being actively marketed to display advertising copy.

Sec. 44. Minnesota Statutes 2016, section 173.02, is amended by adding a subdivision to read:

Subd. 17a. **Conforming.** "Conforming" means an outdoor advertising device that complies with the requirements of this chapter.

Sec. 45. Minnesota Statutes 2016, section 173.02, subdivision 18, is amended to read:

Subd. 18. **Commercial or industrial activity.** (a) "Commercial or industrial activity" for the purposes of unzoned commercial or industrial areas means an activity generally recognized as commercial or industrial by zoning authorities in this state~~, except that~~.

(b) None of the following activities shall be considered commercial or industrial:

(1) outdoor advertising devices~~.~~;

(2) agricultural, forestry, ranching, grazing, farming and related activities, including, but not limited to, temporary wayside fresh produce stands~~.~~;

(3) transient or temporary activities~~.~~;

(4) activities not visible from the main-traveled way~~.~~;

(5) activities more than 660 feet from the nearest edge of the right-of-way~~.~~;

(6) activities conducted in a building principally used as a residence~~.~~;

(7) railroad tracks and minor sidings~~.~~;

(8) advertising located on vehicles or tractor trailers;

(9) commercial establishments or businesses that have ceased to exist or operate; or

(10) a business created to install new outdoor advertising devices.

Sec. 46. Minnesota Statutes 2016, section 173.02, is amended by adding a subdivision to read:

Subd. 21a. **Nonconforming.** "Nonconforming" means an outdoor advertising device that was lawfully erected and has been maintained lawfully but does not comply with the requirements of this chapter. A nonconforming sign is one that remains in substantially the same condition it was on the effective date of this chapter.

Sec. 47. Minnesota Statutes 2016, section 173.02, is amended by adding a subdivision to read:

Subd. 21b. **Off-premise** "Off-premise" means an outdoor advertising device that advertises or pertains to any business, product, person, activity, event, or service that is not primarily conducted, sold, manufactured, offered, or located on the property where the sign is located.

Sec. 48. Minnesota Statutes 2016, section 173.02, subdivision 23, is amended to read:

Subd. 23. **Scenic area.** "Scenic area" means an area within which control and regulation of the erection and maintenance of advertising devices may be exercised to the extent herein provided and such areas shall include only those established as such by the commissioner of transportation. Scenic area includes a scenic byway under United States Code, title 23, section 162.

Sec. 49. Minnesota Statutes 2016, section 173.02, is amended by adding a subdivision to read:

Subd. 23a. **Scenic byways.** "Scenic byways" means roads that recognize outstanding scenic, cultural, historic, natural, recreational, and archaeological qualities and landscapes pursuant to United States Code, title 23, section 162.

Sec. 50. Minnesota Statutes 2016, section 173.06, subdivision 1, is amended to read:

Subdivision 1. **Authority.** The commissioner of transportation ~~shall~~ must adopt and may modify, amend, or repeal rules governing the ~~issuance of permits or renewals thereof for the erection and~~ maintenance of legal nonconforming advertising devices within scenic areas; provided that the commissioner shall not adopt, modify, amend, or repeal any rule that will impair any agreement ~~with~~ between the state and the federal government under this chapter. The commissioner of transportation may limit the application of any rule adopted by the commissioner to exclude or include in whole or in part, specified areas within the scenic area based upon use, nature of the surrounding community, or such other factors as may make separate classification or rule necessary or desirable.

Sec. 51. Minnesota Statutes 2016, section 173.07, subdivision 1, is amended to read:

Subdivision 1. **Forms; content.** Application for permits or renewals thereof for the placement ~~and maintenance~~ of advertising devices ~~within scenic areas shall~~ must be on forms prescribed by the commissioner and ~~shall~~ contain ~~such~~ information as the commissioner may require. No advertising device shall be placed without the consent of the owner or occupant of the land, and adequate proof of such consent shall be submitted to the commissioner at the time application is made for such permits or renewals. A permit is required to access state right-of-way to maintain an advertising device.

Sec. 52. Minnesota Statutes 2016, section 173.08, is amended by adding a subdivision to read:

Subd. 3. **Seed sign exemption.** Crop varietal and seed corn signs adjacent to interstate and primary highways may be erected if the device:

(1) is located on demonstration plats;

(2) is located on private property;

(3) does not violate section 160.27 or 160.2715; and

(4) does not reference an off-site address where the product may be sold.

Sec. 53. Minnesota Statutes 2016, section 173.08, is amended by adding a subdivision to read:

Subd. 4. **Violations; removal.** The Department of Transportation may remove signs that violate this section using the removal procedures under section 173.13, subdivision 11.

Sec. 54. Minnesota Statutes 2016, section 173.13, subdivision 11, is amended to read:

Subd. 11. **Removal of advertising device for noncompliance.** Advertising devices erected or maintained after June 8, 1971, not complying with ~~Laws 1971, chapter 883, and not otherwise by Laws 1971, chapter 883, permitted to stand~~ this chapter may be removed by the commissioner upon 60 days prior written notice by certified mail to the owner ~~thereof~~ of the advertising device and to the owner of the real property on which ~~such~~ the advertising device is located~~, provided that~~. No notice ~~shall be~~ is required to be given to the owner of an advertising device whose name is not stated upon the advertising device or the structure on which it is displayed, unless the name of ~~such~~ the owner is otherwise reasonably known to the commissioner. The owner of the removed device is liable to the state for the costs of removal. The period of ~~such~~ notice ~~shall be~~ is computed from the date of mailing~~.~~ to both the owner of the advertising device and the owner of the real property where the device is located. The department must store a removed outdoor advertising device for a minimum of 30 days prior to disposal. If the outdoor advertising device is not retrieved by the owner within 30 days of removal, the department may dispose of the outdoor advertising device. The state is not liable for trespass actions or sign costs for outdoor advertising devices removed under this subdivision if proper notice has been served.

Sec. 55. **[173.155] CHANGEABLE ELECTRONIC VARIABLE MESSAGE SIGNS.**

Subdivision 1. **Definition.** For the purposes of this section, "changeable electronic variable message sign" or "CEVMS" means an outdoor advertising device that contains light-emitting diodes or other technology to display copy visible during the day and during the night, with the copy changes initiated electronically.

Subd. 2. **Prohibition.** Intermittent, animated, scrolling, full-motion video elements, or moving lights are prohibited on outdoor advertising devices, including CEVMS.

Subd. 3. **Exceptions.** (a) Notwithstanding subdivision 2, a CEVMS is permissible if:

(1) the message does not change more frequently than once every six seconds;

(2) the transition between messages or copy does not exceed two seconds in duration;

(3) the message brightness does not exceed 0.3 foot-candles over ambient light, as measured using a foot candle meter from the following distances:

(i) for signs with a nominal face size of 12 feet by 25 feet, from 150 feet;

(ii) for signs with a nominal face size of ten feet, six inches, by 36 feet, from 200 feet; and

(iii) for signs with a nominal face size of 14 feet by 48 feet, from 250 feet; and

(4) the sign must not cause beams or rays of light to be directed at the traveled way if the light is of such intensity or brilliance as to cause glare that impairs the vision of the driver of a motor vehicle, or interfere with any driver's operation of a motor vehicle.

(b) The brightness measurement under paragraph (a), clause (3), must be conducted at least 30 minutes after sunset or at least 30 minutes before sunrise. Each CEVMS must have automatic dimming technology that adjusts the device's brightness levels in response to changes in ambient light.

Sec. 56. Minnesota Statutes 2016, section 173.16, is amended by adding a subdivision to read:

Subd. 6. **Stationary structure.** Advertising devices must:

(1) be stationary;

(2) be immobile;

(3) not have wheels; and

(4) be incapable of relocation without a permit.

Sec. 57. Minnesota Statutes 2016, section 173.16, is amended by adding a subdivision to read:

Subd. 7. **Permanent business.** (a) A business that is located in an unzoned commercial and industrial area must be in existence for at least three months before a permit may be issued. An outdoor advertising device erected prior to receiving a permit is subject to removal.

(b) A commercial establishment may demonstrate evidence of its existence by having a Web site, a telephone number that is answered or has an answering machine identifying the business, a storefront, pictorial evidence of the business, a building permit, or a lease.

Sec. 58. **[173.265] OUTDOOR ADVERTISING DEVICES; REMOVAL; MAINTENANCE.**

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

(b) "Destroyed" means that more than 50 percent of a nonconforming outdoor advertising device's upright supports are physically damaged to a degree that normal repair practices would require replacement of broken wooden supports or replacement of broken, bent, or twisted supports for metal sign structures.

(c) "Reasonable repair and maintenance" means customary maintenance and change of a sign's copy or message, and includes replacement of existing light fixtures with energy efficient fixtures or installation of other energy efficiency improvements. Reasonable repair and maintenance does not include:

(1) the addition of illumination;

(2) repair, reinstallation, erection, or maintenance for outdoor advertising devices that are destroyed, as defined under paragraph (b);

(3) enlarging the nonconforming device;

(4) changing the device from a wood structure to a steel or concrete structure; or

(5) any change that would terminate nonconforming status.

(d) "Substantial change" means any action that does not constitute reasonable repair and maintenance.

Subd. 2. **Application.** This section applies only to outdoor advertising devices subject to state and federal regulation under United States Code, title 23, section 131, and any regulations adopted under that law.

Subd. 3. **Removal.** The department may remove a destroyed, abandoned, or discontinued outdoor advertising device, subject to the limitations provided under this chapter.

Subd. 4. **Reasonable repair and maintenance.** (a) The owner of an outdoor advertising device may perform reasonable repair and maintenance on any device, provided the device is not destroyed.

(b) Any action not constituting reasonable repair and maintenance will subject the outdoor advertising device to immediate removal under subdivision 3.

Subd. 5. **Substantial change.** Substantial changes to outdoor advertising devices are prohibited. A substantial change to a nonconforming outdoor advertising device will subject the sign to immediate removal under subdivision 3.

Sec. 59. Minnesota Statutes 2016, section 174.03, subdivision 1a, is amended to read:

Subd. 1a. **Revision of statewide multimodal transportation plan.** (a) The commissioner ~~shall~~ must revise the statewide multimodal transportation plan by January 15, ~~2013~~ 2022, and by January 15 of every ~~four~~ five years thereafter. Before final adoption of a revised plan, the commissioner ~~shall~~ must hold a hearing to receive public comment on the preliminary draft of the revised plan.

(b) Each revised statewide multimodal transportation plan must:

(1) incorporate the goals of the state transportation system in section 174.01;

(2) establish objectives, policies, and strategies for achieving those goals; and

(3) identify performance targets for measuring progress and achievement of transportation system goals, objectives, or policies.

Sec. 60. Minnesota Statutes 2016, section 174.03, subdivision 1c, is amended to read:

Subd. 1c. **Statewide highway ~~20-year capital~~ investment plan.** ~~By January 15, 2013, and in conjunction with~~ Within one year of each ~~future~~ revision of the statewide multimodal transportation plan under subdivision 1a, the commissioner ~~shall~~ must prepare a 20-year statewide highway ~~capital~~ investment plan that:

(1) incorporates performance measures and targets for assessing progress and achievement of the state's transportation goals, objectives, and policies identified in this chapter for the state trunk highway system, and those goals, objectives, and policies established in the statewide multimodal transportation plan. Performance targets must be based on objectively verifiable measures, and address, at a minimum, preservation and maintenance of the structural condition of state highway bridges and pavements, safety, and mobility;

(2) summarizes trends and impacts for each performance target over the past five years;

(3) summarizes the amount and analyzes the impact of the department's capital investments and priorities over the past five years on each performance target, including a comparison of prior plan projected costs with actual costs;

(4) identifies the investments required to meet the established performance targets over the next 20-year period;

(5) projects available state and federal funding over the 20-year period, including any unique, competitive, time-limited, or focused funding opportunities;

(6) identifies strategies to ensure the most efficient use of existing transportation infrastructure, and to maximize the performance benefits of projected available funding;

(7) establishes investment priorities for projected funding, including a schedule of major projects or improvement programs for the 20-year period together with projected costs and impact on performance targets; and

(8) identifies those performance targets identified under clause (1) not expected to meet the target outcome over the 20-year period together with alternative strategies that could be implemented to meet the targets.

Sec. 61. Minnesota Statutes 2016, section 174.03, is amended by adding a subdivision to read:

Subd. 1e. **Capacity and major highway projects; planning and programming.** (a) The commissioner must implement a process concerning trunk highway projects that are not included in the state transportation improvement program. The commissioner must use the process for projects that expand trunk highway system capacity and for major highway projects, as defined in section 174.56, subdivision 1.

(b) At a minimum, the process must:

(1) establish standard, objective procedures for planning, project identification, development, prioritization, and programming;

(2) address fiscal considerations, including total expenditures to develop projects that are not programmed;

(3) communicate to stakeholders and the general public an outline of the process and a list of specific capacity projects, using plain language descriptions and information; and

(4) integrate with the department's programs that involve alternative project selection methods, including but not limited to the corridors of commerce program under section 161.088 and the transportation economic development program under section 174.12.

Sec. 62. Minnesota Statutes 2016, section 174.50, subdivision 5, is amended to read:

Subd. 5. **Certification and disbursal for project of political subdivision.** Before disbursement of an appropriation made from the fund to the commissioner of transportation for grants to subdivisions of the state, the commissioner ~~shall~~ must certify that:

(1) ~~that the project for which the grant is made has been reviewed as provided in subdivision 4;~~

~~(2) that~~ the project conforms to the program authorized by the appropriation law and rules adopted by the Department of Transportation consistent therewith; and

~~(3) that~~ (2) the financing of any estimated cost of the project in excess of the amount of the grant is assured by the appropriation of the proceeds of bonds or other funds of the subdivision, or by a grant from an agency of the federal government, within the amount of funds then appropriated to that agency and allocated by it to projects within the state, and by an irrevocable undertaking, in a resolution of the governing body of the subdivision, to use all funds so made available exclusively for the project, and to pay any additional amount by which the cost exceeds the estimate through appropriation to the construction fund of additional funds or the proceeds of additional bonds to be issued by the subdivision.

Sec. 63. Minnesota Statutes 2016, section 174.50, subdivision 6b, is amended to read:

Subd. 6b. **Bridge costs in smaller cities.** (a) The commissioner may make grants from the state transportation fund to a home rule or statutory city with a population of 5,000 or less for design, engineering, and construction of bridges on city streets.

~~(b) Grants under this subdivision are subject to the procedures and criteria established under subdivisions 5, 6, and 7.~~

~~(c)~~ (b) Grants may be used for:

(1) 100 percent of the design and engineering costs that are in excess of $10,000;

(2) 100 percent of the bridge approach work costs that are in excess of $10,000; and

(3) 100 percent of the bridge construction work costs.

Sec. 64. Minnesota Statutes 2016, section 174.50, subdivision 6c, is amended to read:

Subd. 6c. **Fracture-critical bridges.** ~~(a)~~ The commissioner may make a grant to any political subdivision for replacement or rehabilitation of a fracture-critical bridge. To be eligible for a grant under this subdivision, the project must produce a bridge structure:

(1) that is no longer classified as fracture critical, by having alternate load paths; and

(2) whose failure of a main component will not result in the collapse of the bridge.

~~(b) A grant under this subdivision is subject to the procedures and criteria established under subdivisions 5 and 6.~~

Sec. 65. Minnesota Statutes 2016, section 174.50, subdivision 7, is amended to read:

Subd. 7. **Bridge grant program; rulemaking.** (a) The commissioner of transportation shall develop rules, procedures for application for grants, conditions of grant administration, standards, and criteria as provided under subdivision 6, including bridge specifications, in cooperation with road authorities of political subdivisions, for use in the administration of funds appropriated to the commissioner and for the administration of grants to subdivisions. Grants under this section are subject to the procedures and criteria established in this subdivision and in subdivisions 5 and 6.

(b) The maximum use of standardized bridges is encouraged. Regardless of the size of the existing bridge, a bridge or replacement bridge is eligible for assistance from the state transportation fund if a hydrological survey indicates that the bridge or replacement bridge must be ten feet or more in length.

(c) As part of the standards or rules, the commissioner shall, in consultation with local road authorities, establish a minimum distance between any two bridges that cross over the same river, stream, or waterway, so that only one of the bridges is eligible for a grant under this section. As appropriate, the commissioner may establish exceptions from the minimum distance requirement or procedures for obtaining a variance.

(d) Political subdivisions may use grants made under this section to construct or reconstruct bridges, including but not limited to:

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

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

(3) paying the costs to construct a road or street to facilitate the abandonment of an existing bridge if the commissioner determines that the bridge is deficient, and that construction of the road or street is more economical than replacement of the existing bridge.

(e) Funds appropriated to the commissioner from the Minnesota state transportation fund shall be segregated from the highway tax user distribution fund and other funds created by article XIV of the Minnesota Constitution.

(f) The maximum grant amount for a local bridge replacement or rehabilitation project under this section is $7,000,000. If in any year money appropriated for local bridge replacement or rehabilitation projects remains available after all projects on the commissioner's priority list for which the state share is $7,000,000 or less have been funded, the commissioner may make grants for more than $7,000,000.

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

Sec. 66. **[174.54] TRANSPORTATION PRIORITIES FUND.**

Subdivision 1. **Fund established.** A transportation priorities fund is established in the state treasury, under the budgetary jurisdiction of the legislative committees having jurisdiction over transportation finance. The fund consists of money provided by law, and any other funds donated, allotted, transferred, or otherwise provided. Money in the fund must be allocated solely for transportation purposes as specified in this section and as provided by law.

Subd. 2. **Financial reports.** Any report or financial statement required by law to be submitted to the legislature that provides financial information on the transportation priorities fund must include accounting information on each account established within the fund, including revenues and sources, transfers, uses, and account balance.

Subd. 3. **Fund allocation; net funds.** (a) In fiscal year 2020 and thereafter, the commissioner of transportation must allocate funds in the transportation priorities fund as follows:

(1) 70.5 percent transferred to the commissioner of transportation for deposit in the highway user tax distribution fund, provided that this amount is reduced by the amount transferred as specified in subdivision 4;

(2) four percent to the small cities assistance account;

(3) three percent for the local bridge replacement and rehabilitation program under section 174.50;

(4) 1.5 percent for the hazardous materials rail safety program under section 219.016;

(5) 0.75 percent for purposes of replacement of highway-rail grade crossing warning devices;

(6) 0.25 percent for the public highway-rail grade crossing quiet zone program under section 219.166;

(7) ten percent for distribution as provided in subdivision 5; and

(8) ten percent transferred to the commissioner of transportation for deposit in the greater Minnesota transit account in the transit assistance fund.

(b) Funds allocated under paragraph (a) exclude any amounts that are in an account in the transportation priorities fund, and any amounts otherwise appropriated or transferred from the fund by law. Funds allocated under paragraph (a) include any amounts canceled to the fund under section 16A.28 or as otherwise provided by law.

Subd. 4. **Fund allocation; debt service.** An amount equal to the necessary debt service on trunk highway bond proceeds appropriated in article 2, section 2, subdivision 2, of this act is annually transferred from the transportation priorities fund to the commissioner of transportation for deposit in the trunk highway fund.

Subd. 5. **Fund allocation; certain metropolitan area county roads.** (a) The commissioner of transportation must distribute the funds under subdivision 3, paragraph (a), clause (7), and any other funds appropriated specifically for purposes of this subdivision 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 receives from that 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 paragraph.

(b) Funds distributed under this subdivision are for construction, reconstruction, and maintenance of county highways, including county state-aid highways.

Sec. 67. Minnesota Statutes 2016, section 174.56, subdivision 1, is amended to read:

Subdivision 1. **Report required.** (a) The commissioner of transportation ~~shall~~ must submit a report by December 15 of each year ~~on~~ that includes:

(1) the status of major highway projects:

(i) completed during the previous two years; or

(ii) under construction or planned during the year of the report ~~and for the ensuing 15 years, (2) trunk highway fund expenditures, and~~;

(2) a list of any major highway projects identified in capital investment plans or identified as reasonably likely for inclusion in the state transportation improvement program within the next ten years;

(3) ~~beginning with the report due in 2016,~~ a list of any major highway projects removed from, delayed within, or delayed from inclusion in the state transportation improvement program or capital investment plans, including a discussion of the rationale for the delay or removal;

(4) an explanation of the highway project selection process, including key milestones and decision-making steps;

(5) the annual budget for products and services for each Department of Transportation district and office, with a comparison to actual spending and including measures of productivity for the previous fiscal year; and

(6) information detailing efficiencies achieved during the previous two fiscal years, which must describe each of the specific changes made and the methodology used to calculate efficiencies.

(b) For purposes of this section, a "major highway project" is a highway project that has a total cost for all segments that the commissioner estimates at the time of the report to be at least (1) $15,000,000 in the metropolitan highway construction district, or (2) $5,000,000 in any nonmetropolitan highway construction district. A major highway project does not include district set-asides.

Sec. 68. Minnesota Statutes 2016, section 174.56, subdivision 2, is amended to read:

Subd. 2. **Report contents; major highway projects.** (a) For each major highway project under subdivision 1, paragraph (a), clause (1), the report must include:

(1) a description of the project sufficient to specify its scope and location;

(2) a history of the project, including~~,~~ but not limited to~~,~~ and as applicable: previous official actions by the department or the appropriate area transportation partnership, or both, the date on which the project was first included in the state transportation improvement ~~plan~~ program, the cost of the project at that time, the planning estimate for the project, the engineer's estimate, the award price, the final cost as of six months after substantial completion, including a total amount for any supplemental agreements and cost overruns or cost savings, the dates of environmental approval, the dates of municipal approval, the date of final geometric layout, and the date of establishment of any construction limits;

(3) the project's priority listing or rank within its construction district, if any, as well as the reasons for that listing or rank, the criteria used in prioritization or rank, any changes in that prioritization or rank since the project was first included in a department work plan, and the reasons for those changes; and

(4) past and potential future reasons for delay in letting or completing the project, details of all project cost changes that exceed $500,000, and specific modifications ~~to the overall program~~ that are made as a result of delays and project cost changes~~;~~.

~~(5) two representative trunk highway construction projects, one each from the department's metropolitan district and from greater Minnesota, and for each project report the cost of environmental mitigation and compliance; and~~

~~(6) the annual budget for products and services for each Department of Transportation district and office, with comparison to actual spending and including measures of productivity for the previous fiscal year.~~

(b) For each major highway project under subdivision 1, paragraph (a), clauses (2) and (3), the report must include, as available, a project description and a summary of project status, scoping activity, and cost estimates.

Sec. 69. Minnesota Statutes 2016, section 174.56, is amended by adding a subdivision to read:

Subd. 4. **Availability of information.** The commissioner must maintain on an Internet Web site information for each major highway project, which must at a minimum include the report contents identified in subdivision 2.

Sec. 70. **[174.57] SNOW AND ICE CONTROL; APPROPRIATION.**

(a) In a fiscal year in which the commissioner expends more than 110 percent of the established biennial expenditure level for snow and ice management, the commissioner may use an additional amount for this purpose that does not exceed 50 percent of the unappropriated balance in the trunk highway fund. The amount identified by the commissioner under this paragraph is appropriated from the trunk highway fund to the commissioner for snow and ice management purposes.

(b) Upon using the appropriation authority in this section, the commissioner must notify the commissioner of management and budget and the chairs, ranking minority members, and staff of the house of representatives and senate committees having jurisdiction over transportation finance. The notification must at a minimum identify the established biennial expenditure level for snow and ice management and the amount appropriated under this section.

(c) In each budget submission to the legislature under section 16A.11, the commissioner must include:

(1) the proposed biennial expenditure level for snow and ice management for the next budget biennium; and

(2) the total amount expended or estimated to be expended under the appropriation in this section for the budget biennium that is ending.

Sec. 71. Minnesota Statutes 2016, section 174.93, is amended to read:

174.93 ~~GUIDEWAY~~ METROPOLITAN AREA TRANSIT INVESTMENT.

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

(1) "busway" means a form of transportation service, consisting of arterial or highway bus rapid transit, limited stop bus service, and express bus service, provided to the public on a regular and ongoing basis that does not primarily or substantially operate within separated rights-of-way;

(2) "commissioner" means the commissioner of transportation;

~~(2)~~ (3) "guideway" means a form of transportation service provided to the public on a regular and ongoing basis~~,~~ that primarily or substantially operates ~~on exclusive or controlled~~ within separated rights-of-way or operates on rails ~~in whole or in part~~, and includes:

(i) each line for intercity passenger rail, commuter rail, light rail transit, and streetcars~~, and~~;

(ii) as applicable, each line for dedicated bus service, which may include arterial or highway bus rapid transit, limited stop bus service, and express bus service; and

(iii) any intermodal facility serving two or more lines identified in items (i) and (ii); and

~~(3)~~ (4) "local unit of government" means a county, statutory or home rule charter city, town, or other political subdivision including, but not limited to, a regional railroad authority or joint powers board.

(b) For purposes of this section, "sources of funds" includes, but is not limited to, money from federal aid, state appropriations, the Metropolitan Council, special taxing districts, local units of government, fare box recovery, and nonpublic sources.

(c) For purposes of this section, "budget activity" includes, but is not limited to, environmental analysis, land acquisition, easements, design, preliminary and final engineering, acquisition of vehicles and rolling stock, track improvement and rehabilitation, and construction.

(d) Guideway does not include a busway.

(e) "Separated rights-of-way" includes exclusive, dedicated, or primary use of a right-of-way by the public transportation service. Separated rights-of-way does not include a shoulder, dynamic shoulder lane, or priced lane under section 160.93.

Subd. 1a. **Guideway capital project requests to legislature.** A state agency or local unit of government that submits a request to the legislature to obtain state funds for a guideway project shall, as part of the request, provide a summary financial plan for the project that presents the following information as reflected by the data and level of detail available in the latest phase of project development:

(1) capital expenditures and funding sources for the project, including expenditures to date and total projected or estimated expenditures, with a breakdown by committed and proposed sources of funds; and

(2) estimated annual operations and maintenance expenditures for the project, with a breakdown by committed and proposed sources of funds.

Subd. 2. **Legislative report.** (a) Annually by January 15, ~~2012, and by November 15 in every odd-numbered year thereafter,~~ the ~~commissioner shall~~ council must prepare, in collaboration with the ~~Metropolitan Council~~ commissioner, ~~and~~ a report on comprehensive transit finance in the metropolitan area. The council must submit ~~a~~ the report electronically to the chairs and ranking minority members of the legislative committees with jurisdiction over transportation policy and finance ~~concerning~~.

(b) The report must be structured to provide financial information in six-month increments corresponding to state and local fiscal years, and must use consistent assumptions and methodologies. The report must comprehensively identify all funding sources and expenditures related to transit in the metropolitan area, including but not limited to:

(1) sources and uses of funds from regional railroad authorities, joint powers agreements, counties, and cities;

(2) expenditures for transit planning, feasibility studies, alternatives analysis, and other transit project development; and

(3) expenditures for guideways, busways, regular route bus service, demand-response service, and special transportation service under section 473.386.

(c) The report must include a section that identifies the status of guideways in revenue operation and guideway projects (1) currently in study, planning, development, or construction; (2) identified in the transportation policy plan under section 473.146; or (3) identified in the comprehensive statewide freight and passenger rail plan under section 174.03, subdivision 1b.

~~(b)~~ (d) At a minimum, the guideways status section of the report must ~~include,~~ provide for each guideway project wholly or partially in the metropolitan area:

(1) a brief description of the project, including projected ridership;

(2) a summary of the overall status and current phase of the project;

(3) a timeline that includes (i) project phases or milestones, including any federal approvals; (ii) expected and known dates of commencement of each phase or milestone; and (iii) expected and known dates of completion of each phase or milestone;

(4) a brief progress update on specific project phases or milestones completed since the last previous submission of a report under this subdivision; and

(5) a summary financial plan that identifies, as reflected by the data and level of detail available in the latest phase of project development and to the extent available:

(i) capital expenditures, including expenditures to date and total projected expenditures, with a breakdown by committed and proposed sources of funds for the project;

(ii) estimated annual operations and maintenance expenditures reflecting the level of detail available in the current phase of the project development, with a breakdown by committed and proposed sources of funds for the project; and

(iii) if feasible, project expenditures by budget activity.

(e) The report must include a section that summarizes the status of busways in revenue operation and busway projects currently in study, planning, development, or construction.

(f) The report must include a section that identifies the total ridership, farebox recovery ratio, and per-passenger operating subsidy for (1) each route and line in revenue operation by a transit provider, including guideways, busways, and regular route bus service; and (2) demand-response service and special transportation service. The section must provide data on a per-passenger mile basis and must provide information for at least the previous three years. The section must identify performance standards for farebox recovery and identify each route and line that does not meet the standards.

~~(c)~~ (g) The report must also include a systemwide capacity analysis for transit operations and investment in ~~guideway~~ expansion and maintenance that:

(1) provides a funding projection, annually over the ensuing ten years, and with a breakdown by committed and proposed sources of funds, of:

(i) total capital expenditures for guideways and for busways;

(ii) total operations and maintenance expenditures for guideways and for busways;

(iii) total funding available for guideways and for busways, including from projected or estimated farebox recovery; and

(iv) total funding available for transit service in the metropolitan area; and

(2) evaluates the availability of funds and distribution of sources of funds for guideway and for busway investments.

~~(d)~~ (h) The ~~projection~~ capacity analysis under paragraph ~~(c), clause (1),~~ (g) must ~~be for~~ include all guideway and busway lines for which ~~state~~ public funds are reasonably expected to be expended in planning, development, construction, ~~or~~ revenue operation, or capital maintenance during the ensuing ten years.

~~(e)~~ (i) Local units of government ~~shall~~ must provide assistance and information in a timely manner as requested by the commissioner or council for completion of the report.

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. 72. **[219.016] OIL AND OTHER HAZARDOUS MATERIALS RAIL SAFETY.**

Subdivision 1. **Program established.** A hazardous materials rail safety program is established for the purpose of reducing the risks associated with the transportation of oil, ethanol, and other hazardous material by rail.

Subd. 2. **Hazardous materials rail safety account.** A hazardous materials rail safety account is established in the transportation priorities fund. The account consists of funds as provided by law, and any other funds donated, allotted, transferred, or otherwise provided.

Subd. 3. **Use of funds.** Funds appropriated for the program under this section may only be used for capital costs associated with planning, engineering, administration, and construction of public highway-rail grade crossing improvements on rail corridors transporting crude oil and other hazardous materials. Improvements may include upgrades to existing protection systems, the closing of crossings and necessary roadwork, and reconstruction of at-grade crossings to full grade separations.

Subd. 4. **Eligible applicants.** Counties, statutory or home rule charter cities, or towns that are responsible for establishing and maintaining public highway-rail grade crossings on rail corridors transporting crude oil and other hazardous materials may apply to the commissioner for financial assistance under this section.

Subd. 5. **Grants; authorization.** The commissioner may approve grants for financial assistance to eligible applicants for capital costs associated with hazardous materials rail safety projects on public highway-rail grade crossings. Qualifying capital costs include, but are not limited to, upgrades to existing protection systems, the closing of crossings and necessary roadwork, and reconstruction of at-grade crossings to full grade separations.

Subd. 6. **Grants; criteria for grant award.** The commissioner must consider the following criteria to evaluate applications for a grant award for a hazardous materials rail safety project:

(1) whether the crossing was identified as a potential candidate for grade separation in the Department of Transportation's crude by rail grade crossing study (Improvements to Highway Grade Crossings and Rail Safety, December 2014);

(2) roadway traffic volumes and speeds;

(3) train volumes and speeds;

(4) adjacent land use;

(5) crash history;

(6) use of the crossing by emergency vehicles;

(7) use of the crossing by vehicles carrying hazardous materials; and

(8) local financial contributions to the project.

Sec. 73. Minnesota Statutes 2016, section 219.166, is amended to read:

219.166 ESTABLISHMENT OF QUIET ZONES.

Subdivision 1. **Eligible quiet zone applicants.** A county, statutory or home rule charter city, or town may apply to the Federal Railroad Administration for the establishment of a "quiet zone" at a public highway-rail grade crossing in which the sounding of horns, whistles, or other audible warnings by locomotives is regulated or prohibited. All quiet zones, regulations, and ordinances adopted under this section must conform to federal law and the regulations of the Federal Railroad Administration under ~~United States~~ Code of Federal Regulations, title 49, ~~section 20153~~ parts 222 and 229.

Subd. 2. **Program established.** A public highway-rail grade crossing quiet zone program is established for the purpose of improving and rehabilitating railroad rights-of-way and other public and private rail facilities, including necessary safety-related capital improvements at public highway-rail grade crossings where quiet zones are established.

Subd. 3. **Highway-rail grade crossing quiet zone account.** A highway-rail grade crossing quiet zone account is established in the transportation priorities fund. The account consists of funds as provided by law, and any other funds donated, allotted, transferred, or otherwise provided.

Subd. 4. **Use of funds.** Funds appropriated for the program under this section may only be used for capital costs associated with the establishment of a quiet zone at a public highway-rail grade crossing.

Subd. 5. **Eligible applicants.** Counties, statutory or home rule charter cities, or towns that are responsible for traffic control or law enforcement at a public highway-rail grade crossing and that qualify as eligible applicants to the Federal Railroad Administration (FRA) for the establishment of a quiet zone may apply to the commissioner for financial assistance under this section.

Subd. 6. **Grants; authorization.** The commissioner may approve grants for financial assistance to eligible applicants for capital costs associated with the establishment of a quiet zone at a public highway-rail grade crossing. Qualifying capital costs include, but are not limited to, the installation of grade crossing active warning devices and other traffic control devices and associated roadwork necessary to meet the FRA criteria for approval of the quiet zone.

Subd. 7. **Grants; criteria for grant award.** The commissioner must consider the following criteria to evaluate applications for a grant award for a quiet zone project:

(1) the number of residents that will benefit from the establishment of the quiet zone through a reduction in train horn noise;

(2) the number of existing grade crossings that will be closed, thereby improving public safety;

(3) evidence that the project meets FRA qualifications and requirements for a quiet zone, without the need for additional annual review by FRA per federal quiet zone regulations;

(4) nonstate financial participation as a percentage of total project cost; and

(5) the amount of state financial participation per resident benefiting from the project.

Sec. 74. Minnesota Statutes 2016, section 219.20, subdivision 1, is amended to read:

Subdivision 1. **When installation required; procedure.** At each grade crossing not equipped with flashing lights or flashing lights and gates ~~where, because of the dangers attendant upon its use, the reasonable protection of life and property makes it necessary for persons approaching the crossing to stop or yield before crossing the railroad tracks, stop signs or yield signs~~ the railway company must ~~be installed~~ install yield signs in addition to crossbuck signs. When the government entity responsible for a road that crosses a railroad track deems it necessary to install stop signs ~~or~~ rather than yield signs at that crossing, it shall petition the commissioner to order the installation of the stop signs ~~or yield signs~~. The commissioner shall respond to the petition by investigating the conditions at the crossing to determine whether stop signs ~~or yield signs~~ should be installed at the crossing instead of yield signs. On determining, after an investigation following a petition from a governmental agency or subdivision or on the commissioner's own motion, that stop signs ~~or yield signs~~ should be installed at a crossing, the commissioner shall designate the crossing as a stop crossing ~~or yield crossing~~ and shall notify the railway company operating the railroad at the crossing of this designation. Within 30 days after notification, the railway company shall erect the ~~uniform~~ stop ~~crossing~~ signs ~~or yield crossing signs~~ in accordance with the commissioner's order.

EFFECTIVE DATE. This section is effective the day following final enactment. Railway companies must install yield signs required under this section before December 31, 2019.

Sec. 75. Minnesota Statutes 2016, section 221.031, is amended by adding a subdivision to read:

Subd. 2e. **Exemptions for pipeline welding trucks.** A pipeline welding truck, as defined in Code of Federal Regulations, title 49, section 390.38, paragraph (b), including an individual operating a pipeline welding truck and the employer of the individual, is exempt from any requirement relating to:

(1) registration as a motor carrier, including the requirement to obtain and display a United States Department of Transportation number under subdivision 6 and section 168.185;

(2) driver qualifications under section 221.0314, subdivision 2;

(3) driving of commercial motor vehicles under section 221.0314, subdivision 6;

(4) parts, accessories, and inspection, repair, and maintenance of commercial motor vehicles under section 221.0314, subdivisions 7 and 10; and

(5) hours of service of drivers, including maximum driving and on-duty time under section 221.0314, subdivision 9.

Sec. 76. Minnesota Statutes 2016, section 222.49, is amended to read:

222.49 RAIL SERVICE IMPROVEMENT ACCOUNT; APPROPRIATION.

The rail service improvement account is created in the ~~special revenue fund in the state treasury~~ transportation priorities fund. The ~~commissioner shall deposit in this~~ account ~~all~~ consists of funds as provided by law, and any other money ~~appropriated to or received by the department for the purpose of rail service improvement~~ donated, allotted, transferred, or otherwise provided to the account, excluding bond proceeds as authorized by article XI, section 5, clause (i), of the Minnesota Constitution. All money so deposited is appropriated to the department for expenditure for rail service improvement in accordance with applicable state and federal law. This appropriation shall not lapse but shall be available until the purpose for which it was appropriated has been accomplished. ~~No money appropriated to the department for the purposes of administering the rail service improvement program shall be deposited in the rail service improvement account nor shall such administrative costs be paid from the account.~~

Sec. 77. Minnesota Statutes 2016, section 222.50, subdivision 6, is amended to read:

Subd. 6. **Grants.** The commissioner may approve grants from the rail service improvement account for ~~payment of up to 50 percent of the nonfederal share of the cost of any rail line project under the federal rail service continuation program~~ freight rail service improvements that support economic development.

Sec. 78. Minnesota Statutes 2016, section 222.50, is amended by adding a subdivision to read:

Subd. 6a. **Grants; freight railroad preservation and improvement.** (a) The commissioner may make grants for freight railroad preservation and improvement as provided in this subdivision and for the purposes specified in subdivision 7.

(b) The following entities are eligible to receive grant funds under this subdivision: railroad companies that are classified by federal law or regulation as class II railroads, class II rail carriers, class III railroads, or class III carriers; rail users; and local units of government. An eligible recipient may receive funds regardless of rail facility ownership.

(c) When awarding grants, the commissioner must prioritize projects:

(1) identified under subdivision 7, paragraph (a), clauses (2) and (3);

(2) on segments experiencing low rail service use; and

(3) for applicants who commit more than 20 percent of total project costs from nonstate and nonfederal sources.

(d) A grant under this subdivision must not exceed 80 percent of the total project cost.

Sec. 79. Minnesota Statutes 2016, section 299D.03, subdivision 6, is amended to read:

Subd. 6. **Training program.** The commissioner of public safety may provide training programs for the purpose of obtaining qualified personnel for the State Patrol. Persons accepted by the commissioner of public safety for training under this training program shall be designated State Patrol trainees and shall receive a salary ~~not to exceed~~ no less than 70 percent of the basic salary for patrol officers as prescribed in subdivision 2, during the period of the training. Nothing contained in this subdivision shall be construed to prevent the commissioner of public safety from providing in-service training programs for State Patrol officers. The commissioner of transportation shall furnish the commissioner of public safety with lands and buildings necessary in providing in-service training programs and the Department of Public Safety shall reimburse the Department of Transportation for all reasonable costs incurred due to the provision of these training facilities.

Sec. 80. **[398A.095] LEGISLATIVE APPROVAL OF LIGHT RAIL PROJECTS.**

Notwithstanding any law to the contrary, a regional railroad authority is prohibited from spending any money to study, plan, design, or construct a light rail transit line, or expand an existing light rail line, unless the legislature has explicitly authorized the particular project.

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

Sec. 81. **[471.987] LEGISLATIVE APPROVAL OF LIGHT RAIL PROJECTS.**

Notwithstanding any law to the contrary, a metropolitan county as defined in section 473.121, subdivision 4, or a home rule charter or statutory city located within the metropolitan area as defined in section 473.121, subdivision 2, is prohibited from spending any money to study, plan, design, or construct a light rail transit line, or expand an existing light rail transit line, unless the legislature has explicitly authorized the particular project.

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

Sec. 82. Minnesota Statutes 2016, section 473.13, subdivision 1, is amended to read:

Subdivision 1. **Budget.** (a) On or before December 20 of each year, the council shall adopt a final budget covering its anticipated receipts and disbursements for the ensuing year and shall decide upon the total amount necessary to be raised from ad valorem tax levies to meet its budget. The budget shall state in detail the expenditures for each program to be undertaken, including the expenses for salaries, consultant services, overhead, travel, printing, and other items. The budget shall state in detail the capital expenditures of the council for the budget year, based on a five-year capital program adopted by the council and transmitted to the legislature. After adoption of the budget and no later than five working days after December 20, the council shall certify to the auditor of each metropolitan county the share of the tax to be levied within that county, which must be an amount bearing the same proportion to the total levy agreed on by the council as the net tax capacity of the county bears to the net tax capacity of the metropolitan area. The maximum amount of any levy made for the purpose of this chapter may not exceed the limits set by the statute authorizing the levy.

(b) Each even-numbered year the council ~~shall prepare for its~~ must include transit ~~programs a financial plan~~ financial planning information in the budget for the succeeding three calendar years, in half-year segments that coincide with the council and state fiscal years. The financial ~~plan~~ information must contain schedules of user charges and any changes in user charges planned or anticipated by the council during the period of the plan. The financial ~~plan~~ information must contain a proposed request for state financial assistance, if any, for the succeeding state biennium.

(c) In addition, the budget must show for each year:

(1) the estimated operating revenues from all sources including funds on hand at the beginning of the year, and estimated expenditures for costs of operation, administration, maintenance, and debt service;

(2) capital improvement funds estimated to be on hand at the beginning of the year and estimated to be received during the year from all sources and estimated cost of capital improvements to be paid out or expended during the year, all in such detail and form as the council may prescribe; and

(3) the estimated source and use of pass-through funds.

(d) In a year that is the second fiscal year of the state biennium, the budget must identify state assistance from the general fund for transit operations at the same amount as the state general fund base, if any.

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. 83. Minnesota Statutes 2016, section 473.146, subdivision 3, is amended to read:

Subd. 3. **Development guide: transportation.** (a) The transportation chapter must include policies relating to all transportation forms and be designed to promote the legislative determinations, policies, and goals set forth in section 473.371.

(b) In addition to the policy plan content requirements under subdivision 1, the policy plan must also establish as a primary objective an increase of the average farebox recovery ratio, calculated for all regular routes and lines operated by the council, to at least 40 percent by 2022. The plan must identify strategies to achieve the farebox recovery objective under this paragraph.

(c) In addition to the requirements of subdivision 1 regarding the contents of the policy plan, the nontransit element of the transportation chapter must include the following:

(1) a statement of the needs and problems of the metropolitan area with respect to the functions covered, including the present and prospective demand for and constraints on access to regional business concentrations and other major activity centers and the constraints on and acceptable levels of development and vehicular trip generation at such centers;

(2) the objectives of and the policies to be forwarded by the policy plan;

(3) a general description of the physical facilities and services to be developed;

(4) a statement as to the general location of physical facilities and service areas;

(5) a general statement of timing and priorities in the development of those physical facilities and service areas;

(6) a detailed statement, updated every two years, of timing and priorities for improvements and expenditures needed on the metropolitan highway system;

(7) a general statement on the level of public expenditure appropriate to the facilities; and

(8) a long-range assessment of air transportation trends and factors that may affect airport development in the metropolitan area and policies and strategies that will ensure a comprehensive, coordinated, and timely investigation and evaluation of alternatives for airport development.

(d) The council shall develop the nontransit element in consultation with the transportation advisory board and the Metropolitan Airports Commission and cities having an airport located within or adjacent to its corporate boundaries. The council shall also take into consideration the airport development and operations plans and activities of the commission. The council shall transmit the results to the state Department of Transportation.

EFFECTIVE DATE; APPLICATION. This section is effective the day following final enactment and applies to all future updates to the plan. This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 84. Minnesota Statutes 2016, section 473.388, subdivision 4, is amended to read:

Subd. 4. **Financial assistance.** (a) The council must grant the requested financial assistance if it determines that the proposed service is intended to replace the service to the applying city or town or combination thereof by the council and that the proposed service will meet the needs of the applicant at least as efficiently and effectively as the existing service.

(b) The minimum amount of assistance which the council must provide to a system under this section may not be less than the sum of the amounts ~~determined~~ calculated for each ~~municipality comprising the system as follows:~~ of the replacement service municipalities.

(c) The minimum amount of financial assistance for each replacement service municipality is calculated as:

(1) an amount equal to 4.3 percent of the total state revenues generated from the taxes imposed under chapter 297B for the current fiscal year; times

(2) the ratio of (i) the transit operating assistance grants received under this subdivision by the municipality in calendar year 2001 or the tax revenues for transit services levied by the municipality for taxes payable in 2001, including that portion of the levy derived from the areawide pool under section 473F.08, subdivision 3, clause (a), plus the portion of the municipality's aid under Minnesota Statutes 2002, section 273.1398, subdivision 2, attributable to the transit levy; ~~times (2) the ratio of (i) an amount equal to 3.74 percent of the state revenues generated from the taxes imposed under chapter 297B for the current fiscal year~~ to (ii) the total transit operating assistance grants received under this subdivision in calendar year 2001 or the tax revenues for transit services levied by all replacement service municipalities under this section for taxes payable in 2001, including that portion of the levy derived from the areawide pool under section 473F.08, subdivision 3, clause (a), plus the portion of homestead and agricultural credit aid under Minnesota Statutes 2002, section 273.1398, subdivision 2, attributable to nondebt transit levies; times

(3) the ratio of (i) the municipality's total taxable market value for taxes payable in 2006 divided by the municipality's total taxable market value for taxes payable in 2001, to (ii) the total taxable market value of all property located in replacement service municipalities for taxes payable in 2006 divided by the total taxable market value of all property located in replacement service municipalities for taxes payable in 2001.

(c) The council shall pay the amount to be provided to the recipient from the funds the council receives in the metropolitan area transit account under section 16A.88.

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. 85. Minnesota Statutes 2016, section 473.39, is amended by adding a subdivision to read:

Subd. 6. **Limitation on certain debt obligations.** The council is prohibited from issuing certificates of participation, 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. 86. **[473.3985] LEGISLATIVE APPROVAL OF LIGHT RAIL PROJECTS.**

Notwithstanding any law to the contrary, a responsible authority, as defined in section 473.3993, subdivision 4, is prohibited from spending any money to study, plan, design, or construct a light rail line, or expand an existing light rail transit line, unless the legislature has explicitly authorized the particular project.

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. 87. Minnesota Statutes 2016, section 473.3994, is amended by adding a subdivision to read:

Subd. 15. **Project development requirements; colocation.** The council must establish standards and criteria for colocation of freight rail and light rail transit on shared track or on adjacent track in a shared rail corridor that apply to light rail transit project development. The standards and criteria must:

(1) identify colocation safety criteria based on the results of an independent audit and review, which must be analyzed in an environmental impact statement for each applicable light rail transit project;

(2) incorporate substantially similar safety standards for a light rail transit project as established by the Federal Railroad Administration for freight rail, including but not limited to those pertaining to engineering, track-work planning, track safety, inspections, training and operations, routing, emergency preparedness, and signage and warning systems;

(3) prohibit operation of a train carrying oil or other hazardous substances through a light rail transit project construction work zone;

(4) specify project design elements to address safety considerations resulting from colocation;

(5) account for project costs resulting from colocation safety considerations; and

(6) for adjacent track in a shared corridor, provide for sufficient track spacing separation to ensure the likelihood of impacts on operations on a track due to derailment of a train on the adjacent track is minimized.

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. 88. Minnesota Statutes 2016, section 473.3994, is amended by adding a subdivision to read:

Subd. 16. **Project development requirements; alternatives and benefits analysis.** (a) As part of light rail transit project development and prior to initiating an environmental analysis or preliminary engineering, the responsible authority must perform an alternatives and benefits analysis.

(b) In addition to any other information or requirements, the alternatives and benefits analysis must:

(1) include (i) a no-build option; and (ii) options for each major transit mode, including but not limited to regular route bus service, arterial bus rapid transit, highway bus rapid transit, express bus service, and dedicated busway;

(2) evaluate capacity adequacy and congestion impacts under each option;

(3) include a comprehensive benefit-cost analysis; and

(4) review conformity with the transportation policy plan under section 473.146.

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. 89. Minnesota Statutes 2016, section 473.4051, subdivision 3, is amended to read:

Subd. 3. **Capital costs.** State money may not be used to pay more than ten percent of the total capital cost of a light rail transit project. The council and a local governmental unit must not specify or estimate state sources of funds in financial planning for the capital cost of a light rail transit project, unless funds have been specifically made available by law for the project.

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. 90. **[473.4052] RIGHTS-OF-WAY USE; CONTRACTS.**

(a) The council or a metropolitan county, or public entity contracting with the council or county, may contract with a railroad that is a class I, class II, or class III railroad under federal law for the joint or shared use of right-of-way for light rail transit and freight rail purposes or for the construction, operation, or maintenance of rail track, facilities, or services for light rail transit and freight rail purposes.

(b) Notwithstanding any law to the contrary, a contract under paragraph (a) may also provide for the allocation of financial responsibility, indemnification, and the procurement of insurance for the parties for all types of claims or damages.

(c) Notwithstanding any law to the contrary, a class I, class II, or class III railroad operating pursuant to a contract under this section has the same limits to liability for all types of claims or damages as provided to a municipality under sections 466.04 and 466.06, in an action arising from or related to an incident:

(1) occurring within the joint or shared use of right-of-way; and

(2) involving both freight rail and light rail transit.

(d) A contract entered into under this section does not affect rights of employees under the federal Employers' Liability Act (1908) (Railroads), Statutes at Large, volume 35, chapter 149, or the federal Railway Labor Act, Statutes at Large, volume 44, chapter 347.

EFFECTIVE DATE. This section is effective on the date that the council enters into a full funding grant agreement with the Federal Transit Administration for construction of a light rail transit line or line extension, excluding an agreement entered into prior to the date of enactment of this act. This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 91. **TRANSPORTATION PROJECT SELECTION PROCESS.**

Subdivision 1. **Adoption of best practices.** (a) The commissioner of transportation, after consultation with the Federal Highway Administration, metropolitan planning organizations, regional development commissions, area transportation partnerships, local governments, the Metropolitan Council, and transportation stakeholders, must develop, adopt, and implement best practices for project evaluation and selection to apply to the standard project process and to special programs, such as corridors of commerce. The commissioner must adopt and begin implementing the best practices no later than January 1, 2018, and may update the best practices as appropriate. The commissioner must publish the best practices and updates on the department's Web site and through other effective means selected by the commissioner.

(b) The best practices adopted under this section must:

(1) describe each selection process and identification of ranking criteria and weight of each criterion with respect to any selection process;

(2) identify and apply all relevant criteria contained in enacted Minnesota or federal law, or added by the commissioner;

(3) identify for stakeholders and the general public the candidate project selected under each selection process and every project considered that was not selected;

(4) involve area transportation partnerships and other local authorities, as appropriate, in the process of scoring and ranking candidate projects under consideration; and

(5) publicize scoring, ranking, and decision outcomes concerning each candidate project, including the projects that were considered but not selected.

Subd. 2. **Report to legislature.** By March 1, 2018, the commissioner must submit a report to the members and staff of the legislative committees with jurisdiction over transportation policy and finance concerning the adopted best practices and how the best practices are anticipated to improve the consistency, objectivity, and transparency of the selection process. The report must include information on input from members of the public and the organizations identified in subdivision 1.

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

Sec. 92. **CORRIDORS OF COMMERCE PROJECT SELECTION.**

Notwithstanding the requirements of Minnesota Statutes, section 161.088, subdivisions 3 to 5, the commissioner of transportation must include that segment of marked U.S. Highway 212 from Chaska to Montevideo as an eligible highway in the next project solicitation and selection process undertaken for the corridors of commerce program under that section.

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

Sec. 93. **TRANSPORTATION POLICY PLAN UPDATE.**

By December 31, 2017, the Metropolitan Council must revise the transportation policy plan under Minnesota Statutes, section 473.146, subdivision 3.

EFFECTIVE DATE. This section is effective the day following final enactment and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 94. **REQUIREMENTS FOR CERTAIN LIGHT RAIL TRANSIT PROJECTS.**

Subject to approval as provided under Minnesota Statutes, section 473.3985, the requirements established under Minnesota Statutes, section 473.3994, subdivisions 15 and 16, apply to any light rail transit construction or expansion project that is in project development, including but not limited to design or engineering, as of the effective date of this section.

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. 95. **ELECTRONIC STORAGE STANDARDS.**

On or before August 1, 2017, the commissioner of public safety must establish standards for the conversion by deputy registrars and driver's license agents to secure electronic storage of certain records under Minnesota Statutes, sections 168.33, subdivision 2, and 171.061, subdivision 3. The standards must specify minimum system security requirements, as well as any procedural requirements for the destruction of existing and new paper-based records, consistent with the requirements of Minnesota Statutes, section 138.17. The authority to establish or amend standards under this section expires August 1, 2018.

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

Sec. 96. **CONVEYANCE OF LAND; TOWN OF WILMA.**

(a) Upon receipt of $100, the commissioner of transportation shall convey by quitclaim deed the following described property and improvements thereon, owned by the state, to the town of Wilma in Pine County, to be used by the Duxbury Volunteer Fire Department:

That part of the Southwest Quarter of the Southeast Quarter of Section 8, Township 42 North, Range 17 West, Pine County, Minnesota, described as follows: Beginning at a point on the south line of said Section 8, distant 1,318.35 feet West to the southeast corner thereof; thence North along the east line of said Southwest Quarter of the Southeast Quarter for 300 feet; thence West for 200 feet; thence South for 300 feet to the south line of said Section 8; thence East along said south line to the point of beginning.

(b) The conveyance under this section must be in a form approved by the attorney general. The attorney general may make changes to the land description to correct errors and ensure accuracy.

Sec. 97. **CONVEYANCE FOR HISTORICAL PURPOSES; MCKINSTRY SURPLUS LANDS.**

(a) Notwithstanding any other law to the contrary, the commissioner may convey as provided in Minnesota Statutes, section 161.44, land described in paragraph (b), including any improvements on the lands, owned in fee by the state for trunk highway purposes, but no longer needed, to the Minnesota Historical Society for historical purposes. The conveyance must be without financial consideration. The lands conveyed must become a part of the state's historic sites program under Minnesota Statutes, chapter 138.

(b) The lands that may be conveyed are specifically related to the properties of the McKinstry Mounds and portions of the McKinstry Village site owned by the Department of Transportation, located along Trunk Highway 11 in Koochiching County.

Sec. 98. **DEPARTMENT OF TRANSPORTATION CONTRACT CANCELLATION AND LOAN FORGIVENESS.**

The commissioner of transportation must provide loan forgiveness for the $4,300,000 remaining balance on Contract No. 82799, originally executed with the Minnesota Valley Regional Rail Authority on January 28, 2002, and must cancel all future payments under the contract. The commissioner is prohibited from requiring or accepting additional payments under Contract No. 82799 as of the effective date of this section.

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

Sec. 99. **DEPARTMENT OF TRANSPORTATION EFFICIENCIES.**

(a) In fiscal years 2018 and 2019, the commissioner of transportation must implement efficiencies, including as identified by the Transportation Strategic Management and Operations Advisory Task Force report under Laws 2008, chapter 152, article 6, section 9, equal to at least 15 percent of the appropriations made in this act to the commissioner from the trunk highway fund in fiscal years 2018 and 2019 that are above base appropriations for those years.

(b) The efficiency savings resulting from the requirements in paragraph (a) are for the construction, maintenance, or rehabilitation of trunk highways, including roads and bridges.

Sec. 100. **MARKED TRUNK HIGHWAY 316 SAFETY IN HASTINGS; MORATORIUM AND REPORT.**

Subdivision 1. **Speed limit moratorium.** The commissioner of transportation is prohibited from adjusting or requiring adjustment to the speed limit on marked Trunk Highway 316, known as Red Wing Boulevard, from the intersection with marked U.S. Highway 61 to Tuttle Drive, in the city of Hastings. The prohibition in this subdivision does not apply to (1) a local road authority that is authorized to adjust a speed limit without a traffic and engineering study as provided in Minnesota Statutes, section 169.14; or (2) establishment of a work zone speed limit under Minnesota Statutes, section 169.14, subdivision 5d.

Subd. 2. **Legislative report.** (a) By March 1, 2018, the commissioner of transportation must submit a report on roadway safety on the segment of marked Trunk Highway 316 specified in subdivision 1 to the members and staff of the legislative committees with jurisdiction over transportation policy and finance. As part of developing the report, the commissioner must hold at least two hearings at locations within the city of Hastings.

(b) At a minimum, the report must review road design and other safety issues on the segment, identify options for safety improvements, provide details on the decision making process for proposed speed limit adjustments, summarize and respond to comments from the hearings required under paragraph (a), and include copies of recent traffic and engineering studies on adjusting speed limits in Hastings.

EFFECTIVE DATE. This section is effective retroactively from January 1, 2017.

Sec. 101. **MARKED INTERSTATE HIGHWAY 35 WEIGH STATION; MORATORIUM AND REPORT.**

Subdivision 1. **Weigh station moratorium.** On or before February 1, 2018, the commissioner of transportation is prohibited from designing, engineering, or constructing a motor vehicle weigh station for the southbound direction of travel on marked Interstate Highway 35, between the marked Interstate Highways 35W/35E split and two miles northerly of the split.

Subd. 2. **Legislative report.** By February 1, 2018, the commissioner of transportation must submit a report on weigh station access and traffic safety on the segment of marked Interstate Highway 35 identified in subdivision 1 to the members and staff of the legislative committees with jurisdiction over transportation policy and finance. At a minimum, the report must include analysis of traffic safety impacts resulting from motor vehicle departures from the proposed weigh station that proceed southerly on marked Interstate Highways 35E or 35W.

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

Sec. 102. **DEFICIENT BRIDGE WEIGHT LIMITS; STUDY AND ANALYSIS.**

(a) By November 15, 2017, the commissioner of transportation must complete a study and analysis of posted weight limits on state and local bridges to identify deficient bridges in those geographic regions of the state where fluid milk is transported from points of production to points of first processing. The study and analysis must:

(1) identify bridges with posted weight limits;

(2) review the vehicle weight limits under Minnesota Statutes, chapter 169, including Minnesota Statutes, section 169.8295, relative to bridge posting standards;

(3) analyze vehicle routing considerations for transportation of fluid milk; and

(4) include geographic mapping information that is made available to milk haulers, milk processing facilities, local road authorities, and other interested stakeholders.

(b) Upon request by the commissioner, local road authorities must provide information on bridges under their respective jurisdictions in a timely manner.

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

Sec. 103. **TRUNK HIGHWAY 65 IMPROVEMENT STUDY.**

(a) The commissioner of transportation must perform a study of congestion and safety improvements on marked Trunk Highway 65 from northerly of Anoka County Highway 10 to Anoka County State-Aid Highway 116, known as Bunker Lake Boulevard, in Blaine and Ham Lake. At a minimum, the study must:

(1) analyze current and projected traffic congestion;

(2) analyze impacts to freight transportation;

(3) evaluate options and identify cost estimates to reduce congestion in the corridor; and

(4) evaluate options and identify cost estimates for congestion reduction and safety improvements at Anoka County State-Aid Highway 12, known as 109th Avenue.

(b) The commissioner must submit a copy of the study to the members and staff of the legislative committees with jurisdiction over transportation policy and finance.

Sec. 104. **INTERSTATE 94/494/694 INTERCHANGE IMPROVEMENT STUDY.**

The commissioner of transportation must conduct a safety improvement and congestion relief study for the interchange of marked Interstate Highways 94, 494, and 694 in the cities of Oakdale and Woodbury. At a minimum, the study must: (1) provide specific recommendations to improve the safety of the interchange and reduce congestion at the interchange and on associated arterial roads; and (2) include cost estimates for each recommended improvement. The commissioner must report the findings and recommendations of the study to the legislative committees having jurisdiction over transportation policy and finance within 180 days after the effective date of this section.

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

Sec. 105. **HIGHWAY CONSTRUCTION COSTS AND COST INFLATION STUDY.**

(a) The commissioner of transportation must enter into an agreement with an organization or entity having relevant expertise to conduct a study on highway construction costs, inflation, and cost estimating. The study must be designed to identify and analyze the nature of discrepancies in highway construction costs and cost inflation estimates between Minnesota and other federal and national measures.

(b) At a minimum, the study must:

(1) include an overview of highway construction cost and cost estimation issues;

(2) establish benchmarks to compare costs in Minnesota to at least four other states that are comparable based on climate and construction characteristics, including historical state-by-state review of at least the following cost factors: (i) direct input costs associated with highway construction, (ii) cost impacts from construction standards and requirements established in law, and (iii) cost impacts from use of alternative methods of contracting and project management;

(3) identify factors specific to Minnesota, if any, that contribute to cost differences, based on the benchmarks established in clause (2);

(4) evaluate the methodology used for highway construction cost calculation and indexing in Minnesota, including (i) review of associated best practices, (ii) comparison of federal and Minnesota state highway construction cost index methodologies utilizing historical cost data for Minnesota, (iii) identification of the reasons for any past discrepancies or differences between state and federal highway construction cost indexing, and (iv) analysis of the historical accuracy of the Minnesota highway construction cost index compared to actual costs; and

(5) provide specific recommendations for road authorities and legislative changes to reduce highway construction costs.

(c) By February 15, 2018, the commissioner must submit a report on the study to the members and staff of the legislative committees with jurisdiction over transportation policy and finance.

Sec. 106. **VIBRATION SUSCEPTIBILITY STUDY ON CALHOUN ISLES PROPERTY.**

(a) Within 21 days from the effective date of this act, the Metropolitan Council must enter into a contract with an engineering group for the engineering group to conduct a vibration susceptibility study on Calhoun Isles property, including the high-rise building, townhomes, and parking ramp. The study must:

(1) evaluate the susceptibility of the Calhoun Isles property to vibration during construction and during operations of a light rail train;

(2) categorize the Calhoun Isles property based on the susceptibility evaluation; and

(3) address mitigation measures and operational changes required to protect the Calhoun Isles property from vibratory damage.

(b) The Calhoun Isles Condominium Association must select the engineering group and notify the Metropolitan Council of the selection within seven days from the effective date of this act. The Metropolitan Council must bear the entire cost of the study.

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. 107. **REPORT ON DEDICATED FUND EXPENDITURES.**

By February 15, 2018, the commissioners of transportation and public safety, in consultation with the commissioner of management and budget, must jointly submit a report to the members and staff of the legislative committees with jurisdiction over transportation finance. The report must update the information required in the report under Laws 2015, chapter 75, article 2, section 56, including a detailed list of expenditures and transfers from the trunk highway fund and highway user tax distribution fund for fiscal years 2014 through 2018, and information on the purpose of each expenditure.

Sec. 108. **LEGISLATIVE ROUTE NO. 123 REMOVED.**

(a) Minnesota Statutes, section 161.115, subdivision 54, is repealed effective the day after the commissioner of transportation receives a copy of the agreement between the commissioner and the governing body of Le Sueur County to transfer jurisdiction of Legislative Route No. 123 and after the commissioner notifies the revisor of statutes under paragraph (b).

(b) The revisor of statutes shall delete the route identified in paragraph (a) from Minnesota Statutes when the commissioner of transportation sends notice to the revisor electronically or in writing that the conditions required to transfer the route have been satisfied.

Sec. 109. **LEGISLATIVE ROUTE NO. 225 REMOVED.**

(a) Minnesota Statutes, section 161.115, subdivision 156, is repealed effective the day after the commissioner of transportation receives a copy of the agreement between the commissioner and the governing body of Becker County to transfer jurisdiction of Legislative Route No. 225 and after the commissioner notifies the revisor of statutes under paragraph (b).

(b) The revisor of statutes shall delete the route identified in paragraph (a) from Minnesota Statutes when the commissioner of transportation sends notice to the revisor electronically or in writing that the conditions required to transfer the route have been satisfied.

Sec. 110. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall recodify (1) Minnesota Statutes, section 115A.908, as Minnesota Statutes, section 168A.295; and (2) Minnesota Statutes, section 174.93, as Minnesota Statutes, section 473.4485. The revisor shall correct any cross-references made necessary by the recodifications.

Sec. 111. **LEGISLATIVE ROUTE NO. 101 REMOVED; REPEALER.**

Minnesota Statutes 2016, section 161.115, subdivision 32, is repealed.

Sec. 112. **REPEALER.**

(a) Minnesota Statutes 2016, section 473.4051, subdivision 2, is repealed.

(b) Minnesota Rules, parts 8810.0800, subpart 3; and 8810.1300, subpart 4, are repealed."

Delete the title and insert:

"A bill for an act relating to transportation finance; establishing the budget for transportation activities; modifying various provisions governing transportation finance and policy; amending allocation of certain taxes and fees; establishing a fund; making appropriations; authorizing the sale and issuance of state bonds; amending Minnesota Statutes 2016, sections 16A.88, subdivision 2; 115A.908, subdivision 2; 117.189; 160.18, by adding a subdivision; 161.081, subdivision 3; 161.088, subdivisions 4, 5, 7; 161.115, subdivision 190; 161.14, by adding subdivisions; 161.321, subdivision 6; 161.38, by adding a subdivision; 161.44, subdivisions 5, 6a, by adding a subdivision; 162.145, subdivision 2; 168.013, subdivision 1a, by adding a subdivision; 168.021, subdivisions 1, 2, 2a; 168.33, subdivision 2; 168A.09, subdivision 1; 169.011, subdivision 34, by adding a subdivision; 169.18, subdivision 5; 169.345, subdivisions 1, 3; 169.444, subdivision 2; 169.449, subdivision 1; 169.865, subdivision 3; 171.02, subdivision 2b; 171.06, subdivision 2a; 171.061, subdivision 3; 171.12, subdivision 6; 173.02, subdivisions 18, 23, by adding subdivisions; 173.06, subdivision 1; 173.07, subdivision 1; 173.08, by adding subdivisions; 173.13, subdivision 11; 173.16, by adding subdivisions; 174.03, subdivisions 1a, 1c, by adding a subdivision; 174.50, subdivisions 5, 6b, 6c, 7; 174.56, subdivisions 1, 2, by adding a subdivision; 174.93; 219.166; 219.20, subdivision 1; 221.031, by adding a subdivision; 222.49; 222.50, subdivision 6, by adding a subdivision; 297A.815, subdivision 3; 297A.94; 297A.992, subdivision 6a; 297A.993, subdivision 2, by adding a subdivision; 299D.03, subdivision 6; 473.13, subdivision 1; 473.146, subdivision 3; 473.388, subdivision 4; 473.39, by adding a subdivision; 473.3994, by adding subdivisions; 473.4051, subdivision 3; Laws 2015, chapter 75, article 1, section 3, subdivision 3; proposing coding for new law in Minnesota Statutes, chapters 168; 169; 173; 174; 219; 398A; 471; 473; repealing Minnesota Statutes 2016, sections 161.115, subdivision 32; 297A.992, subdivision 12; 473.4051, subdivision 2; Minnesota Rules, parts 8810.0800, subpart 3; 8810.1300, subpart 4."

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

The report was adopted.

Fabian from the Committee on Environment and Natural Resources Policy and Finance to which was referred:

H. F. No. 888, A bill for an act relating to state government; appropriating money for environment and natural resources; modifying fees; creating accounts and providing for disposition of certain receipts; providing for wild ginseng licenses; modifying funding for county water safety; modifying certain game and fish license and permit provisions; requiring rulemaking; amending Minnesota Statutes 2016, sections 84.027, by adding a subdivision; 84.091, subdivisions 2, 3, by adding a subdivision; 84.0911, subdivision 2; 84.093; 84.42; 84.82, subdivision 3; 84.8205, subdivision 1; 84.922, subdivision 5; 84.9275, subdivision 1; 85.052, subdivision 1; 85.055, subdivision 1; 85.22, subdivision 2a; 85.42; 86B.415, subdivisions 1, 1a, 2, 3, 4, 5, 6, 7; 86B.701, subdivision 3; 97A.015, by adding a subdivision; 97A.441, subdivisions 5, 6, 6a, by adding a subdivision; 97A.473, subdivisions 2, 2a, 2b, 4, 5, 5a; 97A.474, subdivision 2; 97A.475, subdivisions 2, 3, 6, 7, 8; 97C.081, subdivision 3; 97C.355, subdivision 2a; 103G.271, subdivisions 6, 6a; 103G.301, subdivisions 2, 3; 296A.18, subdivision 6a; 609B.112; proposing coding for new law in Minnesota Statutes, chapters 84; 85; 97A; repealing Minnesota Rules, part 6282.0400, subparts 2, 5.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1
ENVIRONMENT AND NATURAL RESOURCES APPROPRIATIONS

Section 1. **ENVIRONMENT AND NATURAL RESOURCES APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2018" and "2019" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2018, or June 30, 2019, respectively. "The first year" is fiscal year 2018. "The second year" is fiscal year 2019. "The biennium" is fiscal years 2018 and 2019. Appropriations for the fiscal year ending June 30, 2017, are effective the day following final enactment.

	APPROPRIATIONS Available for the Year Ending June 30	
	2018	**2019**

Sec. 2. **POLLUTION CONTROL AGENCY**

Subdivision 1. **Total Appropriation**	**$93,016,000**	**$92,666,000**

Appropriations by Fund

	2018	2019
General	3,297,000	2,997,000
State Government Special Revenue	75,000	75,000
Environmental	78,210,000	78,160,000
Remediation	11,434,000	11,434,000

The amounts that may be spent for each purpose are specified in the following subdivisions.

The commissioner must present the agency's biennial budget for fiscal years 2020 and 2021 to the legislature in a transparent way by agency division, including the proposed budget bill and presentations of the budget to committees and divisions with jurisdiction over the agency's budget.

Subd. 2. **Environmental Analysis and Outcomes**	12,547,000	12,497,000

Appropriations by Fund

	2018	2019
Environmental	12,366,000	12,316,000
Remediation	181,000	181,000

(a) $88,000 the first year and $88,000 the second year are from the environmental fund for:

(1) a municipal liaison to assist municipalities in implementing and participating in the water-quality standards rulemaking process and navigating the NPDES/SDS permitting process;

(2) enhanced economic analysis in the water-quality standards rulemaking process, including more-specific analysis and identification of cost-effective permitting;

(3) developing statewide economic analyses and templates to reduce the amount of information and time required for municipalities to apply for variances from water-quality standards; and

(4) coordinating with the Public Facilities Authority to identify and advocate for the resources needed for municipalities to achieve permit requirements.

(b) $204,000 the first year and $204,000 the second year are from the environmental fund for a monitoring program under Minnesota Statutes, section 116.454.

(c) $346,000 the first year and $346,000 the second year are from the environmental fund for monitoring ambient air for hazardous pollutants.

(d) $90,000 the first year and $90,000 the second year are from the environmental fund for duties related to harmful chemicals in children's products under Minnesota Statutes, sections 116.9401 to 116.9407. Of this amount, $57,000 each year is transferred to the commissioner of health.

(e) $109,000 the first year and $109,000 the second year are from the environmental fund for registration of wastewater laboratories.

(f) $913,000 the first year and $913,000 the second year are from the environmental fund to continue perfluorochemical biomonitoring in eastern-metropolitan communities, as recommended by the Environmental Health Tracking and Biomonitoring Advisory Panel, and address other environmental health risks, including air quality. The communities must include Hmong and other immigrant farming communities. Of this amount, up to $677,000 the first year and $677,000 the second year are for transfer to the Department of Health.

(g) $100,000 the first year and $50,000 the second year are from the environmental fund for impaired waters listing procedures required under this act.

Subd. 3. **Industrial** 13,509,000 13,508,000

Appropriations by Fund

	2018	2019
Environmental	12,979,000	12,978,000
Remediation	530,000	530,000

$530,000 the first year and $530,000 the second year are from the remediation fund for the leaking underground storage tank program to investigate, clean up, and prevent future releases from underground petroleum storage tanks and to the petroleum remediation program for vapor assessment and remediation. These same annual amounts are transferred from the petroleum tank fund to the remediation fund.

Subd. 4. **Municipal** 6,625,000 6,624,000

(a) $162,000 the first year and $162,000 the second year are from the environmental fund for:

(1) a municipal liaison to assist municipalities in implementing and participating in the water-quality standards rulemaking process and navigating the NPDES/SDS permitting process;

(2) enhanced economic analysis in the water-quality standards rulemaking process, including more specific analysis and identification of cost-effective permitting;

(3) development of statewide economic analyses and templates to reduce the amount of information and time required for municipalities to apply for variances from water quality standards; and

(4) coordinating with the Public Facilities Authority to identify and advocate for the resources needed for municipalities to achieve permit requirements.

(b) $50,000 the first year and $50,000 the second year are from the environmental fund for transfer to the Office of Administrative Hearings to establish sanitary districts.

(c) $615,000 the first year and $614,000 the second year are from the environmental fund for subsurface sewage treatment system (SSTS) program administration and community technical assistance and education, including grants and technical assistance to communities for water-quality protection. Of this amount, $129,000 each year is for assistance to counties through grants for SSTS program administration. A county receiving a grant from this appropriation must submit the results achieved with the grant to the commissioner as part of its annual SSTS report. Any unexpended balance in the first year does not cancel but is available in the second year.

(d) $639,000 the first year and $640,000 the second year are from the environmental fund to address the need for continued increased activity in the areas of new technology review, technical assistance for local governments, and enforcement under Minnesota Statutes, sections 115.55 to 115.58, and to complete the requirements of Laws 2003, chapter 128, article 1, section 165.

(e) Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered on or before June 30, 2019, as grants or contracts for subsurface sewage treatment systems, surface water and groundwater assessments, storm water, and water-quality protection in this subdivision are available until June 30, 2022.

Subd. 5. **Operations**			5,839,000	5,540,000

Appropriations by Fund

	2018	2019
General	300,000	
Environmental	4,775,000	4,775,000
Remediation	764,000	765,000

(a) $174,000 the first year and $174,000 the second year are from the remediation fund for purposes of the leaking underground storage tank program to investigate, clean up, and prevent future releases from underground petroleum storage tanks, and to the petroleum remediation program for vapor assessment and remediation. These same annual amounts are transferred from the petroleum tank fund to the remediation fund.

(b) $400,000 the first year and $400,000 the second year are from the environmental fund to develop and maintain systems to support permitting and regulatory business processes and agency data.

(c) $500,000 the first year and $500,000 the second year are from the environmental fund for permitting efficiency and updating rules to reflect guidelines, bulletins, criterion, manual standards, interpretive statements, or similar pronouncements used in permits.

(d) $300,000 the first year is for a grant to the Metropolitan Council under Minnesota Statutes, section 116.195, for wastewater infrastructure to support waste to biofuel development.

Subd. 6. **Remediation**			10,645,000	10,644,000

Appropriations by Fund

	2018	2019
General	216,000	216,000
Environmental	688,000	688,000
Remediation	9,741,000	9,740,000

(a) All money for environmental response, compensation, and compliance in the remediation fund not otherwise appropriated is appropriated to the commissioners of the Pollution Control Agency and agriculture for purposes of Minnesota Statutes, section 115B.20, subdivision 2, clauses (1), (2), (3), (6), and (7). At the beginning of each fiscal year, the two commissioners shall jointly submit an annual spending plan to the commissioner of management and budget that maximizes the use of resources and appropriately allocates the money between the two departments. This appropriation is available until June 30, 2019.

(b) $216,000 the first year and $216,000 the second year are from the general fund and $216,000 the first year and $216,000 the second year are from the environmental fund to manage contaminated sediment projects at multiple sites identified in the St. Louis River remedial action plan to restore water quality in the St. Louis River Area of Concern. This amount is added to the base for fiscal year 2020 only.

(c) $3,521,000 the first year and $3,520,000 the second year are from the remediation fund for purposes of the leaking underground storage tank program to investigate, clean up, and prevent future releases from underground petroleum storage tanks, and to the petroleum remediation program for purposes of vapor assessment and remediation. These same annual amounts are transferred from the petroleum tank fund to the remediation fund.

(d) $252,000 the first year and $252,000 the second year are from the remediation fund for transfer to the commissioner of health for private water-supply monitoring and health assessment costs in areas contaminated by unpermitted mixed municipal solid waste disposal facilities and drinking water advisories and public information activities for areas contaminated by hazardous releases.

Subd. 7. **Resource Management and Assistance** 33,617,000 33,619,000

Appropriations by Fund

	2018	2019
State Government Special Revenue	75,000	75,000
Environmental	33,542,000	33,544,000

(a) Up to $150,000 the first year and $150,000 the second year may be transferred from the environmental fund to the small business environmental improvement loan account established in Minnesota Statutes, section 116.993.

(b) $1,000,000 the first year and $1,000,000 the second year are from the environmental fund for competitive recycling grants under Minnesota Statutes, section 115A.565. This appropriation is available until June 30, 2021. Any unencumbered grant and loan balances in the first year do not cancel but are available for grants and loans in the second year.

(c) $693,000 the first year and $693,000 the second year are from the environmental fund for emission reduction activities and grants to small businesses and other nonpoint emission reduction efforts.

(d) $19,750,000 the first year and $19,750,000 the second year are from the environmental fund for SCORE block grants to counties.

(e) $119,000 the first year and $119,000 the second year are from the environmental fund for environmental assistance grants or loans under Minnesota Statutes, section 115A.0716. Any unencumbered grant and loan balances in the first year do not cancel but are available for grants and loans in the second year.

(f) $68,000 the first year and $69,000 the second year are from the environmental fund for subsurface sewage treatment system (SSTS) program administration and community technical assistance and education, including grants and technical assistance to communities for water-quality protection.

(g) $125,000 the first year and $126,000 the second year are from the environmental fund to address the need for continued increased activity in the areas of new technology review, technical assistance for local governments, and enforcement under Minnesota Statutes, sections 115.55 to 115.58, and to complete the requirements of Laws 2003, chapter 128, article 1, section 165.

(h) All money deposited in the environmental fund for the metropolitan solid waste landfill fee in accordance with Minnesota Statutes, section 473.843, and not otherwise appropriated, is appropriated for the purposes of Minnesota Statutes, section 473.844.

(i) Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered on or before June 30, 2019, as contracts or grants for environmental assistance awarded under Minnesota Statutes, section 115A.0716; technical and research assistance under Minnesota Statutes, section 115A.152; technical assistance under Minnesota Statutes, section 115A.52; and pollution prevention assistance under Minnesota Statutes, section 115D.04, are available until June 30, 2021.

Subd. 8. **Watershed** 9,220,000 9,220,000

Appropriations by Fund

	2018	2019
General	1,959,000	1,959,000
Environmental	7,043,000	7,043,000
Remediation	218,000	218,000

(a) $1,959,000 the first year and $1,959,000 the second year are for grants to delegated counties to administer the county feedlot program under Minnesota Statutes, section 116.0711, subdivisions 2 and 3. Money remaining after the first year is available for the second year.

(b) $207,000 the first year and $207,000 the second year are from the environmental fund for the costs of implementing general operating permits for feedlots over 1,000 animal units.

(c) $118,000 the first year and $118,000 the second year are from the remediation fund for purposes of the leaking underground storage tank program to investigate, clean up, and prevent future releases from underground petroleum storage tanks, and to the petroleum remediation program for vapor assessment and remediation. These same annual amounts are transferred from the petroleum tank fund to the remediation fund.

Subd. 9. **Environmental Quality Board** 1,014,000 1,014,000

Appropriations by Fund

	2018	2019
General	822,000	822,000
Environmental	192,000	192,000

(a) $319,000 the first year and $319,000 the second year are from the general fund and $192,000 the first year and $192,000 the second year are from the environmental fund for Environmental Quality Board operations and support.

(b) $503,000 the first year and $503,000 the second year are from the general fund for the Environmental Quality Board to lead an interagency team to provide technical assistance regarding the mining, processing, and transporting of silica sand. Of this amount, up to $75,000 each year may be transferred to the commissioner of natural resources to review the implementation of the rules adopted by the commissioner pursuant to Laws 2013, chapter 114, article 4, section 105, paragraph (b), pertaining to the reclamation of silica sand mines, to ensure that local government reclamation programs are implemented in a manner consistent with the rules.

Subd. 10. **Transfers**

(a) The commissioner shall transfer up to $34,000,000 from the environmental fund to the remediation fund for the purposes of the remediation fund under Minnesota Statutes, section 116.155, subdivision 2.

(b) The commissioner shall transfer $4,356,000 in fiscal year 2018 from the environmental fund in Minnesota Statutes, section 16A.531, to the commissioner of management and budget for deposit in the general fund.

Sec. 3. **NATURAL RESOURCES**

Subdivision 1. **Total Appropriation** **$273,845,000** **$273,398,000**

Appropriations by Fund

	2018	2019
General	80,230,000	80,063,000
Natural Resources	95,453,000	95,203,000
Game and Fish	97,862,000	97,832,000
Remediation	100,000	100,000
Permanent School	200,000	200,000

The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. **Land and Mineral Resources Management** 5,646,000 5,646,000

Appropriations by Fund

	2018	2019
General	1,710,000	1,710,000
Natural Resources	3,392,000	3,392,000
Game and Fish	344,000	344,000
Permanent School	200,000	200,000

(a) $319,000 the first year and $319,000 the second year are for environmental research relating to mine permitting, of which $200,000 each year is from the minerals management account and $119,000 each year is from the general fund.

(b) $2,815,000 the first year and $2,815,000 the second year are from the minerals management account in the natural resources fund for use as provided in Minnesota Statutes, section 93.2236, paragraph (c), for mineral resource management, projects to enhance future mineral income, and projects to promote new mineral resource opportunities.

(c) $200,000 the first year and $200,000 the second year are from the state forest suspense account in the permanent school fund to secure maximum long-term economic return from the school trust lands consistent with fiduciary responsibilities and sound natural resources conservation and management principles.

(d) $125,000 the first year and $125,000 the second year are for conservation easement stewardship.

Subd. 3. **Ecological and Water Resources**	32,520,000	32,353,000

Appropriations by Fund

	2018	2019
General	17,213,000	17,046,000
Natural Resources	10,826,000	10,826,000
Game and Fish	4,481,000	4,481,000

(a) $3,242,000 the first year and $3,242,000 the second year are from the invasive species account in the natural resources fund. Up to $500,000 each year is available for grants for applied aquatic invasive species research.

(b) $3,206,000 the first year and $3,206,000 the second year are from the general fund for management, public awareness, assessment and monitoring research, and water access inspection to prevent the spread of invasive species; management of invasive plants in public waters; and management of terrestrial invasive species on state-administered lands.

(c) $5,000,000 the first year and $5,000,000 the second year are from the water management account in the natural resources fund for only the purposes specified in Minnesota Statutes, section 103G.27, subdivision 2.

(d) $124,000 the first year and $124,000 the second year are for a grant to the Mississippi Headwaters Board for up to 50 percent of the cost of implementing the comprehensive plan for the upper Mississippi within areas under the board's jurisdiction.

(e) $10,000 the first year and $10,000 the second year are for payment to the Leech Lake Band of Chippewa Indians to implement the band's portion of the comprehensive plan for the upper Mississippi.

(f) $264,000 the first year and $264,000 the second year are for grants for up to 50 percent of the cost of implementation of the Red River mediation agreement.

(g) $2,018,000 the first year and $2,018,000 the second year are from the heritage enhancement account in the game and fish fund for only the purposes specified in Minnesota Statutes, section 297A.94, paragraph (e), clause (1).

(h) $950,000 the first year and $950,000 the second year are from the nongame wildlife management account in the natural resources fund for the purpose of nongame wildlife management. Notwithstanding Minnesota Statutes, section 290.431, $100,000 the first year and $100,000 the second year may be used for nongame wildlife information, education, and promotion.

(i) Notwithstanding Minnesota Statutes, section 84.943, $13,000 the first year and $13,000 the second year from the critical habitat private sector matching account may be used to publicize the critical habitat license plate match program.

(j) $6,000,000 the first year and $6,000,000 the second year are from the general fund for the following activities:

(1) financial reimbursement and technical support to soil and water conservation districts or other local units of government for groundwater level monitoring;

(2) surface water monitoring and analysis, including installation of monitoring gauges;

(3) groundwater analysis to assist with water appropriation permitting decisions;

(4) permit application review incorporating surface water and groundwater technical analysis;

(5) precipitation data and analysis to improve the use of irrigation;

(6) information technology, including electronic permitting and integrated data systems; and

(7) compliance and monitoring.

(k) $167,000 the first year is for a grant to the Koronis Lake Association for purposes of removing and preventing aquatic invasive species. This is a onetime appropriation and is available until June 30, 2022.

(l) $250,000 the first year and $250,000 the second year are from the water management account in the natural resources fund for economic impact analysis of groundwater management area and water appropriation permit plans required under Minnesota Statutes, sections 103G.271, subdivision 8, and 103G.287, subdivision 4.

Subd. 4. **Forest Management** 45,781,000 45,281,000

Appropriations by Fund

	2018	2019
General	28,350,000	28,350,000
Natural Resources	16,144,000	15,644,000
Game and Fish	1,287,000	1,287,000

(a) $7,145,000 the first year and $7,145,000 the second year are for prevention, presuppression, and suppression costs of emergency firefighting and other costs incurred under Minnesota Statutes, section 88.12. The amount necessary to pay for presuppression and suppression costs during the biennium is appropriated from the general fund. By January 15 of each year, the commissioner of natural resources shall submit a report to the chairs and ranking minority members of the house and senate committees and divisions having jurisdiction over environment and natural resources finance, identifying all firefighting costs incurred and reimbursements received in the prior fiscal year. These appropriations may not be transferred. Any reimbursement of firefighting expenditures made to the commissioner from any source other than federal mobilizations must be deposited into the general fund.

(b) $11,644,000 the first year and $11,644,000 the second year are from the forest management investment account in the natural resources fund for only the purposes specified in Minnesota Statutes, section 89.039, subdivision 2.

(c) $1,287,000 the first year and $1,287,000 the second year are from the heritage enhancement account in the game and fish fund to advance ecological classification systems (ECS) scientific management tools for forest and invasive species management.

(d) $780,000 the first year and $780,000 the second year are for the Forest Resources Council to implement the Sustainable Forest Resources Act.

(e) $500,000 the first year is from the forest management investment account in the natural resources fund for an analysis of a sustainable timber harvest level on department-administered lands. The appropriation is available until June 30, 2019. This appropriation is onetime.

(f) $2,000,000 the first year and $2,000,000 the second year are from the forest management investment account in the natural resources fund for state forest reforestation. The base from the forest management investment account in the natural resources fund for fiscal year 2020 and later is $1,250,000.

(g) $2,000,000 the first year and $2,000,000 the second year are from the forest management investment account in the natural resources fund for the Next Generation Core Forestry data system. The appropriation is available until June 30, 2021. The base from the forest management investment account in the natural resources fund for fiscal year 2020 and later is $500,000.

(h) The base for the natural resources fund in fiscal year 2020 and later is $13,394,000.

Subd. 5. **Parks and Trails Management**	79,250,000	79,500,000

Appropriations by Fund

	2018	2019
General	24,427,000	24,427,000
Natural Resources	52,550,000	52,800,000
Game and Fish	2,273,000	2,273,000

(a) $1,075,000 the first year and $1,075,000 the second year are from the water recreation account in the natural resources fund for enhancing public water-access facilities.

(b) $5,990,000 the first year and $5,990,000 the second year are from the natural resources fund for state trail, park, and recreation area operations. This appropriation is from the revenue deposited in the natural resources fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (2).

(c) $4,700,000 the first year and $5,100,000 the second year are from the state parks account in the natural resources fund for increased state park, state trail, and state recreation area operation and maintenance.

(d) $1,005,000 the first year and $1,005,000 the second year are from the natural resources fund for park and trail grants to local units of government on land to be maintained for at least 20 years for the purposes of the grants. This appropriation is from the revenue deposited in the natural resources fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (4). Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

(e) $8,424,000 the first year and $8,424,000 the second year are from the snowmobile trails and enforcement account in the natural resources fund for the snowmobile grants-in-aid program. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

(f) $1,685,000 the first year and $1,685,000 the second year are from the natural resources fund for the off-highway vehicle grants-in-aid program. Of this amount, $1,210,000 each year is from the all-terrain vehicle account; $150,000 each year is from the off-highway motorcycle account; and $325,000 each year is from the off-road vehicle. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

(g) $75,000 the first year and $75,000 the second year are from the cross-country ski account in the natural resources fund for grooming and maintaining cross-country ski trails in state parks, trails, and recreation areas.

(h) $250,000 the first year and $250,000 the second year are from the state land and water conservation account in the natural resources fund for priorities established by the commissioner for eligible state projects and administrative and planning activities consistent with Minnesota Statutes, section 84.0264, and the federal Land and Water Conservation Fund Act. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

(i) $150,000 the first year is from the all-terrain vehicle account in the natural resources fund for a grant to the city of Orr to predesign, design, and construct the Voyageur all-terrain vehicle trail system, including:

(1) design of the alignment for phase I of the Voyageur all-terrain vehicle trail system and development of a preliminary phase II alignment;

(2) completion of wetland delineation and wetland permitting;

(3) completion of the engineering design and cost estimates for a snowmobile and off-highway vehicle bridge over the Vermilion River to establish a trail connection; and

(4) completion of the master plan for the Voyageur all-terrain vehicle trail system.

This is a onetime appropriation and is available until June 30, 2020.

Subd. 6. **Fish and Wildlife Management**	67,561,000	67,531,000

Appropriations by Fund

	2018	2019
Natural Resources	1,912,000	1,912,000
Game and Fish	65,649,000	65,619,000

(a) $8,167,000 the first year and $8,167,000 the second year are from the heritage enhancement account in the game and fish fund only for activities specified in Minnesota Statutes, section 297A.94, paragraph (e), clause (1). Notwithstanding Minnesota Statutes, section 297A.94, five percent of this appropriation may be used for expanding hunter and angler recruitment and retention.

(b) $30,000 the first year is from the heritage enhancement account in the game and fish fund for the commissioner of natural resources to contract with a private entity to search for a site to construct a world-class shooting range and club house for use by the Minnesota State High School League and for other regional, statewide, national, and international shooting events. The commissioner must provide public notice of the search, including making the public aware of the process through the Department of Natural Resources' media outlets, and solicit input on the location and building options for the facility. The siting search process must include a public process to determine if any business or individual is interested in donating land for the facility, anticipated to be at least 500 acres. The site search team must meet with interested third parties affected by or interested in the facility. The commissioner must submit a report with the results of the site search to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over environment and natural resources by March 1, 2018. This is a onetime appropriation.

Subd. 7. **Enforcement** 39,767,000 39,767,000

Appropriations by Fund

	2018	2019
General	5,530,000	5,530,000
Natural Resources	10,309,000	10,309,000
Game and Fish	23,828,000	23,828,000
Remediation	100,000	100,000

(a) $1,718,000 the first year and $1,718,000 the second year are from the general fund for enforcement efforts to prevent the spread of aquatic invasive species.

(b) $1,580,000 the first year and $1,580,000 the second year are from the heritage enhancement account in the game and fish fund for only the purposes specified in Minnesota Statutes, section 297A.94, paragraph (e), clause (1).

(c) $1,082,000 the first year and $1,082,000 the second year are from the water recreation account in the natural resources fund for grants to counties for boat and water safety. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

(d) $315,000 the first year and $315,000 the second year are from the snowmobile trails and enforcement account in the natural resources fund for grants to local law enforcement agencies for snowmobile enforcement activities. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

(e) $250,000 the first year and $250,000 the second year are from the all-terrain vehicle account for grants to qualifying organizations to assist in safety and environmental education and monitoring trails on public lands under Minnesota Statutes, section 84.9011. Grants issued under this paragraph must be issued through a formal agreement with the organization. By December 15 each year, an organization receiving a grant under this paragraph shall report to the commissioner with details on expenditures and outcomes from the grant. Of this appropriation, $25,000 each year is for administration of these grants. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

(f) $510,000 the first year and $510,000 the second year are from the natural resources fund for grants to county law enforcement agencies for off-highway vehicle enforcement and public education activities based on off-highway vehicle use in the county. Of this amount, $498,000 each year is from the all-terrain vehicle account; $11,000 each year is from the off-highway motorcycle account; and $1,000 each year is from the off-road vehicle account. The county enforcement agencies may use money received under this appropriation to make grants to other local enforcement agencies within the county that have a high concentration of off-highway vehicle use. Of this appropriation, $25,000 each year is for administration of these grants. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

The commissioner may hold a conservation officer academy if necessary.

Subd. 8. **Operations Support**	3,000,000	3,000,000

(a) $2,500,000 the first year and $2,500,000 the second year are available for legal costs. Of these amounts, up to $1,700,000 may be transferred to the Minnesota Pollution Control Agency. This is a onetime appropriation and is available until June 30, 2021.

(b) $500,000 the first year and $500,000 the second year are for permitting efficiency and updating rules to reflect guidelines, bulletins, criterion, manual standards, interpretive statements, or similar pronouncements used in permits.

(c) The base for the general fund in fiscal year 2020 is $500,000.

Subd. 9. **Pass Through Funds**	320,000	320,000

Appropriations by Fund

	2018	2019
Natural Resources	320,000	320,000

$320,000 the first year and $320,000 the second year are from the natural resources fund for grants to be divided equally between the city of St. Paul for the Como Park Zoo and Conservatory and the city of Duluth for the Duluth Zoo. This appropriation is from the revenue deposited to the natural resources fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (5).

Subd. 10. **Cancellation**

The remaining amount of the general fund appropriation in Laws 2016, chapter 189, article 3, section 3, subdivision 3, for a grant to the Koronis Lake Association, estimated to be $167,000, is canceled on June 30, 2017.

This subdivision is effective the day following final enactment.

Sec. 4. **BOARD OF WATER AND SOIL RESOURCES**	**$13,589,000**	**$13,589,000**

(a) $3,423,000 the first year and $3,423,000 the second year are for natural resources block grants to local governments. Grants must be matched with a combination of local cash or in-kind contributions. The base grant portion related to water planning must be matched by an amount as specified by Minnesota Statutes, section 103B.3369. The board may reduce the amount of the natural resources block grant to a county by an amount equal to any reduction in the county's general services allocation to a soil and water conservation district from the county's previous year allocation when the board determines that the reduction was disproportionate.

(b) $3,116,000 the first year and $3,116,000 the second year are for grants to soil and water conservation districts for the purposes of Minnesota Statutes, sections 103C.321 and 103C.331, and for general purposes, nonpoint engineering, and implementation and stewardship of the reinvest in Minnesota reserve program. Expenditures may be made from these appropriations for supplies and services benefiting soil and water conservation districts. Any district receiving a payment under this paragraph shall maintain a Web page that publishes, at a minimum, its annual report, annual audit, annual budget, and meeting notices.

(c) $1,560,000 the first year and $1,560,000 the second year are for the following cost-share programs:

(1) $260,000 each year is for feedlot water-quality grants for feedlots under 300 animal units and nutrient and manure management projects in watersheds where there are impaired waters;

(2) $1,200,000 each year is for soil and water conservation district cost-sharing contracts for perennially vegetated riparian buffers, erosion control, water retention and treatment, and other high-priority conservation practices; and

(3) $100,000 each year is for county cooperative weed management programs and to restore native plants in selected invasive species management sites.

(d) $300,000 the first year is for improving the efficiency and effectiveness of Minnesota's wetland regulatory programs through continued examination of United States Clean Water Act section 404 assumption including negotiation of draft agreements with the United States Environmental Protection Agency and the United States Army Corps of Engineers, planning for an online permitting system, upgrading the existing wetland banking database, and developing an in-lieu fee wetland banking program as authorized by statute. This is a onetime appropriation.

(e) $166,000 the first year and $166,000 the second year are to provide technical assistance to local drainage management officials and for the costs of the Drainage Work Group.

(f) $100,000 the first year and $100,000 the second year are for a grant to the Red River Basin Commission for water quality and floodplain management, including administration of programs. This appropriation must be matched by nonstate funds. If the appropriation in either year is insufficient, the appropriation in the other year is available for it.

(g) $140,000 the first year and $140,000 the second year are for grants to Area II Minnesota River Basin Projects for floodplain management.

(h) $125,000 the first year and $125,000 the second year are for conservation easement stewardship.

(i) Notwithstanding Minnesota Statutes, section 103C.501, the board may shift cost-share funds in this section and may adjust the technical and administrative assistance portion of the grant funds to leverage federal or other nonstate funds or to address high-priority needs identified in local water management plans or comprehensive water management plans.

(j) The appropriations for grants in this section are available until expended. If an appropriation for grants in either year is insufficient, the appropriation in the other year is available for it.

(k) Notwithstanding Minnesota Statutes, section 16B.97, the appropriations for grants in this section are exempt from Department of Administration, Office of Grants Management Policy 08-10 Grant Monitoring.

Sec. 5. **METROPOLITAN COUNCIL** **$8,540,000** **$8,540,000**

Appropriations by Fund

	2018	2019
General	2,870,000	2,870,000
Natural Resources	5,670,000	5,670,000

(a) $2,870,000 the first year and $2,870,000 the second year are for metropolitan area regional parks operation and maintenance according to Minnesota Statutes, section 473.351.

(b) $5,670,000 the first year and $5,670,000 the second year are from the natural resources fund for metropolitan area regional parks and trails maintenance and operations. This appropriation is from the revenue deposited in the natural resources fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (3).

Sec. 6. **CONSERVATION CORPS MINNESOTA** **$945,000** **$945,000**

Appropriations by Fund

	2018	2019
General	455,000	455,000
Natural Resources	490,000	490,000

Conservation Corps Minnesota may receive money appropriated from the natural resources fund under this section only as provided in an agreement with the commissioner of natural resources.

Sec. 7. **ZOOLOGICAL BOARD** **$8,910,000** **$8,910,000**

Appropriations by Fund

	2018	2019
General	8,750,000	8,750,000
Natural Resources	160,000	160,000

$160,000 the first year and $160,000 the second year are from the natural resources fund from the revenue deposited under Minnesota Statutes, section 297A.94, paragraph (e), clause (5).

The base for the general fund in fiscal year 2020 and later is $10,006,000.

Sec. 8. **SCIENCE MUSEUM**	**$1,079,000**	**$1,079,000**
Sec. 9. **ADMINISTRATION**	**$800,000**	**$300,000**

(a) $300,000 the first year and $300,000 the second year are from the state forest suspense account in the permanent school fund for the school trust lands director. This appropriation is to be used for securing long-term economic return from the school trust lands consistent with fiduciary responsibilities and sound natural resources conservation and management principles.

(b) $500,000 the first year is from the state forest suspense account in the permanent school fund for the school trust lands director to initiate the private sale of surplus school trust lands identified according to Minnesota Statutes, section 92.82, paragraph (d), including but not limited to valuation expenses, legal fees, and transactional staff costs. This is a onetime appropriation and is available until June 30, 2019.

Sec. 10. **EXPLORE MINNESOTA TOURISM**	**$14,248,000**	**$14,248,000**

(a) To develop maximum private sector involvement in tourism, $500,000 the first year and $500,000 the second year must be matched by Explore Minnesota Tourism from nonstate sources. Each $1 of state incentive must be matched with $6 of private sector funding. Cash match is defined as revenue to the state or documented cash expenditures directly expended to support Explore Minnesota Tourism programs. Up to one-half of the private sector contribution may be in kind or soft match. The incentive in fiscal year 2018 is based on fiscal year 2017 private sector contributions. The incentive in fiscal year 2019 is based on fiscal year 2018 private sector contributions. This incentive is ongoing.

(b) Funding for marketing grants is available either year of the biennium. Unexpended grant funds from the first year are available in the second year.

(c) $100,000 each year is for a grant to the Northern Lights International Music Festival.

Sec. 11. Laws 2016, chapter 189, article 3, section 6, is amended to read:

Sec. 6. **ADMINISTRATION**	**$250,000**	**$-0-**

$250,000 the first year is from the state forest suspense account in the permanent school fund for the school trust lands director to initiate real estate development projects on school trust lands as determined by the school trust lands director. This is a onetime appropriation and is available until June 30, 2019.

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

ARTICLE 2
ENVIRONMENT AND NATURAL RESOURCES STATUTORY CHANGES

Section 1. Minnesota Statutes 2016, section 84.01, is amended by adding a subdivision to read:

Subd. 6. **Legal counsel.** The commissioner of natural resources may appoint attorneys or outside counsel to render title opinions, represent the department in severed mineral interest forfeiture actions brought pursuant to section 93.55, and, notwithstanding any statute to the contrary, represent the state in quiet title or title registration actions affecting land or interests in land administered by the commissioner.

Sec. 2. Minnesota Statutes 2016, section 84.027, subdivision 14a, is amended to read:

Subd. 14a. **Permitting efficiency; public notice.** (a) It is the goal of the state that environmental and resource management permits be issued or denied within 90 days for Tier 1 permits or 150 days for Tier 2 permits following submission of a permit application. The commissioner of natural resources shall establish management systems designed to achieve the goal.

(b) The commissioner shall prepare an annual permitting efficiency report that includes statistics on meeting the goal in paragraph (a) and the criteria for ~~Tier 1 and~~ Tier 2 by permit categories. The report is due August 1 each year. For permit applications that have not met the goal, the report must state the reasons for not meeting the goal. In stating the reasons for not meeting the goal, the commissioner shall separately identify delays caused by the responsiveness of the proposer, lack of staff, scientific or technical disagreements, or the level of public engagement. The report must specify the number of days from initial submission of the application to the day of determination that the application is complete. The report must aggregate the data for the year and assess whether program or system changes are necessary to achieve the goal. The report must be posted on the department's Web site and submitted to the governor and the chairs and ranking minority members of the house of representatives and senate committees having jurisdiction over natural resources policy and finance.

(c) The commissioner shall allow electronic submission of environmental review and permit documents to the department.

(d) ~~Beginning July 1, 2011,~~ Within 30 business days of application for a permit subject to paragraph (a), the commissioner of natural resources shall notify the ~~project proposer~~ permit applicant, in writing, whether the application is complete or incomplete. If the commissioner determines that an application is incomplete, the notice to the applicant must enumerate all deficiencies, citing specific provisions of the applicable rules and statutes, and advise the applicant on how the deficiencies can be remedied. If the commissioner determines that the application is complete, the notice must confirm the application's Tier 1 or Tier 2 permit status and, upon request of the permit applicant of an individual Tier 2 permit, provide the permit applicant with a schedule for reviewing the permit application. This paragraph does not apply to an application for a permit that is subject to a grant or loan agreement under chapter 446A.

(e) When public notice of a draft individual Tier 2 permit is required, the commissioner must issue the notice with the draft permit within 150 days of receiving a completed permit application unless the permit applicant and the commissioner mutually agree to a different date. Upon request of the permit applicant, the commissioner must provide a copy of the draft permit to the permit applicant and consider comments on the draft permit from the permit applicant before issuing the public notice.

Sec. 3. Minnesota Statutes 2016, section 84.027, subdivision 14b, is amended to read:

Subd. 14b. **Expediting costs; reimbursement.** Permit applicants ~~who wish to construct, reconstruct, modify, or operate a facility~~ needing any permit from the commissioner of natural resources to construct, reconstruct, or modify a project or to operate a facility may offer to reimburse the department for the reasonable costs ~~of staff time or consultant services~~ needed to expedite the preapplication process and permit development process through the final decision on the permit, including the analysis of environmental review documents. The reimbursement shall be in addition to permit application fees imposed by law. When the commissioner determines that additional resources are needed to develop the permit application in an expedited manner, and that expediting the development is consistent with permitting program priorities, the commissioner may accept the reimbursement. The commissioner must give the permit applicant an estimate of costs for the expedited service to be incurred by the commissioner. The estimate must include a brief description of the tasks to be performed, a schedule for completing the tasks, and the estimated cost for each task. The proposer and the commissioner must enter into a written agreement detailing the estimated costs for the expedited service to be incurred by the department and any recourse available to the applicant if the department fails to comply with the schedule. The agreement must also identify staff anticipated to be assigned to the project and describe the commissioner's commitment to making assigned staff available for the project until the permit decision is made. The commissioner must not issue a permit until the applicant has paid all fees in full. The commissioner must refund any unobligated balance of fees paid. Reimbursements accepted by the commissioner are appropriated to the commissioner for the purpose of developing the permit or analyzing environmental review documents. Reimbursement by a permit applicant shall precede and not be contingent upon issuance of a permit; shall not affect the commissioner's decision on whether to issue or deny a permit, what conditions are included in a permit, or the application of state and federal statutes and rules governing permit determinations; and shall not affect final decisions regarding environmental review.

Sec. 4. Minnesota Statutes 2016, section 84.027, is amended by adding a subdivision to read:

Subd. 14c. **Irrevocability, suspensions, or expiration of permits; environmental review.** (a) If, by July 1 of an odd-numbered year, legislation has not been enacted to appropriate money to the commissioner of natural resources for environmental review and permitting activities of the Department of Natural Resources:

(1) a permit granted by the commissioner may not be terminated or suspended for the term of the permit nor shall it expire without the consent of the permittee, except for breach or nonperformance of any condition of the permit by the permittee that is an imminent threat to impair or destroy the environment or injure the health, safety, or welfare of the citizens of the state; and

(2) environmental review and permit application work on environmental review and permits filed before July 1 of that year must not be suspended or terminated.

(b) Paragraph (a), clause (1), applies until legislation appropriating money to the commissioner for the environmental review and permitting activities is enacted.

Sec. 5. Minnesota Statutes 2016, section 84.027, is amended by adding a subdivision to read:

Subd. 14d. **Unadopted rules.** The commissioner of natural resources must not seek to implement in a permit or enforce a penalty based upon a department policy, guideline, bulletin, criterion, manual standard, interpretive statement, or similar pronouncement if the policy, guideline, bulletin, criterion, manual standard, interpretive standard, or pronouncement has not been adopted under the rulemaking process under chapter 14. In any proceeding under section 14.381, the commissioner has the burden of proving the action is not prohibited.

Sec. 6. Minnesota Statutes 2016, section 84.788, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** Registration is not required for off-highway motorcycles:

(1) owned and used by the United States, an Indian tribal government, the state, another state, or a political subdivision;

(2) registered in another state or country that have not been within this state for more than 30 consecutive days;

(3) registered under chapter 168, when operated on forest roads to gain access to a state forest campground;

(4) used exclusively in organized track racing events;

(5) operated on state or grant-in-aid trails by a nonresident possessing a nonresident off-highway motorcycle state trail pass; ~~or~~

(6) operated by a person participating in an event for which the commissioner has issued a special use permit~~.~~; or

(7) operated on boundary trails and registered in another state or country providing equal reciprocal registration or licensing exemptions for registrants of this state.

Sec. 7. Minnesota Statutes 2016, section 84.793, subdivision 1, is amended to read:

Subdivision 1. **Prohibitions on youthful operators.** (a) A person six years or older but less than 16 years of age operating an off-highway motorcycle on public lands or waters must possess a valid off-highway motorcycle safety certificate issued by the commissioner.

(b) Except for operation on public road rights-of-way that is permitted under section 84.795, subdivision 1, a driver's license issued by the state or another state is required to operate an off-highway motorcycle along or on a public road right-of-way.

(c) A person under 12 years of age may not:

(1) make a direct crossing of a public road right-of-way;

(2) operate an off-highway motorcycle on a public road right-of-way in the state; or

(3) operate an off-highway motorcycle on public lands or waters unless accompanied by a person 18 years of age or older or participating in an event for which the commissioner has issued a special use permit.

(d) Except for public road rights-of-way of interstate highways, a person less than 16 years of age may make a direct crossing of a public road right-of-way of a trunk, county state-aid, or county highway only if that person is accompanied by a person 18 years of age or older who holds a valid driver's license.

(e) A person less than 16 years of age may operate an off-highway motorcycle on public road rights-of-way in accordance with section 84.795, subdivision 1, paragraph (a), only if that person is accompanied by a person 18 years of age or older who holds a valid driver's license.

(f) Notwithstanding paragraph (a), a nonresident less than 16 years of age may operate an off-highway motorcycle on public lands or waters if the nonresident youth has in possession evidence of completing an off-road safety course offered by the Motorcycle Safety Foundation or another state as provided in section 84.791, subdivision 4.

Sec. 8. Minnesota Statutes 2016, section 84.82, subdivision 2, is amended to read:

Subd. 2. **Application, issuance, issuing fee.** (a) Application for registration or reregistration shall be made to the commissioner or an authorized deputy registrar of motor vehicles in a format prescribed by the commissioner and shall state the legal name and address of every owner of the snowmobile.

(b) A person who purchases a snowmobile from a retail dealer shall make application for registration to the dealer at the point of sale. The dealer shall issue a dealer temporary 21-day registration permit to each purchaser who applies to the dealer for registration. The temporary permit must contain the dealer's identification number and phone number. Each retail dealer shall submit completed registration and fees to the deputy registrar at least once a week. No fee may be charged by a dealer to a purchaser for providing the temporary permit.

(c) Upon receipt of the application and the appropriate fee, the commissioner or deputy registrar shall issue to the applicant, or provide to the dealer, an assigned registration number or a commissioner or deputy registrar temporary 21-day permit. Once issued, the registration number must be affixed to the snowmobile in a clearly visible and permanent manner for enforcement purposes as the commissioner of natural resources shall prescribe. A dealer subject to paragraph (b) shall provide the registration materials or temporary permit to the purchaser within the temporary 21-day permit period. The registration is not valid unless signed by at least one owner.

(d) Each deputy registrar of motor vehicles acting pursuant to section 168.33, shall also be a deputy registrar of snowmobiles. The commissioner of natural resources in agreement with the commissioner of public safety may prescribe the accounting and procedural requirements necessary to assure efficient handling of registrations and registration fees. Deputy registrars shall strictly comply with these accounting and procedural requirements.

(e) ~~A fee of $2~~ In addition to ~~that otherwise~~ other fees prescribed by law ~~shall be charged for~~, an issuing fee of $4.50 is charged for each snowmobile registration renewal, duplicate or replacement registration card, and replacement decal and an issuing fee of $7 is charged for each snowmobile registration and registration transfer issued by:

(1) ~~each snowmobile registered by the~~ a registrar or a deputy registrar and ~~the additional fee shall be disposed of~~ must be deposited in the manner provided in section 168.33, subdivision 2; or

(2) ~~each snowmobile registered by~~ the commissioner and ~~the additional fee shall~~ must be deposited in the state treasury and credited to the snowmobile trails and enforcement account in the natural resources fund.

Sec. 9. Minnesota Statutes 2016, section 84.925, subdivision 1, is amended to read:

Subdivision 1. **Program established.** (a) The commissioner shall establish a comprehensive all-terrain vehicle environmental and safety education and training program, including the preparation and dissemination of vehicle information and safety advice to the public, the training of all-terrain vehicle operators, and the issuance of all-terrain vehicle safety certificates to vehicle operators over the age of 12 years who successfully complete the all-terrain vehicle environmental and safety education and training course. A parent or guardian must be present at the hands-on training portion of the program for youth who are six through ten years of age.

(b) For the purpose of administering the program and to defray the expenses of training and certifying vehicle operators, the commissioner shall collect a fee from each person who receives the training. The commissioner shall collect a fee, to include a $1 issuing fee for licensing agents, for issuing a duplicate all-terrain vehicle safety certificate. The commissioner shall establish both fees in a manner that neither significantly overrecovers nor underrecovers costs, including overhead costs, involved in providing the services. The fees are not subject to the rulemaking provisions of chapter 14 and section 14.386 does not apply. The fees may be established by the commissioner notwithstanding section 16A.1283. Fee proceeds, except for the issuing fee for licensing agents under this subdivision, shall be deposited in the all-terrain vehicle account in the natural resources fund and the amount thereof, except for the electronic licensing system commission established by the commissioner under section 84.027, subdivision 15, and issuing fees collected by the commissioner, is appropriated annually to the Enforcement Division of the Department of Natural Resources for the administration of the programs. In addition to the fee established by the commissioner, instructors may charge each person up to the established fee amount for class materials and expenses.

(c) The commissioner shall cooperate with private organizations and associations, private and public corporations, and local governmental units in furtherance of the program established under this section. School districts may cooperate with the commissioner and volunteer instructors to provide space for the classroom portion of the training. The commissioner shall consult with the commissioner of public safety in regard to training program subject matter and performance testing that leads to the certification of vehicle operators. The commissioner shall incorporate a riding component in the safety education and training program.

Sec. 10. Minnesota Statutes 2016, section 84.9256, subdivision 1, is amended to read:

Subdivision 1. **Prohibitions on youthful operators.** (a) Except for operation on public road rights-of-way that is permitted under section 84.928 and as provided under paragraph (j), a driver's license issued by the state or another state is required to operate an all-terrain vehicle along or on a public road right-of-way.

(b) A person under 12 years of age shall not:

(1) make a direct crossing of a public road right-of-way;

(2) operate an all-terrain vehicle on a public road right-of-way in the state; or

(3) operate an all-terrain vehicle on public lands or waters, except as provided in paragraph (f).

(c) Except for public road rights-of-way of interstate highways, a person 12 years of age but less than 16 years may make a direct crossing of a public road right-of-way of a trunk, county state-aid, or county highway or operate on public lands and waters or state or grant-in-aid trails, only if that person possesses a valid all-terrain vehicle safety certificate issued by the commissioner and is accompanied by a person 18 years of age or older who holds a valid driver's license.

(d) To be issued an all-terrain vehicle safety certificate, a person at least 12 years old, but less than 16 years old, must:

(1) successfully complete the safety education and training program under section 84.925, subdivision 1, including a riding component; and

(2) be able to properly reach and control the handle bars and reach the foot pegs while sitting upright on the seat of the all-terrain vehicle.

(e) A person at least ~~11~~ six years of age may take the safety education and training program and may receive an all-terrain vehicle safety certificate under paragraph (d), but the certificate is not valid until the person reaches age 12.

(f) A person at least ten years of age but under 12 years of age may operate an all-terrain vehicle with an engine capacity up to ~~90cc~~ 110cc if the vehicle is a class 1 all-terrain vehicle with straddle-style seating or up to 170cc if the vehicle is a class 1 all-terrain vehicle with side-by-side-style seating on public lands or waters if accompanied by a parent or legal guardian.

(g) A person under 15 years of age shall not operate a class 2 all-terrain vehicle.

(h) A person under the age of 16 may not operate an all-terrain vehicle on public lands or waters or on state or grant-in-aid trails if the person cannot properly reach and control:

(1) the handle bars and reach the foot pegs while sitting upright on the seat of the all-terrain vehicle with straddle-style seating; or

(2) the steering wheel and foot controls of a class 1 all-terrain vehicle with side-by-side-style seating while sitting upright in the seat with the seat belt fully engaged.

(i) Notwithstanding paragraph (c), a nonresident at least 12 years old, but less than 16 years old, may make a direct crossing of a public road right-of-way of a trunk, county state-aid, or county highway or operate an all-terrain vehicle on public lands and waters or state or grant-in-aid trails if:

(1) the nonresident youth has in possession evidence of completing an all-terrain safety course offered by the ATV Safety Institute or another state as provided in section 84.925, subdivision 3; and

(2) the nonresident youth is accompanied by a person 18 years of age or older who holds a valid driver's license.

(j) A person 12 years of age but less than 16 years of age may operate an all-terrain vehicle on the roadway, bank, slope, or ditch of a public road right-of-way as permitted under section 84.928 if the person:

(1) possesses a valid all-terrain vehicle safety certificate issued by the commissioner; and

(2) is accompanied by a parent or legal guardian on a separate all-terrain vehicle.

Sec. 11. Minnesota Statutes 2016, section 84.9256, subdivision 2, is amended to read:

Subd. 2. **Helmet and seat belts required.** (a) A person less than 18 years of age shall not ride as a passenger or as an operator of an all-terrain vehicle on public land, public waters, or on a public road right-of-way unless wearing a safety helmet approved by the commissioner of public safety.

(b) A person less than 18 years of age shall not ride as a passenger or as an operator of ~~a class 2~~ an all-terrain vehicle without wearing a seat belt when provided by the manufacturer.

Sec. 12. Minnesota Statutes 2016, section 84.946, subdivision 2, is amended to read:

Subd. 2. **Standards.** (a) An appropriation for asset preservation may be used only for a capital expenditure on a capital asset previously owned by the state, within the meaning of generally accepted accounting principles as applied to public expenditures. The commissioner of natural resources will consult with the commissioner of management and budget to the extent necessary to ensure this and will furnish the commissioner of management and budget a list of projects to be financed from the account in order of their priority. The legislature assumes that many projects for preservation and replacement of portions of existing capital assets will constitute betterments and capital improvements within the meaning of the Constitution and capital expenditures under generally accepted accounting principles, and will be financed more efficiently and economically under this section than by direct appropriations for specific projects.

(b) An appropriation for asset preservation must not be used to acquire land or to acquire or construct buildings or other facilities.

(c) Capital budget expenditures for natural resource asset preservation and replacement projects must be for one or more of the following types of capital projects that support the existing programmatic mission of the department: code compliance including health and safety, Americans with Disabilities Act requirements, hazardous material abatement, access improvement, or air quality improvement; building energy efficiency improvements using current best practices; building or infrastructure repairs necessary to preserve the interior and exterior of existing buildings; projects to remove life safety hazards such as building code violations or structural defects; or renovation of other existing improvements to land, including but not limited to trails and bridges.

(d) Up to ten percent of an appropriation awarded under this section may be used for design costs for projects eligible to be funded from this account in anticipation of future funding from the account.

Sec. 13. Minnesota Statutes 2016, section 84.946, is amended by adding a subdivision to read:

Subd. 4. **Priorities; report.** The commissioner of natural resources must establish priorities for natural resource asset preservation and replacement projects. By January 15 each year, the commissioner must submit to the commissioner of management and budget a list of the projects that have been paid for with money from a natural resource asset preservation and replacement appropriation during the preceding calendar year.

Sec. 14. Minnesota Statutes 2016, section 84.992, subdivision 3, is amended to read:

Subd. 3. **Training and mentoring.** The commissioner must develop and implement a training program that adequately prepares Minnesota Naturalist Corps members for the tasks assigned. Each corps member ~~shall be~~ is assigned ~~a state park~~ an interpretive naturalist as a mentor.

Sec. 15. Minnesota Statutes 2016, section 84.992, subdivision 4, is amended to read:

Subd. 4. **Uniform ~~patch~~ pin.** Uniforms worn by members of the Minnesota Naturalist Corps must have a ~~patch~~ pin that includes the name of the Minnesota Naturalist Corps and information that the program is funded by the clean water, land, and legacy amendment to the Minnesota Constitution adopted by the voters in November 2008.

Sec. 16. Minnesota Statutes 2016, section 84.992, subdivision 5, is amended to read:

Subd. 5. **Eligibility.** A person is eligible to enroll in the Minnesota Naturalist Corps if the person:

(1) is a permanent resident of the state;

(2) is a participant in an approved college internship program ~~or has a postsecondary degree~~ in a field related to natural ~~resource~~ resources, cultural history, interpretation, or conservation ~~related field~~; and

(3) has completed at least one year of postsecondary education.

Sec. 17. Minnesota Statutes 2016, section 84.992, subdivision 6, is amended to read:

Subd. 6. **Corps member status.** Minnesota Naturalist Corps members are not eligible for unemployment benefits ~~if their services are excluded under section 268.035, subdivision 20,~~ and are not eligible for other benefits except workers' compensation. The corps members are not employees of the state within the meaning of section 43A.02, subdivision 21.

Sec. 18. Minnesota Statutes 2016, section 84D.03, subdivision 3, is amended to read:

Subd. 3. **Bait harvest from infested waters.** (a) Taking wild animals from infested waters for bait or aquatic farm purposes is prohibited, except as provided in paragraph (b), (c), or (d), and section 97C.341.

(b) In waters that are listed as infested waters, except those listed as infested with prohibited invasive species of fish or certifiable diseases of fish, as defined under section 17.4982, subdivision 6, taking wild animals may be permitted for:

(1) commercial taking of wild animals for bait and aquatic farm purposes as provided in a permit issued under section 84D.11, subject to rules adopted by the commissioner; and

(2) bait purposes for noncommercial personal use in waters that contain Eurasian watermilfoil, when the infested waters are listed solely because they contain Eurasian watermilfoil and if the equipment for taking is limited to cylindrical minnow traps not exceeding 16 inches in diameter and 32 inches in length.

(c) In streams or rivers that are listed as infested waters, except those listed as infested with certifiable diseases of fish, as defined under section 17.4982, subdivision 6, the harvest of bullheads, goldeyes, mooneyes, sheepshead (freshwater drum), and suckers for bait by hook and line for noncommercial personal use is allowed as follows:

(1) fish taken under this paragraph must be used on the same body of water where caught and while still on that water body. Where the river or stream is divided by barriers such as dams, the fish must be caught and used on the same section of the river or stream;

(2) fish taken under this paragraph may not be transported live from or off the water body;

(3) fish harvested under this paragraph may only be used in accordance with this section;

(4) any other use of wild animals used for bait from infested waters is prohibited;

(5) fish taken under this paragraph must meet all other size restrictions and requirements as established in rules; and

(6) all species listed under this paragraph shall be included in the person's daily limit as established in rules, if applicable.

(d) In the Mississippi River downstream of St. Anthony Falls and the St. Croix River downstream of the dam at Taylors Falls, including portions described as Minnesota-Wisconsin boundary waters in Minnesota Rules, part 6266.0500, subpart 1, items A and B, the harvest of gizzard shad by cast net for noncommercial personal use as bait for angling, as provided in a permit issued under section 84D.11, is allowed as follows:

(1) nontarget species must immediately be returned to the water;

(2) gizzard shad taken under this paragraph must be used on the same body of water where caught and while still on that water body. Where the river is divided by barriers such as dams, the gizzard shad must be caught and used on the same section of the river;

(3) gizzard shad taken under this paragraph may not be transported off the water body; and

(4) gizzard shad harvested under this paragraph may only be used in accordance with this section.

This paragraph expires December 1, 2017.

(e) Equipment authorized for minnow harvest in a listed infested water by permit issued under paragraph (b) may not be transported to, or used in, any waters other than waters specified in the permit.

(f) Bait intended for sale may not be held in infested water after taking and before sale, unless authorized under a license or permit according to Minnesota Rules, part 6216.0500.

Sec. 19. Minnesota Statutes 2016, section 84D.03, subdivision 4, is amended to read:

Subd. 4. **Commercial fishing and turtle, frog, and crayfish harvesting restrictions in infested and noninfested waters.** (a) All nets, traps, buoys, anchors, stakes, and lines used for commercial fishing or turtle, frog, or crayfish harvesting in an infested water that is listed because it contains invasive fish, invertebrates, or certifiable diseases, as defined in section 17.4982, ~~may not be used in any other waters. If a commercial licensee operates in an infested water listed because it contains invasive fish, invertebrates, or certifiable diseases, as defined in section 17.4982, all nets, traps, buoys, anchors, stakes, and lines used for commercial fishing or turtle, frog, or crayfish harvesting in waters listed as infested with invasive fish, invertebrates, or certifiable diseases, as defined in section 17.4982,~~ must be tagged with tags provided by the commissioner, as specified in the commercial licensee's license or permit. Tagged gear must not be used in water bodies other than those specified in the license or permit. The permit may authorize department staff to remove tags after the gear is decontaminated. This tagging requirement does not apply to commercial fishing equipment used in Lake Superior.

(b) All nets, traps, buoys, anchors, stakes, and lines used for commercial fishing or turtle, frog, or crayfish harvesting in an infested water that is listed solely because it contains Eurasian watermilfoil must be dried for a minimum of ten days or frozen for a minimum of two days before they are used in any other waters, except as provided in this paragraph. Commercial licensees must notify the department's regional or area fisheries office or a conservation officer before removing nets or equipment from an infested water listed solely because it contains Eurasian watermilfoil and before resetting those nets or equipment in any other waters. Upon notification, the commissioner may authorize a commercial licensee to move nets or equipment to another water without freezing or drying, if that water is listed as infested solely because it contains Eurasian watermilfoil.

(c) A commercial licensee must remove all aquatic macrophytes from nets and other equipment before placing the equipment into waters of the state.

(d) The commissioner shall provide a commercial licensee with a current listing of listed infested waters at the time that a license or permit is issued.

Sec. 20. Minnesota Statutes 2016, section 84D.04, subdivision 1, is amended to read:

Subdivision 1. **Classes.** The commissioner shall, as provided in this chapter, classify nonnative species of aquatic plants and wild animals, including subspecies, genotypes, cultivars, hybrids, or genera of nonnative species, according to the following categories:

(1) prohibited invasive species, which may not be possessed, imported, purchased, sold, propagated, transported, or introduced except as provided in section 84D.05;

(2) regulated invasive species, which may not be introduced except as provided in section 84D.07;

(3) unlisted nonnative species, which are subject to the classification procedure in section 84D.06; and

(4) unregulated nonnative species, which are not subject to regulation under this chapter.

Sec. 21. Minnesota Statutes 2016, section 84D.05, subdivision 1, is amended to read:

Subdivision 1. **Prohibited activities.** A person may not possess, import, purchase, sell, propagate, transport, or introduce a prohibited invasive species, except:

(1) under a permit issued by the commissioner under section 84D.11;

(2) in the case of purple loosestrife, as provided by sections 18.75 to 18.88;

(3) under a restricted species permit issued under section 17.457;

(4) when being transported to the department, or another destination as the commissioner may direct, in a sealed container for purposes of identifying the species or reporting the presence of the species;

(5) when being transported for disposal as part of a harvest or control activity when specifically authorized under a permit issued by the commissioner according to section 103G.615, when being transported for disposal as specified under a commercial fishing license issued by the commissioner according to section 97A.418, 97C.801, 97C.811, 97C.825, 97C.831, or 97C.835, or when being transported as specified by the commissioner;

(6) when being removed from watercraft and equipment, or caught while angling, and immediately returned to the water from which they came; ~~or~~

(7) when being transported from riparian property to a legal disposal site that is at least 100 feet from any surface water, ditch, or seasonally flooded land, provided the prohibited invasive species are in a covered commercial vehicle specifically designed and used for hauling trash; or

~~(7)~~ (8) as the commissioner may otherwise prescribe by rule.

Sec. 22. Minnesota Statutes 2016, section 84D.108, subdivision 2a, is amended to read:

Subd. 2a. **Lake Minnetonka pilot study.** (a) The commissioner may issue an additional permit to service providers to return to Lake Minnetonka water-related equipment with zebra mussels attached after the equipment has been seasonally stored, serviced, or repaired. The permit must include verification and documentation requirements and any other conditions the commissioner deems necessary.

(b) Water-related equipment with zebra mussels attached may be returned only to Lake Minnetonka (DNR Division of Waters number 27-0133) by service providers permitted under subdivision 1.

(c) The service provider's place of business must be within the Lake Minnetonka Conservation District as established according to sections 103B.601 to 103B.645 or within a municipality immediately bordering the Lake Minnetonka Conservation District's boundaries.

(d) A service provider applying for a permit under this subdivision must, if approved for a permit and before the permit is valid, furnish a corporate surety bond in favor of the state for $50,000 payable upon violation of this chapter while the service provider is acting under a permit issued according to this subdivision.

(e) This subdivision expires December 1, ~~2018~~ 2019.

Sec. 23. Minnesota Statutes 2016, section 84D.108, is amended by adding a subdivision to read:

Subd. 2b. **Gull Lake pilot study.** (a) The commissioner may include an additional targeted pilot study to include water-related equipment with zebra mussels attached for the Gull Narrows State Water Access Site, Government Point State Water Access Site, and Gull East State Water Access Site on Gull Lake (DNR Division of Waters number 11-0305) in Cass and Crow Wing Counties using the same authorities, general procedures, and requirements provided for the Lake Minnetonka pilot project in subdivision 2a. Lake service providers participating in the Gull Lake targeted pilot study place of business must be located in Cass or Crow Wing County.

(b) If an additional targeted pilot project for Gull Lake is implemented under this section, the report to the chairs and ranking minority members of the senate and house of representatives committees having jurisdiction over natural resources required under Laws 2016, chapter 189, article 3, section 48, must also include the Gull Lake targeted pilot study recommendations and assessments.

(c) This subdivision expires December 1, 2019.

Sec. 24. Minnesota Statutes 2016, section 84D.11, is amended by adding a subdivision to read:

Subd. 1a. **Permit for invasive carp.** The commissioner may issue a permit to departmental divisions for tagging bighead, black, grass, or silver carp for research or control. Under the permit, the carp may be released into the water body from which the carp was captured. This subdivision expires December 31, 2021.

Sec. 25. **[85.0507] FORT RIDGELY GOLF COURSE; GOLF CARTS.**

Golf carts may be operated on the golf course portion of Fort Ridgely State Park when the golf course is operated by a nonstate entity.

Sec. 26. Minnesota Statutes 2016, section 85.052, subdivision 1, is amended to read:

Subdivision 1. **Authority to establish.** (a) The commissioner may establish, by written order, provisions for the use of state parks for the following:

(1) special parking space for automobiles or other motor-driven vehicles in a state park or state recreation area;

(2) special parking spurs, campgrounds for automobiles, sites for tent camping, other types of lodging, camping, or day use facilities, and special auto trailer coach parking spaces, for the use of the individual charged for the space or facility;

(3) improvement and maintenance of golf courses already established in state parks, and charging reasonable use fees; and

(4) providing water, sewer, and electric service to trailer or tent campsites and charging a reasonable use fee.

(b) Provisions established under paragraph (a) are exempt from section 16A.1283 and the rulemaking provisions of chapter 14. Section 14.386 does not apply.

(c) For the purposes of this subdivision, "lodging" means an enclosed shelter, room, or building with furnishings for overnight use.

Sec. 27. Minnesota Statutes 2016, section 85.054, is amended by adding a subdivision to read:

Subd. 19. **Fort Ridgely golf course.** A state park permit is not required and a fee may not be charged for motor vehicle entry or parking for persons using only the golf course portion of Fort Ridgely State Park when the golf course is operated by a nonstate entity.

Sec. 28. Minnesota Statutes 2016, section 85.055, subdivision 1, is amended to read:

Subdivision 1. **Fees.** The fee for state park permits for:

(1) an annual use of state parks is ~~$25~~ $35;

(2) a second or subsequent vehicle state park permit is ~~$18~~ $26;

(3) a state park permit valid for one day is ~~$5~~ $7;

(4) a daily vehicle state park permit for groups is ~~$3~~ $5;

(5) an annual permit for motorcycles is ~~$20~~ $30;

(6) an employee's state park permit is without charge; and

(7) a state park permit for persons with disabilities under section 85.053, subdivision 7, paragraph (a), clauses (1) to (3), is $12.

The fees specified in this subdivision include any sales tax required by state law.

Sec. 29. Minnesota Statutes 2016, section 85.22, subdivision 2a, is amended to read:

Subd. 2a. **Receipts, appropriation.** All receipts derived from the rental or sale of state park items, tours ~~at Forestville Mystery Cave State Park~~, interpretation programs, educational programs, and operation of Douglas Lodge shall be deposited in the state treasury and be credited to the state parks working capital account. Receipts and expenses from Douglas Lodge shall be tracked separately within the account. Money in the account is annually appropriated for the purchase and payment of expenses attributable to items for resale or rental and operation of Douglas Lodge. Any excess receipts in this account are annually appropriated for state park management and interpretive programs.

Sec. 30. Minnesota Statutes 2016, section 85.32, subdivision 1, is amended to read:

Subdivision 1. ~~**Areas marked**~~ **Designation.** (a) The commissioner of natural resources is authorized in cooperation with local units of government and private individuals and groups when feasible to ~~mark~~ designate and manage state water trails on the Lake Superior water trail under section 85.0155 and on the following rivers, which have historic, recreational, and scenic values: Little Fork, Big Fork, Minnesota, St. Croix, Snake, Mississippi, Red Lake, Cannon, Straight, Des Moines, Crow Wing, St. Louis, Pine, Rum, Kettle, Cloquet, Root, Zumbro, Pomme de Terre within Swift County, Watonwan, Cottonwood, Whitewater, Chippewa from Benson in Swift County to Montevideo in Chippewa County, Long Prairie, Red River of the North, Sauk, Otter Tail, Redwood, Blue Earth, Cedar, Shell Rock, ~~and~~ Vermilion in St. Louis County, North Fork of the Crow, and South Fork of the Crow ~~Rivers, which have historic and scenic values, and to mark appropriately~~. The commissioner may map and sign points of interest, public water access sites, portages, camp sites, and ~~all~~ dams, rapids, waterfalls, ~~whirlpools,~~ and other serious hazards that are dangerous to canoe, kayak, and watercraft travelers. The commissioner may maintain passageway for watercraft on state water trails.

(b) The commissioner must establish designation criteria and a process for designating water trails. The designation criteria and process established under this paragraph apply to water trails designated on water bodies added to paragraph (a) after the effective date of this act.

Sec. 31. **[85.47] SPECIAL USE PERMITS; FEES.**

Fees collected for special use permits to use state trails not on state forest, state park, or state recreation area lands and for use of state water access sites must be deposited in the natural resources fund.

Sec. 32. Minnesota Statutes 2016, section 86B.313, subdivision 1, is amended to read:

Subdivision 1. **General requirements.** (a) In addition to requirements of other laws relating to watercraft, a person may not operate or permit the operation of a personal watercraft:

(1) without each person on board the personal watercraft wearing a ~~United States Coast Guard (USCG) approved~~ wearable personal flotation device ~~with a~~ that is approved by the United States Coast Guard (USCG) and has a USCG label indicating ~~it~~ the flotation device either is approved for or does not prohibit use with personal watercraft ~~or water skiing~~;

(2) between one hour before sunset and 9:30 a.m.;

(3) at greater than slow-no wake speed within 150 feet of:

(i) a shoreline;

(ii) a dock;

(iii) a swimmer;

(iv) a raft used for swimming or diving; or

(v) a moored, anchored, or nonmotorized watercraft;

(4) while towing a person on water skis, a kneeboard, an inflatable craft, or any other device unless:

(i) an observer is on board; or

(ii) the personal watercraft is equipped with factory-installed or factory-specified accessory mirrors that give the operator a wide field of vision to the rear;

(5) without the lanyard-type engine cutoff switch being attached to the person, clothing, or personal flotation device of the operator, if the personal watercraft is equipped by the manufacturer with such a device;

(6) if any part of the spring-loaded throttle mechanism has been removed, altered, or tampered with so as to interfere with the return-to-idle system;

(7) to chase or harass wildlife;

(8) through emergent or floating vegetation at other than a slow-no wake speed;

(9) in a manner that unreasonably or unnecessarily endangers life, limb, or property, including weaving through congested watercraft traffic, jumping the wake of another watercraft within 150 feet of the other watercraft, or operating the watercraft while facing backwards;

(10) in any other manner that is not reasonable and prudent; or

(11) without a personal watercraft rules decal, issued by the commissioner, attached to the personal watercraft so as to be in full view of the operator.

(b) Paragraph (a), clause (3), does not apply to a person operating a personal watercraft to launch or land a person on water skis, a kneeboard, or similar device by the most direct route to open water.

Sec. 33. Minnesota Statutes 2016, section 86B.511, is amended to read:

86B.511 LIGHTS.

Subdivision 1. **Navigation lights.** Except as provided in section 169.541, a watercraft using the waters of this state, when underway or in use between sunset and sunrise, must carry and display the navigation lights prescribed by the commissioner for the watercraft.

Subd. 2. **Other lights.** (a) No person may operate a watercraft with lights that are not navigation lights required under subdivision 1, that are visible on the exterior of the watercraft, and that:

(1) interfere with the visibility of navigation lights; or

(2) are red, green, or blue.

(b) Notwithstanding paragraph (a), watercraft operated for government-sanctioned public safety activities may display an alternately flashing red and yellow light signal for identification. The lights must not interfere with the visibility of the navigation lights. No special privilege is granted. Operators must not presume that the light or exigency gives them precedence or right-of-way.

(c) Notwithstanding paragraph (a), law enforcement may operate watercraft with lights that are flashing blue when engaged in law enforcement activities. The lights must not interfere with the visibility of the navigation lights.

Sec. 34. Minnesota Statutes 2016, section 86B.701, subdivision 3, is amended to read:

Subd. 3. **Allocation of funding.** (a) Notwithstanding section 16A.41, expenditures directly related to each appropriation's purpose made on or after January 1 of the fiscal year in which the grant is made or the date of work plan approval, whichever is later, are eligible for reimbursement unless otherwise provided.

(b) The amount of funds to be allocated under subdivisions 1 and 2 and shall be determined by the commissioner on the basis of the following criteria:

(1) the number of watercraft using the waters wholly or partially within the county;

(2) the number of watercraft using particular bodies of water, wholly or partially within the county, in relation to the size of the body of water and the type, speed, and size of the watercraft utilizing the water body;

(3) the amount of water acreage wholly or partially within the county;

(4) the overall performance of the county in the area of boat and water safety;

(5) special considerations, such as volume of transient or nonresident watercraft use, number of rental watercraft, extremely large bodies of water wholly or partially in the county; or

(6) any other factor as determined by the commissioner.

~~(b)~~ (c) The commissioner may require reports from the counties, make appropriate surveys or studies, or utilize local surveys or studies to determine the criteria required in allocation funds.

Sec. 35. Minnesota Statutes 2016, section 88.01, subdivision 28, is amended to read:

Subd. 28. **Prescribed burn.** "Prescribed burn" means a fire that is intentionally ignited, managed, and controlled for the purpose of managing forests, prairies, or wildlife habitats by an entity meeting certification requirements established by the commissioner ~~for the purpose of managing vegetation~~. A prescribed burn that has exceeded its prescribed boundaries and requires immediate suppression action by a local fire department or other agency with wildfire suppression responsibilities is considered a wildfire.

Sec. 36. Minnesota Statutes 2016, section 88.523, is amended to read:

88.523 AUXILIARY FOREST CONTRACTS; SUPPLEMENTAL AGREEMENTS.

Upon application of the owner, any auxiliary forest contract may be made subject to any provisions of law enacted subsequent to the execution of the contract and in force at the time of application, so far as not already applicable, with the approval of the county board and the commissioner of natural resources. A supplemental agreement in a ~~form~~ format prescribed by the commissioner ~~and approved by the attorney general~~ must be executed by the commissioner in behalf of the state and by the owner. The supplemental agreement must be filed and recorded in like manner as the supplemental contract under section 88.49, subdivision 9, and takes effect upon filing and recording.

Sec. 37. Minnesota Statutes 2016, section 89.39, is amended to read:

89.39 PURCHASE AGREEMENTS AND PENALTIES.

Every individual, partnership, or private corporation to whom any planting stock is supplied for planting on private land ~~hereunder shall~~ under sections 89.35 to 89.39 must execute an agreement, ~~upon a form~~ in a format approved by the ~~attorney general~~ commissioner, to comply with ~~all~~ the requirements of sections 89.35 to 89.39 and ~~all~~ conditions prescribed by the commissioner ~~hereunder~~ thereunder. Any party to such an agreement who ~~shall violate any provision thereof shall,~~ violates the agreement is, in addition to any other penalties that may be applicable, ~~be~~ liable to the state in a sum equal to three times the reasonable value of the trees affected by the violation at the time the ~~same~~ trees were shipped for planting; provided, that if ~~such~~ the trees are sold or offered for sale for any purpose not ~~herein~~ authorized~~, such~~ under sections 89.35 to 89.39, the penalty ~~shall be~~ is equal to three times the sale price. ~~Such~~ The penalties ~~shall be~~ are recoverable in a civil action brought in the name of the state by the attorney general.

Sec. 38. Minnesota Statutes 2016, section 90.01, is amended by adding a subdivision to read:

Subd. 1a. **Affiliate.** "Affiliate" means a person that:

(1) controls, is controlled by, or is under common control with any other person including, without limitation, a partner, business entity with common ownership, or principal of any business entity or a subsidiary, parent company, or holding company of any person; or

(2) bids as a representative for another person.

Sec. 39. Minnesota Statutes 2016, section 90.01, subdivision 8, is amended to read:

Subd. 8. **Permit holder.** "Permit holder" means the person or affiliate of the person who is the signatory of a permit to cut timber on state lands.

Sec. 40. Minnesota Statutes 2016, section 90.01, subdivision 12, is amended to read:

Subd. 12. **Responsible bidder.** "Responsible bidder" means a person or affiliate of a person who is financially responsible; demonstrates the judgment, skill, ability, capacity, and integrity requisite and necessary to perform according to the terms of a permit issued under this chapter; and is not currently debarred by ~~another~~ a government entity for any cause.

Sec. 41. Minnesota Statutes 2016, section 90.041, subdivision 2, is amended to read:

Subd. 2. **Trespass on state lands.** The commissioner may compromise and settle~~, with notification to the attorney general~~, upon terms the commissioner deems just, any claim of the state for casual and involuntary trespass upon state lands or timber; provided that no claim shall be settled for less than the full value of all timber or other materials taken in casual trespass or the full amount of all actual damage or loss suffered by the state as a result. Upon request, the commissioner shall advise the Executive Council of any information acquired by the commissioner concerning any trespass on state lands, giving all details and names of witnesses and all compromises and settlements made under this subdivision.

Sec. 42. Minnesota Statutes 2016, section 90.051, is amended to read:

90.051 SUPERVISION OF SALES; BOND.

The department employee delegated to supervise state timber appraisals and sales shall be bonded in a form to be prescribed by the ~~attorney general~~ commissioner and in the sum of not less than $25,000, conditioned upon the faithful and honest performance of duties.

Sec. 43. Minnesota Statutes 2016, section 90.101, subdivision 2, is amended to read:

Subd. 2. **Sale list and notice.** At least 30 days before the date of sale, the commissioner shall compile a list containing a description of each tract of land upon which any timber to be offered is situated and a statement of the estimated quantity of timber and of the appraised price of each kind of timber thereon as shown by the report of the state appraiser. No description shall be added after the list is posted and no timber shall be sold from land not described in the list. Copies of the list ~~shall~~ must be furnished to all interested applicants. At least 30 days before the date of sale, a copy of the list ~~shall~~ must be posted on the Internet or conspicuously posted in the forest office or other public facility most accessible to potential bidders ~~at least 30 days prior to the date of sale~~. ~~The commissioner shall cause a notice to be published once not less than one week before the date of sale in a legal newspaper in the county or counties where the land is situated. The notice shall state the time and place of the sale and the location at which further information regarding the sale may be obtained.~~ The commissioner may give other published or posted notice as the commissioner deems proper to reach prospective bidders.

Sec. 44. Minnesota Statutes 2016, section 90.14, is amended to read:

90.14 AUCTION SALE PROCEDURE.

(a) All state timber shall be offered and sold by the same unit of measurement as it was appraised. No tract shall be sold to any person other than the ~~purchaser~~ responsible bidder in whose name the bid was made. The commissioner may refuse to approve any and all bids received and cancel a sale of state timber for good and sufficient reasons.

(b) The purchaser at any sale of timber shall, immediately upon the approval of the bid, or, if unsold at public auction, at the time of purchase at a subsequent sale under section 90.101, subdivision 1, pay to the commissioner a down payment of 15 percent of the appraised value. In case any purchaser fails to make such payment, the purchaser shall be liable therefor to the state in a civil action, and the commissioner may reoffer the timber for sale as though no bid or sale under section 90.101, subdivision 1, therefor had been made.

(c) In lieu of the scaling of state timber required by this chapter, a purchaser of state timber may, at the time of payment by the purchaser to the commissioner of 15 percent of the appraised value, elect in ~~writing on~~ a ~~form~~ format prescribed by the ~~attorney general~~ commissioner to purchase a permit based solely on the appraiser's estimate of the volume of timber described in the permit, provided that the commissioner has expressly designated the availability of such option for that tract on the list of tracts available for sale as required under section 90.101. A purchaser who elects in ~~writing on~~ a ~~form~~ format prescribed by the ~~attorney general~~ commissioner to purchase a permit based solely on the appraiser's estimate of the volume of timber described on the permit does not have recourse to the provisions of section 90.281.

(d) In the case of a public auction sale conducted by a sealed bid process, tracts shall be awarded to the high bidder, who shall pay to the commissioner a down payment of 15 percent of the appraised value that must be received or postmarked within 14 days of the date of the sealed bid opening. If a purchaser fails to make the down payment, the purchaser is liable for the down payment to the state and the commissioner may offer the timber for sale to the next highest bidder as though no higher bid had been made.

(e) Except as otherwise provided by law, at the time the purchaser signs a permit issued under section 90.151, the commissioner shall require the purchaser to make a bid guarantee payment to the commissioner in an amount equal to 15 percent of the total purchase price of the permit less the down payment amount required by paragraph (b) for any bid increase in excess of $10,000 of the appraised value. If a required bid guarantee payment is not submitted with the signed permit, no harvesting may occur, the permit cancels, and the down payment for timber forfeits to the state. The bid guarantee payment forfeits to the state if the purchaser and successors in interest fail to execute an effective permit.

Sec. 45. Minnesota Statutes 2016, section 90.145, subdivision 2, is amended to read:

Subd. 2. **Purchaser registration.** To facilitate the sale of permits issued under section 90.151, the commissioner may establish a registration system to verify the qualifications of a person or affiliate as a responsible bidder to purchase a timber permit. Any system implemented by the commissioner shall be limited in scope to only that information that is required for the efficient administration of the purchaser qualification requirements of this chapter. The registration system established under this subdivision is not subject to the rulemaking provisions of chapter 14 and section 14.386 does not apply.

Sec. 46. Minnesota Statutes 2016, section 90.151, subdivision 1, is amended to read:

Subdivision 1. **Issuance; expiration.** (a) Following receipt of the down payment for state timber required under section 90.14 or 90.191, the commissioner shall issue a numbered permit to the purchaser, in a ~~form~~ format approved by the ~~attorney general~~ commissioner, by the terms of which the purchaser ~~shall be~~ is authorized to enter upon the land~~,~~ and to cut and remove the timber ~~therein~~ described in the permit as designated for cutting in the report of the state appraiser, according to the provisions of this chapter. The permit ~~shall~~ must be correctly dated and executed by the commissioner and signed by the purchaser. If a permit is not signed by the purchaser within 45 days from the date of purchase, the permit cancels and the down payment for timber required under section 90.14 forfeits to the state. The commissioner may grant an additional period for the purchaser to sign the permit, not to exceed ten business days, provided the purchaser pays a $200 penalty fee.

(b) The permit ~~shall expire~~ expires no later than five years after the date of sale as the commissioner shall specify or as specified under section 90.191, and the timber ~~shall~~ must be cut and removed within the time specified ~~therein~~. If additional time is needed, the permit holder must request, ~~prior to~~ before the expiration date, and may be granted, for good and sufficient reasons, up to 90 additional days for the completion of skidding, hauling, and removing all equipment and buildings. All cut timber, equipment, and buildings not removed from the land after expiration of the permit becomes the property of the state.

(c) The commissioner may grant ~~an~~ additional ~~period of~~ time not to exceed 240 days for ~~the removal of~~ removing cut timber, equipment, and buildings upon receipt of a written request by the permit holder for good and sufficient reasons. The permit holder may combine in the written request under this paragraph the request for additional time under paragraph (b).

Sec. 47. Minnesota Statutes 2016, section 90.162, is amended to read:

90.162 SECURING TIMBER PERMITS WITH CUTTING BLOCKS.

In lieu of the security deposit equal to the value of all timber covered by the permit required by section 90.161, a purchaser of state timber may elect in ~~writing on~~ a ~~form~~ format prescribed by the ~~attorney general~~ commissioner to give good and valid surety to the state of Minnesota equal to the purchase price for any designated cutting block identified on the permit before the date the purchaser enters upon the land to begin harvesting the timber on the designated cutting block.

Sec. 48. Minnesota Statutes 2016, section 90.252, is amended to read:

90.252 SCALING AGREEMENT; WEIGHT MEASUREMENT SERVICES; FEES.

Subdivision 1. **Scaling agreement.** The commissioner may enter into an agreement with either a timber sale permittee, or the purchaser of the cut products, or both, so that the scaling of the cut timber and the collection of the payment for the same can be consummated by the state. ~~Such an~~ The agreement ~~shall~~ must be approved as to form and content by the ~~attorney general~~ commissioner and ~~shall~~ must provide for a bond or cash in lieu of a bond and ~~such~~ other safeguards as are necessary to protect the interests of the state. The scaling and payment collection procedure may be used for any state timber sale, except that no permittee who is also the consumer shall both cut and scale the timber sold unless ~~such~~ the scaling is supervised by a state scaler.

Subd. 2. **Weight measurement services; fees.** The commissioner may enter into an agreement with the owner or operator of any weight scale inspected, tested, and approved under chapter 239 to provide weight measurements for ~~the~~ scaling ~~of~~ state timber according to section 90.251. The agreement ~~shall~~ must be ~~on a form~~ in a format prescribed by the ~~attorney general~~ commissioner, ~~shall become a~~ becomes part of the official record of any state timber permit so scaled, and ~~shall~~ must contain safeguards that are necessary to protect the interests of the state. Except as otherwise provided by the commissioner, the cost of any agreement to provide weight measurement of state timber ~~shall~~ must be paid by the permit holder of any state timber permit so measured and the cost ~~shall~~ must be included in the statement of the amount due for the permit under section 90.181, subdivision 1.

Sec. 49. Minnesota Statutes 2016, section 93.47, subdivision 4, is amended to read:

Subd. 4. **Administration and enforcement.** The commissioner shall administer and enforce sections 93.44 to 93.51 and the rules adopted pursuant hereto. In so doing the commissioner may (1) conduct such investigations and inspections as the commissioner deems necessary for the proper administration of sections 93.44 to 93.51; (2) enter upon any parts of the mining areas in connection with any such investigation and inspection without liability to the operator or landowner provided that reasonable prior notice of intention to do so shall have been given the operator or landowner; (3) conduct such research or enter into contracts related to mining areas and the reclamation thereof as may be necessary to carry out the provisions of sections 93.46 to 93.50; and (4) allocate surplus wetland credits that are approved by the commissioner under a permit to mine on or after July 1, 1991, and that are not otherwise deposited in a state wetland bank.

Sec. 50. Minnesota Statutes 2016, section 93.481, subdivision 2, is amended to read:

Subd. 2. **Commissioner's review; hearing~~; burden of proof~~.** Within 120 days after receiving ~~the~~ an application~~, or after receiving additional information requested, or after holding a hearing as provided in this section~~ the commissioner has deemed complete and filed, the commissioner shall grant the permit applied for, with or without modifications or conditions, or deny the application unless a contested case hearing is requested under section 93.483. ~~If written objections to the proposed application are filed with the commissioner within 30 days after the last publication required pursuant to this section or within seven days after publication in the case of an application to conduct lean ore stockpile removal, by any person owning property which will be affected by the proposed operation or by any federal, state, or local governmental agency having responsibilities affected by the proposed operations, a public hearing shall be held by the commissioner in the locality of the proposed operations within 30 days of receipt of such written objections and after appropriate notice and publication of the date, time, and location of the hearing.~~ The commissioner's decision to grant the permit, with or without modifications, or deny the application constitutes a final order for purposes of section 93.50. The commissioner in granting a permit with or without modifications shall determine that the reclamation or restoration planned for the operation complies with lawful requirements and can be accomplished under available technology and that a proposed reclamation or restoration technique is practical and workable under available technology. The commissioner may hold public meetings on the application.

Sec. 51. **[93.483] CONTESTED CASE.**

Subdivision 1. **Petition for contested case hearing.** Any person owning property that is adjacent to the proposed operation or any federal, state, or local government having responsibilities affected by the proposed operation identified in the application for a permit to mine under section 93.481 may file a petition with the commissioner to hold a contested case hearing on the completed application. To be considered by the commissioner, a petition must be submitted in writing, must contain the information specified in subdivision 2, and must be submitted to the commissioner within 30 days after the application is deemed complete and filed. In addition, the commissioner may, on the commissioner's own motion, order a contested case hearing on the completed application.

Subd. 2. **Petition contents.** (a) A petition for a contested case hearing must include the following information:

(1) a statement of reasons or proposed findings supporting the commissioner's decision to hold a contested case hearing pursuant to the criteria in subdivision 3; and

(2) a statement of the issues proposed to be addressed by a contested case hearing and the specific relief requested or resolution of the matter.

(b) To the extent known by the petitioner, a petition for a contested case hearing may also include:

(1) a proposed list of prospective witnesses to be called, including experts, with a brief description of the proposed testimony or a summary of evidence to be presented at a contested case hearing;

(2) a proposed list of publications, references, or studies to be introduced and relied upon at a contested case hearing; and

(3) an estimate of time required for the petitioner to present the matter at a contested case hearing.

(c) A petitioner is not bound or limited to the witnesses, materials, or estimated time identified in the petition if the requested contested case is granted by the commissioner.

(d) Any person may serve timely responses to a petition for a contested case hearing. The commissioner shall establish deadlines for responses to be submitted.

Subd. 3. **Commissioner's decision to hold hearing.** The commissioner may grant the petition to hold a contested case hearing or order upon the commissioner's own motion that a contested case hearing be held if the commissioner finds that:

(1) there is a material issue of fact in dispute concerning the completed application before the commissioner;

(2) the commissioner has jurisdiction to make a determination on the disputed material issue of fact; and

(3) there is a reasonable basis underlying a disputed material issue of fact so that a contested case hearing would allow the introduction of information that would aid the commissioner in resolving the disputed facts in order to make a final decision on the completed application.

Subd. 4. **Hearing upon demand of applicant.** If the commissioner denies an application, the applicant may, within 30 days after receipt of the commissioner's order denying the application, file a demand for a contested case.

Subd. 5. **Scope of hearing.** If the commissioner decides to hold a contested case hearing, the commissioner shall identify the issues to be resolved and limit the scope and conduct of the hearing in accordance with applicable law, due process, and fundamental fairness. The commissioner may, before granting or ordering a contested case hearing, develop a proposed permit or permit conditions to inform the contested case. The contested case hearing must be conducted in accordance with sections 14.57 to 14.62. The final decision by the commissioner to grant, with or without modifications or conditions, or deny the application after a contested case shall constitute a final order for purposes of section 93.50.

Subd. 6. **Consistency with administrative rules.** The commissioner shall construe the administrative procedures under Minnesota Rules, parts 6130.4800 and 6132.4000, in a manner that is consistent with this section. To the extent any provision of Minnesota Rules, parts 6130.4800 and 6132.4000, conflicts with this section, this section controls.

Sec. 52. Minnesota Statutes 2016, section 93.50, is amended to read:

93.50 APPEAL.

Any person aggrieved by any final order, ruling, or decision of the commissioner may ~~appeal~~ seek judicial review of such order, ruling, or decision ~~in the manner provided in chapter 14~~ under sections 14.63 to 14.69.

Sec. 53. Minnesota Statutes 2016, section 94.343, subdivision 9, is amended to read:

Subd. 9. **Approval by ~~attorney general~~ commissioner.** No exchange of class A land shall be consummated unless the ~~attorney general shall have given an opinion in writing~~ commissioner determines that the title to the land proposed to be conveyed to the state is good and ~~marketable,~~ free from all liens ~~and~~, with all encumbrances identified except reservations herein authorized. The commissioner may use title insurance to aid in the title determination. If required by the ~~attorney general~~ commissioner, the landowner ~~shall~~ must submit an abstract of title and make and file with the commissioner an affidavit as to possession of the land, improvements, liens, and encumbrances thereon, and other matters affecting the title.

Sec. 54. Minnesota Statutes 2016, section 94.344, subdivision 9, is amended to read:

Subd. 9. **Approval of county attorney.** No exchange of class B land shall be consummated unless the title to the land proposed to be exchanged therefor ~~shall~~ is first ~~be~~ approved by the county attorney in like manner as provided for approval by the ~~attorney general~~ commissioner in case of class A land. The county attorney's opinion on the title ~~shall be~~ is subject to approval by the ~~attorney general~~ commissioner.

Sec. 55. Minnesota Statutes 2016, section 97A.015, subdivision 39, is amended to read:

Subd. 39. **Protected wild animals.** "Protected wild animals" ~~are the following wild animals:~~ means big game, small game, game fish, rough fish, minnows, leeches, alewives, ciscoes, chubs, ~~and~~ lake whitefish~~,~~ and the subfamily Coregoninae, rainbow smelt, frogs, turtles, clams, mussels, wolf, mourning doves, bats, snakes, salamanders, lizards, any animal species listed as endangered, threatened, or of special concern in Minnesota Rules, chapter 6134, and wild animals that are protected by a restriction in the time or manner of taking, other than a restriction in the use of artificial lights, poison, or motor vehicles.

Sec. 56. Minnesota Statutes 2016, section 97A.015, subdivision 43, is amended to read:

Subd. 43. **Rough fish.** "Rough fish" means carp, buffalo, sucker, sheepshead, bowfin, burbot, cisco, gar, goldeye, and bullhead, except for any fish species listed as endangered, threatened, or of special concern in Minnesota Rules, chapter 6134.

Sec. 57. Minnesota Statutes 2016, section 97A.015, subdivision 45, is amended to read:

Subd. 45. **Small game.** "Small game" means game birds, gray squirrel, fox squirrel, cottontail rabbit, snowshoe hare, jack rabbit, raccoon, lynx, bobcat, short-tailed weasel, long-tailed weasel, wolf, red fox and gray fox, fisher, pine marten, opossum, badger, cougar, wolverine, muskrat, mink, otter, and beaver.

Sec. 58. Minnesota Statutes 2016, section 97A.015, subdivision 52, is amended to read:

Subd. 52. **Unprotected birds.** "Unprotected birds" means English sparrow, ~~blackbird,~~ starling, ~~magpie,~~ cormorant, common pigeon, Eurasian collared dove, chukar partridge, quail other than bobwhite quail, and mute swan.

Sec. 59. Minnesota Statutes 2016, section 97A.015, subdivision 53, is amended to read:

Subd. 53. **Unprotected wild animals.** "Unprotected wild animals" means wild animals that are not protected wild animals including ~~weasel,~~ coyote, plains pocket gopher, porcupine, striped skunk, and unprotected birds, except any animal species listed as endangered, threatened, or of special concern in Minnesota Rules, chapter 6134.

Sec. 60. Minnesota Statutes 2016, section 97A.045, subdivision 10, is amended to read:

Subd. 10. **Reciprocal agreements on violations.** The commissioner~~, with the approval of the attorney general,~~ may enter into reciprocal agreements with game and fish authorities in other states and the United States government to provide for:

(1) revocation of the appropriate Minnesota game and fish licenses of Minnesota residents for violations of game and fish laws committed in signatory jurisdictions ~~which~~ that result in license revocation in that jurisdiction;

(2) reporting convictions and license revocations of residents of signatory states for violations of game and fish laws of Minnesota to game and fish authorities in the nonresident's state of residence; and

(3) release upon signature without posting of bail for residents of signatory states accused of game and fish law violations in this state, providing for recovery, in the resident jurisdiction, of fines levied if the citation is not answered in this state.

As used in this subdivision, "conviction" includes a plea of guilty or a forfeiture of bail.

Sec. 61. Minnesota Statutes 2016, section 97A.075, subdivision 1, is amended to read:

Subdivision 1. **Deer, bear, and lifetime licenses.** (a) For purposes of this subdivision, "deer license" means a license issued under section 97A.475, subdivisions 2, clauses (5), (6), (7), (13), (14), and (15); 3, paragraph (a), clauses (2), (3), (4), (10), (11), and (12); and 8, paragraph (b), and licenses issued under section 97B.301, subdivision 4.

(b) $2 from each annual deer license and $2 annually from the lifetime fish and wildlife trust fund, established in section 97A.4742, for each license issued under section 97A.473, subdivision 4, shall be credited to the deer management account and is appropriated to the commissioner for deer habitat improvement or deer management programs.

(c) $1 from each annual deer license and each bear license and $1 annually from the lifetime fish and wildlife trust fund, established in section 97A.4742, for each license issued under section 97A.473, subdivision 4, shall be credited to the deer and bear management account and is appropriated to the commissioner for deer and bear management programs, including a computerized licensing system.

(d) Fifty cents from each deer license is credited to the emergency deer feeding and wild cervidae health management account and is appropriated for emergency deer feeding and wild cervidae health management. Money appropriated for emergency deer feeding and wild cervidae health management is available until expended.

When the unencumbered balance in the appropriation for emergency deer feeding and wild cervidae health management exceeds $2,500,000 at the end of a fiscal year, the unencumbered balance in excess of $2,500,000 is canceled and available for deer and bear management programs and computerized licensing.

~~(e) Fifty cents from each annual deer license and 50 cents annually from the lifetime fish and wildlife trust fund established in section 97A.4742, for each license issued under section 97A.473, subdivision 4, shall be credited to the wolf management and monitoring account under subdivision 7.~~

EFFECTIVE DATE. This section is effective July 1 of the year following the year the wolf is delisted under the federal Endangered Species Act.

Sec. 62. Minnesota Statutes 2016, section 97A.137, subdivision 5, is amended to read:

Subd. 5. **Portable stands.** ~~Prior to the Saturday on or nearest September 16,~~ A portable stand may be left overnight in a wildlife management area by a person with a valid ~~bear~~ license ~~who is hunting within 100 yards of a bear bait site that is legally tagged and registered as prescribed under section 97B.425~~ to take big game during the respective season. Any person leaving a portable stand overnight under this subdivision must affix a tag with: (1) the person's name and address; (2) the licensee's driver's license number; or (3) the "MDNR#" license identification number issued to the licensee. The tag must be affixed to the stand in a manner that it can be read from the ground and be made of a material sufficient to withstand weather conditions. A person leaving a portable stand overnight in a wildlife management area may not leave more than two portable stands in any one wildlife management area.

Sec. 63. Minnesota Statutes 2016, section 97A.201, subdivision 2, is amended to read:

Subd. 2. **Duty of ~~county attorneys and~~ peace officers.** ~~County attorneys and~~ All peace officers must enforce the game and fish laws.

Sec. 64. Minnesota Statutes 2016, section 97A.201, is amended by adding a subdivision to read:

Subd. 3. **Prosecuting authority.** (a) County attorneys are the primary prosecuting authority for violations under section 97A.205, clause (5).

(b) Prosecution under paragraph (a) includes associated civil forfeiture actions provided by law. Thirty percent of the net proceeds from the sale of forfeited property under section 97A.225 is considered a cost of forfeiting the property and must be forwarded to the prosecuting authority that handled the forfeiture for deposit as a supplement to the authority's operating fund or similar fund for prosecutorial purposes.

Sec. 65. Minnesota Statutes 2016, section 97A.301, subdivision 1, is amended to read:

Subdivision 1. **Misdemeanor.** Unless a different penalty is prescribed, a person is guilty of a misdemeanor if that person:

(1) ~~takes, buys, sells, transports or possesses a wild animal in violation of~~ violates the game and fish laws;

(2) aids or assists in committing the violation;

(3) knowingly shares in the proceeds of the violation;

(4) fails to perform a duty or comply with a requirement of the game and fish laws;

(5) knowingly makes a false statement related to an affidavit regarding a violation or requirement of the game and fish laws; or

(6) violates or attempts to violate a rule under the game and fish laws.

Sec. 66. Minnesota Statutes 2016, section 97A.338, is amended to read:

97A.338 GROSS OVERLIMITS OF WILD ANIMALS; PENALTY.

(a) A person who takes, possesses, or transports wild animals over the legal limit, in closed season, or without a valid license, when the restitution value of the wild animals is over $1,000 is guilty of a gross overlimit violation. Except as provided in paragraph (b), a violation under this ~~section~~ paragraph is a gross misdemeanor.

(b) If a wild animal involved in a gross overlimit violation is listed as a threatened or endangered wild animal, the penalty in paragraph (a) does not apply unless more than one animal is taken, possessed, or transported in violation of the game and fish laws.

Sec. 67. Minnesota Statutes 2016, section 97A.420, subdivision 1, is amended to read:

Subdivision 1. **Seizure.** (a) An enforcement officer shall immediately seize the license of a person who unlawfully takes, transports, or possesses wild animals when the restitution value of the wild animals exceeds $500. Except as provided in subdivisions 2, 4, and 5, the person may not use or obtain any license to take the same type of wild animals involved, including a duplicate license, until an action is taken under subdivision 6. If the license seized under this paragraph was for a big game animal, the license seizure applies to all licenses to take big game issued to the individual. If the license seized under this paragraph was for small game animals, the license seizure applies to all licenses to take small game issued to the individual.

(b) In addition to the license seizure under paragraph (a), if the restitution value of the wild animals unlawfully taken, possessed, or transported is ~~$5,000~~ $1,000 or more, all other game and fish licenses held by the person shall be immediately seized. Except as provided in subdivision 2, 4, or 5, the person may not obtain any game or fish license or permit, including a duplicate license, until an action is taken under subdivision 6.

(c) A person may not take wild animals covered by a license seized under this subdivision until an action is taken under subdivision 6.

Sec. 68. Minnesota Statutes 2016, section 97A.421, subdivision 2a, is amended to read:

Subd. 2a. **Issuance after conviction; gross overlimits.** (a) A person may not obtain a license to take a wild animal and is prohibited from taking wild animals for ten years after the date of conviction of a violation when the restitution value of the wild animals is $2,000 or more.

(b) A person may not obtain a license to take a wild animal and is prohibited from taking wild animals for ~~a period of~~ five years after the date of conviction of:

(1) a violation when the restitution value of the wild animals is ~~$5,000~~ $1,000 or more, but less than $2,000; or

(2) a violation when the restitution value of the wild animals exceeds $500 and the violation occurs within ten years of one or more previous license revocations under this subdivision.

~~(b)~~ (c) A person may not obtain a license to take the type of wild animals involved in a violation when the restitution value of the wild animals exceeds $500 and is prohibited from taking the type of wild animals involved in the violation for ~~a period of~~ three years after the date of conviction of a violation.

~~(c)~~ (d) The time period of multiple revocations under paragraph (a) or (b), clause (2), ~~shall be~~ are consecutive and no wild animals of any kind may be taken during the entire revocation period.

(e) If a wild animal involved in the conviction is listed as a threatened or endangered wild animal, the revocations under this subdivision do not apply unless more than one animal is taken, possessed, or transported in violation of the game and fish laws.

~~(d)~~ (f) The court may not stay or reduce the imposition of license revocation provisions under this subdivision.

Sec. 69. Minnesota Statutes 2016, section 97B.031, subdivision 6, is amended to read:

Subd. 6. **Scopes~~; age 60 or over~~.** A person ~~age 60 or over~~ may use a muzzleloader with a scope to take deer during the muzzleloader season. The scope may have magnification capabilities.

Sec. 70. **[97B.032] RULES LIMITING USE OF LEAD SHOT PROHIBITED.**

The commissioner of natural resources shall not adopt rules further restricting the use of lead shot.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to rules adopted on or after that date.

Sec. 71. Minnesota Statutes 2016, section 97B.516, is amended to read:

97B.516 ELK MANAGEMENT PLAN.

(a) The commissioner of natural resources must adopt an elk management plan that:

(1) recognizes the value and uniqueness of elk;

(2) provides for integrated management of an elk population in harmony with the environment; and

(3) affords optimum recreational opportunities.

(b) Notwithstanding paragraph (a), the commissioner must not manage an elk herd in Kittson, Roseau, Marshall, or Beltrami Counties in a manner that would increase the size of the herd, including adoption or implementation of an elk management plan designed to increase an elk herd, unless the commissioner of agriculture verifies that crop and fence damages paid under section 3.7371 and attributed to the herd have not increased for at least two years.

(c) At least 60 days prior to implementing a plan to increase an elk herd, the commissioners of natural resources and agriculture must hold a joint public meeting in the county where the elk herd to be increased is located. At the meeting, the commissioners must present evidence that crop and fence damages have not increased in the prior two years and must detail the practices that will be used to reduce elk conflicts with area landowners.

Sec. 72. Minnesota Statutes 2016, section 97B.655, subdivision 1, is amended to read:

Subdivision 1. **Owners and occupants may take certain animals.** A person or the person's agent may take bats, snakes, salamanders, lizards, weasel, mink, squirrel, rabbit, hare, raccoon, bobcat, fox, opossum, muskrat, or beaver on land owned or occupied by the person where the animal is causing damage. The person or the person's agent may take the animal without a license and in any manner except by ~~poison, or~~ artificial lights in the closed season or by poison. Raccoons may be taken under this subdivision with artificial lights during open season. A person ~~that~~ or the person's agent who kills mink, raccoon, bobcat, fox, opossum, muskrat, or beaver under this subdivision must notify a conservation officer or employee of the Fish and Wildlife Division within 24 hours after the animal is killed.

Sec. 73. Minnesota Statutes 2016, section 97C.401, subdivision 2, is amended to read:

Subd. 2. **Walleye~~; northern pike~~.** ~~(a) Except as provided in paragraph (b),~~ A person may have no more than one walleye larger than 20 inches ~~and one northern pike larger than 30 inches~~ in possession. This subdivision does not apply to boundary waters.

~~(b) The restrictions in paragraph (a) do not apply to boundary waters.~~

Sec. 74. Minnesota Statutes 2016, section 97C.501, subdivision 1, is amended to read:

Subdivision 1. **Minnow retailers.** (a) A person may not be a minnow retailer without a minnow retailer license except as provided in subdivisions 2, paragraph (d), and 3. A person must purchase a minnow retailer license for each minnow retail outlet operated, except as provided by subdivision 2, paragraph (d).

(b) A minnow retailer must obtain a minnow retailer's vehicle license for each motor vehicle used by the minnow retailer to transport more than 12 dozen minnows to the minnow retailer's place of business~~, except as provided in subdivision 3~~. A minnow retailer is not required to obtain a minnow retailer's vehicle license:

(1) as provided in subdivision 3;

(2) if the minnow retailer is licensed as a resort under section 157.16, is transporting minnows purchased from a minnow dealer's place of business directly to the resort, possesses a detailed receipt including the date and time of purchase, and presents the receipt and minnows for inspection upon request; or

(3) if minnows are being transported by common carrier and information is provided that allows the commissioner to find out the location of the shipment in the state.

Sec. 75. Minnesota Statutes 2016, section 97C.701, is amended by adding a subdivision to read:

Subd. 7. **Harvesting mussel shells.** Live mussels may not be harvested. A person possessing a valid resident or nonresident angling license or a person not required to have an angling license to take fish may take and possess at any time, for personal use only, not more than 24 whole shells or 48 shell halves of dead freshwater mussels. Mussel shells may be harvested in waters of the state where fish may be taken by angling. Mussel shells must be harvested by hand-picking only and may not be purchased or sold.

Sec. 76. Minnesota Statutes 2016, section 103B.101, subdivision 12a, is amended to read:

Subd. 12a. **Authority to issue penalty orders.** (a) ~~A county or watershed district with jurisdiction or~~ The Board of Water and Soil Resources may issue an order requiring violations of the water resources riparian protection requirements under sections 103F.415, 103F.421, and 103F.48 to be corrected and administratively assessing monetary penalties up to $500 for noncompliance commencing on day one of the 11th month after the noncompliance notice was issued. The proceeds collected from an administrative penalty order issued under this section must be remitted to ~~the county or watershed district with jurisdiction over the noncompliant site, or otherwise remitted to~~ the Board of Water and Soil Resources.

(b) Before exercising this authority, the Board of Water and Soil Resources must adopt a plan containing procedures for the issuance of administrative penalty orders ~~by local governments and the board as authorized in this subdivision~~. This plan, and any subsequent amendments, ~~will become~~ is effective 30 days after being published in the State Register. The initial plan must be published in the State Register no later than July 1, 2017.

(c) Administrative penalties may be reissued and appealed under paragraph (a) according to section 103F.48, subdivision 9.

Sec. 77. Minnesota Statutes 2016, section 103F.411, subdivision 1, is amended to read:

Subdivision 1. **Authority.** The Board of Water and Soil Resources, in consultation with counties, soil and water conservation districts, and other appropriate agencies, shall adopt a model ordinance and rules that serve as a guide for local governments that have adopted a soil loss ordinance to implement sections 103F.401 to 103F.455 and provide administrative procedures for the board for sections 103F.401 to 103F.455.

Sec. 78. Minnesota Statutes 2016, section 103F.48, subdivision 1, is amended to read:

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

(b) "Board" means the Board of Water and Soil Resources.

(c) "Buffer" means an area consisting of perennial vegetation, excluding invasive plants and noxious weeds, adjacent to all bodies of water within the state and that protects the water resources of the state from runoff pollution; stabilizes soils, shores, and banks; and protects or provides riparian corridors.

(d) "Buffer protection map" means buffer maps established and maintained by the commissioner of natural resources.

(e) "Commissioner" means the commissioner of natural resources.

(f) "Executive director" means the executive director of the Board of Water and Soil Resources.

(g) "Local water management authority" means a watershed district, metropolitan water management organization, or county operating separately or jointly in its role as local water management authority under chapter 103B or 103D.

(h) "Normal water level" means the level evidenced by the long-term presence of surface water as indicated directly by hydrophytic plants or hydric soils or indirectly determined via hydrological models or analysis.

(i) "Public waters" ~~has the meaning given in section 103G.005, subdivision 15. The term~~ means public waters ~~as used in this section applies to waters~~ that are on the public waters inventory as provided in section 103G.201.

(j) "With jurisdiction" means a ~~board determination that the~~ county or watershed district that has adopted a rule, ordinance, or official controls providing procedures for ~~the issuance of administrative penalty orders,~~ enforcement~~,~~ and appeals for purposes of this section and ~~section 103B.101, subdivision 12a~~ that has notified the board.

Sec. 79. Minnesota Statutes 2016, section 103F.48, subdivision 3, is amended to read:

Subd. 3. **Water resources riparian protection requirements on public waters and public drainage systems.** (a) Except as provided in paragraph (b), landowners owning property adjacent to a water body identified and mapped on a buffer protection map must maintain a buffer to protect the state's water resources as follows:

(1) for all public waters that have a shoreland classification, the more restrictive of:

(i) a 50-foot average width, 30-foot minimum width, continuous buffer of perennially rooted vegetation; or

(ii) the state shoreland standards and criteria adopted by the commissioner under section 103F.211; and

(2) for public drainage systems established under chapter 103E and public waters that do not have a shoreland classification, a 16.5-foot minimum width continuous buffer as provided in section 103E.021, subdivision 1. The buffer vegetation shall not impede future maintenance of the ditch.

(b) A landowner owning property adjacent to a water body identified in a buffer protection map and whose property is used for cultivation farming may meet the requirements under paragraph (a) by adopting an alternative riparian water quality practice, or combination of structural, vegetative, and management practices, based on the Natural Resources Conservation Service Field Office Technical Guide or other practices approved by the board, that provide water quality protection comparable to the buffer protection for the water body that the property abuts. Included in these practices are retention ponds and alternative measures that prevent overland flow to the water resource.

(c) The width of a buffer on public waters must be measured from the top or crown of the bank. Where there is no defined bank, measurement must be from the edge of the normal water level. The width of the buffer on public drainage systems must be measured as provided in section 103E.021, subdivision 1.

(d) Upon request by a landowner or authorized agent or operator of a landowner, a technical professional employee or contractor of the soil and water conservation district or its delegate may issue a validation of compliance with the requirements of this subdivision. The soil and water conservation district validation may be appealed to the board as described in subdivision 9.

(e) Buffers or alternative water quality practices required under paragraph (a) or (b) must be in place on or before~~:~~

~~(1) November 1, 2017, for public waters; and~~

~~(2)~~ November 1, 2018~~, for public drainage systems~~.

(f) Nothing in this section limits the eligibility of a landowner or authorized agent or operator of a landowner to participate in federal or state conservation programs, including enrolling or reenrolling in federal conservation programs.

Sec. 80. Minnesota Statutes 2016, section 103F.48, subdivision 7, is amended to read:

Subd. 7. **Corrective actions.** (a) If the soil and water conservation district determines a landowner is not in compliance with this section <u>and the landowner has declined state or federal assistance to pay 100 percent of the cost to establish buffers or other water-resource protection measures approved by the board</u>, the district must notify the county or watershed district with jurisdiction over the noncompliant site and the board. The county or watershed district with jurisdiction or the board must provide the landowner with a list of corrective actions needed to come into compliance and a practical timeline to meet the requirements in this section. The county or watershed district with jurisdiction must provide a copy of the corrective action notice to the board.

(b) A county or watershed district exercising jurisdiction under this subdivision ~~and the enforcement authority granted in section 103B.101, subdivision 12a,~~ shall affirm ~~their~~ <u>its</u> jurisdiction and identify the ordinance, rule, or other official controls to carry out the compliance provisions of this section ~~and section 103B.101, subdivision 12a,~~ by notice to the board ~~prior to March 31, 2017~~. A county or watershed district must provide notice to the board at least 60 days prior to the effective date of a subsequent decision on their jurisdiction.

(c) If the landowner does not comply with the list of actions and timeline provided, the county or watershed district may enforce this section ~~under the authority granted in section 103B.101, subdivision 12a, or~~ by rule of the watershed district or ordinance or other official control of the county. ~~Before exercising administrative penalty authority, a county or watershed district must adopt a plan consistent with the plan adopted by the board containing procedures for the issuance of administrative penalty orders and may issue orders beginning November 1, 2017.~~ If a county or watershed district with jurisdiction over the noncompliant site has not adopted a plan, rule, ordinance, or official control under this paragraph, the board must enforce this section under the authority granted in section 103B.101, subdivision 12a.

(d) If the county, watershed district, or board determines that sufficient steps have been taken to fully resolve noncompliance, all or part of the penalty may be forgiven.

(e) An order issued under paragraph (c) may be appealed to the board as provided under subdivision 9.

(f) A corrective action is not required for conditions resulting from a flood or other act of nature.

(g) A landowner agent or operator of a landowner may not remove or willfully degrade a riparian buffer or water quality practice, wholly or partially, unless the agent or operator has obtained a signed statement from the property owner stating that the permission for the work has been granted by the unit of government authorized to approve the work in this section or that a buffer or water quality practice is not required as validated by the soil and water conservation district. Removal or willful degradation of a riparian buffer or water quality practice, wholly or partially, by an agent or operator is a separate and independent offense and may be subject to the corrective actions and penalties in this subdivision.

(h) A county or watershed district or the board must not enforce this section unless federal or state assistance is available to the landowner to pay 100 percent of the cost to establish buffers or other water-resource protection measures approved by the board.

Sec. 81. Minnesota Statutes 2016, section 103G.005, is amended by adding a subdivision to read:

Subd. 8a. **Constructed management facilities for storm water.** "Constructed management facilities for storm water" means ponds, basins, holding tanks, cisterns, infiltration trenches and swales, or other best management practices that have been designed, constructed, and operated to store or treat storm water in accordance with local, state, or federal requirements.

Sec. 82. Minnesota Statutes 2016, section 103G.005, subdivision 10b, is amended to read:

Subd. 10b. **Greater than 80 percent area.** "Greater than 80 percent area" means a county ~~or~~, watershed, or, for purposes of wetland replacement, bank service area where 80 percent or more of the presettlement wetland acreage is intact and:

(1) ten percent or more of the current total land area is wetland; or

(2) 50 percent or more of the current total land area is state or federal land.

Sec. 83. Minnesota Statutes 2016, section 103G.005, subdivision 10h, is amended to read:

Subd. 10h. **Less than 50 percent area.** "Less than 50 percent area" means a county ~~or~~, watershed, or, for purposes of wetland replacement, bank service area with less than 50 percent of the presettlement wetland acreage intact or any county ~~or~~, watershed, or bank service area not defined as a "greater than 80 percent area" or "50 to 80 percent area."

Sec. 84. Minnesota Statutes 2016, section 103G.222, subdivision 1, is amended to read:

Subdivision 1. **Requirements.** (a) Wetlands must not be drained or filled, wholly or partially, unless replaced by actions that provide at least equal public value under a replacement plan approved as provided in section 103G.2242, a replacement plan under a local governmental unit's comprehensive wetland protection and management plan approved by the board under section 103G.2243, or, if a permit to mine is required under section 93.481, under a mining reclamation plan approved by the commissioner under the permit to mine. Project-specific wetland replacement plans submitted as part of a project for which a permit to mine is required and approved by the commissioner on or after July 1, 1991, may include surplus wetland credits to be allocated by the commissioner to offset future mining-related wetland impacts under any permits to mine held by the permittee, the operator, the permittee's or operator's parent, an affiliated subsidiary, or an assignee pursuant to an assignment under section 93.481, subdivision 5. For project-specific wetland replacement completed prior to wetland impacts authorized or conducted under a permit to mine within the Great Lakes and Rainy River watershed basins, those basins shall be considered a single watershed for purposes of determining wetland replacement ratios. Mining reclamation plans shall apply the same principles and standards for replacing wetlands that are applicable to mitigation plans approved as provided in section 103G.2242. The commissioner must provide notice of an application for wetland replacement under a permit to mine to the county in which the impact is proposed and the county in which a mitigation site is proposed. Public value must be determined in accordance with section 103B.3355 or a comprehensive wetland protection and management plan established under section 103G.2243. Sections 103G.221 to 103G.2372 also apply to excavation in permanently and semipermanently flooded areas of types 3, 4, and 5 wetlands.

(b) Replacement must be guided by the following principles in descending order of priority:

(1) avoiding the direct or indirect impact of the activity that may destroy or diminish the wetland;

(2) minimizing the impact by limiting the degree or magnitude of the wetland activity and its implementation;

(3) rectifying the impact by repairing, rehabilitating, or restoring the affected wetland environment;

(4) reducing or eliminating the impact over time by preservation and maintenance operations during the life of the activity;

(5) compensating for the impact by restoring a wetland; and

(6) compensating for the impact by replacing or providing substitute wetland resources or environments.

For a project involving the draining or filling of wetlands in an amount not exceeding 10,000 square feet more than the applicable amount in section 103G.2241, subdivision 9, paragraph (a), the local government unit may make an on-site sequencing determination without a written alternatives analysis from the applicant.

(c) If a wetland is located in a cultivated field, then replacement must be accomplished through restoration only without regard to the priority order in paragraph (b), provided that the altered wetland is not converted to a nonagricultural use for at least ten years.

(d) If a wetland is replaced under paragraph (c), or drained under section 103G.2241, subdivision 2, paragraph (b) or (e), the local government unit may require a deed restriction that prohibits nonagricultural use for at least ten years. The local government unit may require the deed restriction if it determines the wetland area drained is at risk of conversion to a nonagricultural use within ten years based on the zoning classification, proximity to a municipality or full service road, or other criteria as determined by the local government unit.

(e) Restoration and replacement of wetlands must be accomplished in accordance with the ecology of the landscape area affected and ponds that are created primarily to fulfill storm water management, and water quality treatment requirements may not be used to satisfy replacement requirements under this chapter unless the design includes pretreatment of runoff and the pond is functioning as a wetland.

(f) Except as provided in paragraph (g), for a wetland or public waters wetland located on nonagricultural land, replacement must be in the ratio of two acres of replaced wetland for each acre of drained or filled wetland.

(g) For a wetland or public waters wetland located on agricultural land or in a greater than 80 percent area, replacement must be in the ratio of one acre of replaced wetland for each acre of drained or filled wetland.

(h) Wetlands that are restored or created as a result of an approved replacement plan are subject to the provisions of this section for any subsequent drainage or filling.

(i) Except in a greater than 80 percent area, only wetlands that have been restored from previously drained or filled wetlands, wetlands created by excavation in nonwetlands, wetlands created by dikes or dams along public or private drainage ditches, or wetlands created by dikes or dams associated with the restoration of previously drained or filled wetlands may be used for wetland replacement according to rules adopted under section 103G.2242, subdivision 1. Modification or conversion of nondegraded naturally occurring wetlands from one type to another are not eligible for wetland replacement.

(j) The Technical Evaluation Panel established under section 103G.2242, subdivision 2, shall ensure that sufficient time has occurred for the wetland to develop wetland characteristics of soils, vegetation, and hydrology before recommending that the wetland be deposited in the statewide wetland bank. If the Technical Evaluation Panel has reason to believe that the wetland characteristics may change substantially, the panel shall postpone its recommendation until the wetland has stabilized.

(k) This section and sections 103G.223 to 103G.2242, 103G.2364, and 103G.2365 apply to the state and its departments and agencies.

(l) For projects involving draining or filling of wetlands associated with a new public transportation project, and for projects expanded solely for additional traffic capacity, public transportation authorities may purchase credits from the board at the cost to the board to establish credits. Proceeds from the sale of credits provided under this paragraph are appropriated to the board for the purposes of this paragraph. For the purposes of this paragraph, "transportation project" does not include an airport project.

(m) A replacement plan for wetlands is not required for individual projects that result in the filling or draining of wetlands for the repair, rehabilitation, reconstruction, or replacement of a currently serviceable existing state, city, county, or town public road necessary, as determined by the public transportation authority, to meet state or federal design or safety standards or requirements, excluding new roads or roads expanded solely for additional traffic capacity lanes. This paragraph only applies to authorities for public transportation projects that:

(1) minimize the amount of wetland filling or draining associated with the project and consider mitigating important site-specific wetland functions on site;

(2) except as provided in clause (3), submit project-specific reports to the board, the Technical Evaluation Panel, the commissioner of natural resources, and members of the public requesting a copy at least 30 days prior to construction that indicate the location, amount, and type of wetlands to be filled or drained by the project or, alternatively, convene an annual meeting of the parties required to receive notice to review projects to be commenced during the upcoming year; and

(3) for minor and emergency maintenance work impacting less than 10,000 square feet, submit project-specific reports, within 30 days of commencing the activity, to the board that indicate the location, amount, and type of wetlands that have been filled or drained.

Those required to receive notice of public transportation projects may appeal minimization, delineation, and on-site mitigation decisions made by the public transportation authority to the board according to the provisions of section 103G.2242, subdivision 9. The Technical Evaluation Panel shall review minimization and delineation decisions made by the public transportation authority and provide recommendations regarding on-site mitigation if requested to do so by the local government unit, a contiguous landowner, or a member of the Technical Evaluation Panel.

Except for state public transportation projects, for which the state Department of Transportation is responsible, the board must replace the wetlands, and wetland areas of public waters if authorized by the commissioner or a delegated authority, drained or filled by public transportation projects on existing roads.

Public transportation authorities at their discretion may deviate from federal and state design standards on existing road projects when practical and reasonable to avoid wetland filling or draining, provided that public safety is not unreasonably compromised. The local road authority and its officers and employees are exempt from liability for any tort claim for injury to persons or property arising from travel on the highway and related to the deviation from the design standards for construction or reconstruction under this paragraph. This paragraph does not preclude an action for damages arising from negligence in construction or maintenance on a highway.

(n) If a landowner seeks approval of a replacement plan after the proposed project has already affected the wetland, the local government unit may require the landowner to replace the affected wetland at a ratio not to exceed twice the replacement ratio otherwise required.

(o) A local government unit may request the board to reclassify a county or watershed on the basis of its percentage of presettlement wetlands remaining. After receipt of satisfactory documentation from the local government, the board shall change the classification of a county or watershed. If requested by the local government unit, the board must assist in developing the documentation. Within 30 days of its action to approve a change of wetland classifications, the board shall publish a notice of the change in the Environmental Quality Board Monitor.

(p) One hundred citizens who reside within the jurisdiction of the local government unit may request the local government unit to reclassify a county or watershed on the basis of its percentage of presettlement wetlands remaining. In support of their petition, the citizens shall provide satisfactory documentation to the local government unit. The local government unit shall consider the petition and forward the request to the board under paragraph (o) or provide a reason why the petition is denied.

Sec. 85. Minnesota Statutes 2016, section 103G.222, subdivision 3, is amended to read:

Subd. 3. **Wetland replacement siting.** (a) ~~Impacted wetlands in a 50 to~~ Wetland replacement occurring outside of a greater than 80 percent area must not be replaced in a ~~50 to~~ greater than 80 percent area ~~or in a less than 50 percent area. Impacted wetlands in a less than 50 percent area must be replaced in a less than 50 percent area~~. All wetland replacement must follow this priority order:

(1) ~~on site or~~ in the same minor watershed as the impacted wetland;

(2) in the same watershed as the impacted wetland;

(3) in the same ~~county or~~ wetland bank service area as the impacted wetland; and

(4) in another wetland bank service area.

(b) Notwithstanding paragraph (a), wetland banking credits approved according to a complete wetland banking application submitted to a local government unit by April 1, 1996, may be used to replace wetland impacts resulting from public transportation projects statewide.

(c) Notwithstanding paragraph (a), clauses (1) and (2), the priority order for replacement by wetland banking begins at paragraph (a), clause (3), according to rules adopted under section 103G.2242, subdivision 1.

(d) When reasonable, practicable, and environmentally beneficial replacement opportunities are not available in siting priorities listed in paragraph (a), the applicant may seek opportunities at the next level.

(e) For the purposes of this section, "reasonable, practicable, and environmentally beneficial replacement opportunities" are defined as opportunities that:

(1) take advantage of naturally occurring hydrogeomorphological conditions and require minimal landscape alteration;

(2) have a high likelihood of becoming a functional wetland that will continue in perpetuity;

(3) do not adversely affect other habitat types or ecological communities that are important in maintaining the overall biological diversity of the area; and

(4) are available and capable of being done after taking into consideration cost, existing technology, and logistics consistent with overall project purposes.

(f) Regulatory agencies, local government units, and other entities involved in wetland restoration shall collaborate to identify potential replacement opportunities within their jurisdictional areas.

(g) The board must establish wetland replacement ratios and wetland bank service area priorities to implement the siting and targeting of wetland replacement and encourage the use of high priority areas for wetland replacement.

(h) Wetland replacement sites identified in accordance with the priority order for replacement siting in paragraph (a) as part of the completion of an adequate environmental impact statement may be approved for a replacement plan under section 93.481, 103G.2242, or 103G.2243 without further modification related to the priority order, notwithstanding availability of new mitigation sites or availability of credits after completion of an adequate environmental impact statement. Wetland replacement plan applications must be submitted within one year of the adequacy determination of the environmental impact statement to be eligible for approval under this paragraph.

Sec. 86. Minnesota Statutes 2016, section 103G.2242, subdivision 2, is amended to read:

Subd. 2. **Evaluation.** (a) Questions concerning the public value, location, size, or type of a wetland shall be submitted to and determined by a Technical Evaluation Panel after an on-site inspection. The Technical Evaluation Panel shall be composed of a technical professional employee of the board, a technical professional employee of the local soil and water conservation district or districts, a technical professional with expertise in water resources management appointed by the local government unit, and a technical professional employee of the Department of Natural Resources for projects affecting public waters or wetlands adjacent to public waters. The panel shall use the "United States Army Corps of Engineers Wetland Delineation Manual" (January 1987), including updates, supplementary guidance, and replacements, if any, "Wetlands of the United States" (United States Fish and Wildlife Service Circular 39, 1971 edition), and "Classification of Wetlands and Deepwater Habitats of the United States" (1979 edition). The panel shall provide the wetland determination and recommendations on other technical matters to the local government unit that must approve a replacement plan, sequencing, exemption determination, no-loss determination, or wetland boundary or type determination and may recommend approval or denial of the plan. The authority must consider and include the decision of the Technical Evaluation Panel in their approval or denial of a plan or determination.

(b) A member of the Technical Evaluation Panel that has a financial interest in a wetland bank or management responsibility to sell or make recommendations in their official capacity to sell credits from a publicly owned wetland bank must disclose that interest, in writing, to the Technical Evaluation Panel and the local government unit.

~~(b)~~ (c) Persons conducting wetland or public waters boundary delineations or type determinations are exempt from the requirements of chapter 326. The board may develop a professional wetland delineator certification program.

~~(c)~~ (d) The board must establish an interagency team to assist in identifying and evaluating potential wetland replacement sites. The team must consist of members of the Technical Evaluation Panel and representatives from the Department of Natural Resources; the Pollution Control Agency; the United States Army Corps of Engineers, St. Paul district; and other organizations as determined by the board.

Sec. 87. Minnesota Statutes 2016, section 103G.2372, subdivision 1, is amended to read:

Subdivision 1. **Authority; orders.** (a) The commissioner of natural resources, conservation officers, and peace officers shall enforce laws preserving and protecting groundwater quantity, wetlands, and public waters. The commissioner of natural resources, a conservation officer, or a peace officer may issue a cease and desist order to stop any illegal activity adversely affecting groundwater quantity, a wetland, or public waters.

(b) In the order, or by separate order, the commissioner, conservation officer, or peace officer may require restoration or replacement of the wetland or public waters, as determined by the local soil and water conservation district for wetlands and the commissioner of natural resources for public waters. Restoration or replacement orders may be recorded or filed in the office of the county recorder or registrar of titles, as appropriate, in the county where the real property is located by the commissioner of natural resources, conservation officers, or peace officers as a deed restriction on the property that runs with the land and is binding on the owners, successors, and assigns until the conditions of the order are met or the order is rescinded. Notwithstanding section 386.77, the agency shall pay the applicable filing fee for any document filed under this section.

(c) If a court has ruled that there has not been a violation of the restoration or replacement order, an order may not be recorded or filed under this section.

(d) If an order was recorded before a court finding that there has not been a violation or an order was filed before the effective date of this section and the deed restriction would have been in violation of paragraph (c), the commissioner must remove the deed restriction if the owner of the property requests the commissioner to remove it. Within 30 days of receiving the request for removal from the owner, the commissioner must contact, in writing, the office of the county recorder or registrar of titles where the order is recorded or filed, along with all applicable fees, and have the order removed. Within 30 days of receiving notification from the office of the county recorder or registrar of titles that the order has been removed, the commissioner must inform the owner that the order has been removed and provide the owner with a copy of any documentation provided by the office of the county recorder or registrar of titles.

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

Sec. 88. Minnesota Statutes 2016, section 103G.271, subdivision 1, is amended to read:

Subdivision 1. **Permit required.** (a) Except as provided in paragraph (b), the state, a person, partnership, or association, private or public corporation, county, municipality, or other political subdivision of the state may not appropriate or use waters of the state without a water-use permit from the commissioner.

(b) This section does not apply to the following water uses:

(1) use for a water supply by less than 25 persons for domestic purposes, except as required by the commissioner under section 103G.287, subdivision 4, paragraph (b)~~.~~;

(2) nonconsumptive diversion of a surface water of the state from its natural channel for the production of hydroelectric or hydromechanical power at structures that were in existence on and before July 1, 1937, or those that are regulated by the Federal Energy Regulatory Commission; or

(3) appropriation or use of storm water collected and used to reduce storm-water runoff volume, treat storm water, or sustain groundwater supplies when water is extracted from constructed management facilities for storm water.

(c) The commissioner may issue a state general permit for appropriation of water to a governmental subdivision or to the general public. The general permit may authorize more than one project and the appropriation or use of more than one source of water. Water-use permit processing fees and reports required under subdivision 6 and section 103G.281, subdivision 3, are required for each project or water source that is included under a general permit, except that no fee is required for uses totaling less than 15,000,000 gallons annually.

Sec. 89. Minnesota Statutes 2016, section 103G.271, subdivision 6, is amended to read:

Subd. 6. **Water-use permit processing fee.** (a) Except as described in paragraphs (b) to (g), a water-use permit processing fee must be prescribed by the commissioner in accordance with the schedule of fees in this subdivision for each water-use permit in force at any time during the year. Fees collected under this paragraph are credited to the water management account in the natural resources fund. The schedule is as follows, with the stated fee in each clause applied to the total amount appropriated:

(1) $140 for amounts not exceeding 50,000,000 gallons per year;

(2) $3.50 per 1,000,000 gallons for amounts greater than 50,000,000 gallons but less than 100,000,000 gallons per year;

(3) $4 per 1,000,000 gallons for amounts greater than 100,000,000 gallons but less than 150,000,000 gallons per year;

(4) $4.50 per 1,000,000 gallons for amounts greater than 150,000,000 gallons but less than 200,000,000 gallons per year;

(5) $5 per 1,000,000 gallons for amounts greater than 200,000,000 gallons but less than 250,000,000 gallons per year;

(6) $5.50 per 1,000,000 gallons for amounts greater than 250,000,000 gallons but less than 300,000,000 gallons per year;

(7) $6 per 1,000,000 gallons for amounts greater than 300,000,000 gallons but less than 350,000,000 gallons per year;

(8) $6.50 per 1,000,000 gallons for amounts greater than 350,000,000 gallons but less than 400,000,000 gallons per year;

(9) $7 per 1,000,000 gallons for amounts greater than 400,000,000 gallons but less than 450,000,000 gallons per year;

(10) $7.50 per 1,000,000 gallons for amounts greater than 450,000,000 gallons but less than 500,000,000 gallons per year; and

(11) $8 per 1,000,000 gallons for amounts greater than 500,000,000 gallons per year.

(b) For once-through cooling systems, a water-use processing fee must be prescribed by the commissioner in accordance with the following schedule of fees for each water-use permit in force at any time during the year:

(1) for nonprofit corporations and school districts, $200 per 1,000,000 gallons; and

(2) for all other users, $420 per 1,000,000 gallons.

(c) The fee is payable based on the amount of water appropriated during the year and, except as provided in paragraph (f), the minimum fee is $100.

(d) For water-use processing fees other than once-through cooling systems:

(1) the fee for a city of the first class may not exceed $250,000 per year;

(2) the fee for other entities for any permitted use may not exceed:

(i) $60,000 per year for an entity holding three or fewer permits;

(ii) $90,000 per year for an entity holding four or five permits; or

(iii) $300,000 per year for an entity holding more than five permits;

(3) the fee for agricultural irrigation may not exceed $750 per year;

(4) the fee for a municipality that furnishes electric service and cogenerates steam for home heating may not exceed $10,000 for its permit for water use related to the cogeneration of electricity and steam; ~~and~~

(5) the fee for a facility that temporarily diverts a water of the state from its natural channel to produce hydroelectric or hydromechanical power may not exceed $5,000 per year. A permit for such a facility does not count toward the number of permits held by an entity as described in paragraph (d); and

~~(5)~~ (6) no fee is required for a project involving the appropriation of surface water to prevent flood damage or to remove flood waters during a period of flooding, as determined by the commissioner.

(e) Failure to pay the fee is sufficient cause for revoking a permit. A penalty of ten percent per month calculated from the original due date must be imposed on the unpaid balance of fees remaining 30 days after the sending of a second notice of fees due. A fee may not be imposed on an agency, as defined in section 16B.01, subdivision 2, or federal governmental agency holding a water appropriation permit.

(f) The minimum water-use processing fee for a permit issued for irrigation of agricultural land is $20 for years in which:

(1) there is no appropriation of water under the permit; or

(2) the permit is suspended for more than seven consecutive days between May 1 and October 1.

(g) The commissioner shall waive the water-use permit fee for installations and projects that use storm water runoff or where public entities are diverting water to treat a water quality issue and returning the water to its source without using the water for any other purpose, unless the commissioner determines that the proposed use adversely affects surface water or groundwater.

(h) A surcharge of $30 per million gallons in addition to the fee prescribed in paragraph (a) shall be applied to the volume of water used in each of the months of June, July, and August that exceeds the volume of water used in January for municipal water use, irrigation of golf courses, and landscape irrigation. The surcharge for municipalities with more than one permit shall be determined based on the total appropriations from all permits that supply a common distribution system.

Sec. 90. Minnesota Statutes 2016, section 103G.271, subdivision 6a, is amended to read:

Subd. 6a. **Fees for past unpermitted appropriations.** An entity that appropriates water without a required permit under subdivision 1 must pay the applicable water-use permit processing fee specified in subdivision 6 for the period during which the unpermitted appropriation occurred. The fees for unpermitted appropriations are required for the previous seven calendar years after being notified of the need for a permit. This fee is in addition to any other fee or penalty assessed. The commissioner may waive payment of fees for past unpermitted appropriations for a residential system permitted under subdivision 5, paragraph (b), or for a hydroelectric or hydromechanical facility that temporarily diverts a water of the state from its natural channel.

Sec. 91. Minnesota Statutes 2016, section 103G.271, subdivision 7, is amended to read:

Subd. 7. **Transfer of permit.** A water-use permit may be transferred to a successive owner of real property if the permittee conveys the real property where the source of water is located. The new owner must notify the commissioner immediately after the conveyance and request transfer of the permit. If notified, the commissioner must transfer the permit to the successive owner.

Sec. 92. Minnesota Statutes 2016, section 103G.271, is amended by adding a subdivision to read:

Subd. 8. **Management plans; economic impacts.** Before requiring a change to a management plan for appropriating water, the commissioner must provide estimates of the economic impact of any new restriction or policy on existing and future groundwater users in the affected area.

Sec. 93. Minnesota Statutes 2016, section 103G.287, subdivision 1, is amended to read:

Subdivision 1. **Applications for groundwater appropriations; preliminary well construction approval.** (a) Groundwater use permit applications are not complete until the applicant has supplied:

(1) a water well record as required by section 103I.205, subdivision 9, information on the subsurface geologic formations penetrated by the well and the formation or aquifer that will serve as the water source, and geologic information from test holes drilled to locate the site of the production well;

(2) the maximum daily, seasonal, and annual pumpage rates and volumes being requested;

(3) information on groundwater quality in terms of the measures of quality commonly specified for the proposed water use and details on water treatment necessary for the proposed use;

(4) the results of an aquifer test completed according to specifications approved by the commissioner. The test must be conducted at the maximum pumping rate requested in the application and for a length of time adequate to assess or predict impacts to other wells and surface water and groundwater resources. The permit applicant is responsible for all costs related to the aquifer test, including the construction of groundwater and surface water monitoring installations, and water level readings before, during, and after the aquifer test; and

(5) the results of any assessments conducted by the commissioner under paragraph (c).

(b) The commissioner may waive an application requirement in this subdivision if the information provided with the application is adequate to determine whether the proposed appropriation and use of water is sustainable and will protect ecosystems, water quality, and the ability of future generations to meet their own needs.

(c) The commissioner shall provide an assessment of a proposed well needing a groundwater appropriation permit. The commissioner shall evaluate the information submitted as required under section 103I.205, subdivision 1, paragraph (f), and determine whether the anticipated appropriation request is likely to meet the applicable requirements of this chapter. If the appropriation request is likely to meet applicable requirements, the commissioner shall provide the person submitting the information with a letter providing preliminary approval to construct the well and the requirements, including test-well information, that will be needed to obtain the permit.

(d) The commissioner must provide an applicant denied a groundwater use permit or issued a groundwater use permit that is reduced or restricted from the original request with all information the commissioner used in making the determination, including hydrographs, flow tests, aquifer tests, topographic maps, field reports, photographs, and proof of equipment calibration.

Sec. 94. Minnesota Statutes 2016, section 103G.287, subdivision 4, is amended to read:

Subd. 4. **Groundwater management areas.** (a) The commissioner may designate groundwater management areas and limit total annual water appropriations and uses within a designated area to ensure sustainable use of groundwater that protects ecosystems, water quality, and the ability of future generations to meet their own needs. Water appropriations and uses within a designated management area must be consistent with a groundwater management area plan approved by the commissioner that addresses water conservation requirements and water allocation priorities established in section 103G.261. At least 30 days prior to implementing or modifying a groundwater management area plan under this subdivision, the commissioner shall consult with the advisory team established in paragraph (c).

(b) Notwithstanding section 103G.271, subdivision 1, paragraph (b), and Minnesota Rules, within designated groundwater management areas, the commissioner may require general permits as specified in section 103G.271, subdivision 1, paragraph (c), for water users using less than 10,000 gallons per day or 1,000,000 gallons per year and water suppliers serving less than 25 persons for domestic purposes. The commissioner may waive the requirements under section 103G.281 for general permits issued under this paragraph, and the fee specified in section 103G.301, subdivision 2, paragraph (c), does not apply to general permits issued under this paragraph.

(c) When designating a groundwater management area, the commissioner shall assemble an advisory team to assist in developing a groundwater management area plan for the area. The advisory team members shall be selected from public and private entities that have an interest in the water resources affected by the groundwater management area. A majority of the advisory team members shall be public and private entities that currently hold water-use permits for water appropriations from the affected water resources. The commissioner shall consult with the League of Minnesota Cities, the Association of Minnesota Counties, the Minnesota Association of Watershed Districts, and the Minnesota Association of Townships in appointing the local government representatives to the advisory team. The advisory team may also include representatives from the University of Minnesota, the Minnesota State Colleges and Universities, other institutions of higher learning in Minnesota, political subdivisions with jurisdiction over water issues, nonprofits with expertise in water, and federal agencies.

(d) Before making a change under a groundwater management area plan, the commissioner must provide estimates of the economic effect of any new restriction or policy on existing and future groundwater users and local governments in the affected area. Strategies to address economic impacts must be included in any plan.

Sec. 95. Minnesota Statutes 2016, section 103G.411, is amended to read:

103G.411 STIPULATION OF LOW-WATER MARK.

If the state is a party in a civil action relating to the navigability or ownership of the bed of a body of water, river, or stream, the commissioner, in behalf of the state, ~~with the approval of the attorney general,~~ may agree by written stipulation with a riparian owner who is a party to the action on the location of the ordinary low-water mark on the riparian land of the party. After the stipulation is executed by all parties, it must be presented to the judge of the district court where the action is pending for approval. If the stipulation is approved, the judge shall make and enter an order providing that the final judgment when entered shall conform to the location of the ordinary, low-water mark as provided for in the stipulation as it relates to the parties to the stipulation.

Sec. 96. Minnesota Statutes 2016, section 114D.25, is amended by adding a subdivision to read:

Subd. 6. **Impaired waters list; public notice and process.** The commissioner of the Pollution Control Agency must allow at least 60 days for public comment after publishing the draft impaired-waters list required under the federal Clean Water Act. A person may petition the agency to hold a contested case hearing on the draft impaired-waters list. A valid basis for challenging an impairment determination includes, but is not limited to, agency reliance on data that do not reflect recent significant infrastructure investments and documented pollutant reductions.

Sec. 97. **[115.051] REVIEWING PROPOSED AGENCY ACTIONS.**

Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this section.

(b) "Local government unit" means a statutory or home rule charter city, a county, a local public utilities commission, a sanitary district, or an organization formed for the joint exercise of powers under section 471.59.

(c) "Proposed action" means an action that:

(1) is being considered by the commissioner of the Pollution Control Agency or has been undertaken by the commissioner but is not yet final; and

(2) would, once final, constitute:

(i) issuing, amending, modifying, or denying a water-quality standard under section 115.44, a water-related permit, a total maximum daily load (TMDL) study, or a watershed restoration and protection strategy (WRAPS); or

(ii) another action or decision undertaken according to the commissioner's authority under this chapter or chapter 114D that is or would be eligible for a contested case hearing under chapter 14 or that would constitute rulemaking under chapter 14.

(d) "Requisite number" means five or more if the proposed action is rulemaking under chapter 14 or one or more if the proposed action is one that is or would be eligible for a contested case hearing under chapter 14.

(e) "Review petition" means a written petition of a local government unit adopted by resolution of the applicable governing body that describes the need for review by an expert review panel of the scientific basis of a proposed action that potentially affects the petitioner.

(f) "Review proceeding" means a proceeding under chapter 14 of the Office of Administrative Hearings to review a proposed action.

Subd. 2. **Review of scientific basis for proposed action.** In any review proceeding, the administrative law judge must examine the administrative record and, without deference to the commissioner of the Pollution Control Agency, independently determine from the record whether:

(1) the proposed action is based on reliable scientific data and analyses, as confirmed by publicly available peer-reviewed literature;

(2) every test, measurement, or model the commissioner relied on in support of the proposed action was used by the commissioner for the purpose for which the test, measurement, or model was designed, consistent with generally accepted and peer-reviewed scientific practice;

(3) the proposed action is consistent with the findings of any applicable external peer review panel the commissioner convened under section 115.035; and

(4) the proposed action is based on a demonstrated, significant causal relationship between the parameters of concern and the water-quality objective at issue, not the correlation alone. When a causal relationship may be confounded by other factors, the administrative law judge must determine whether the relevance and effect of those factors were assessed to ensure the predicted causal relationship is valid.

Subd. 3. **Effect of finding inadequate basis for proposed action.** If an administrative law judge determines that any of the conditions under subdivision 2, clauses (1) to (4), are not satisfied, then:

(1) if the proposed action was a proposed rule, the administrative law judge must find that the need for and reasonableness of the rule has not been established according to section 14.14, subdivision 2; and

(2) if the proposed action was before the Office of Administrative Hearings as part of a contested case hearing, the administrative law judge must include this finding in the report required by sections 14.48 to 14.56, which constitutes the final decision in the case.

Subd. 4. **Expert review panel; when required; composition.** The Office of Administrative Hearings must convene an expert review panel to review the scientific basis of a proposed action when the office receives the requisite number of review petitions and finds, based on an independent review of the petitions, that the petitions demonstrate the existence of a material scientific dispute regarding the scientific validity of the proposed action. The Office of Administrative Hearings must issue an order granting or denying a petition within 30 days of receiving the petition. A review panel must consist of three independent experts with qualifications in the subject matter of the scientific dispute who are employed neither by the Pollution Control Agency nor by a petitioner to the proceeding and who are not directly or indirectly involved with the work conducted or contracted by the agency. The composition of the panel must be determined as follows:

(1) the commissioner of the Pollution Control Agency must select one expert satisfying the requirements of this subdivision;

(2) the petitioners must jointly select one expert satisfying the requirements of this subdivision; and

(3) the two experts selected under clauses (1) and (2) must mutually agree to a third expert satisfying the requirements of this subdivision. If the two experts cannot agree on a third expert, the Office of Administrative Hearings must make the appointment.

Subd. 5. **Conduct of expert review panel.** Upon granting a petition for independent expert review, the Office of Administrative Hearings must, as soon as practicable thereafter, issue an order establishing the independent expert review panel and identifying the independent experts selected according to subdivision 4. The order must include a statement of the specific scientific issues or questions in dispute to be submitted for review by the panel. The commissioner of the Pollution Control Agency and all petitioners must agree on the issues or questions in dispute to be submitted for review. If they cannot agree on one or more issues or questions, the Office of Administrative Hearings must determine the issues or questions to be submitted, giving substantial consideration to the questions raised in any petitions the office receives. The panel must review the scientific evidence relevant to those issues or questions as found in the petitions, the administrative record for the proposed action, and the results of any external peer review conducted according to section 115.035, in accordance with the guidance in the United States Environmental Protection Agency's Peer Review Handbook. The panel must submit a written opinion on the scientific validity of the commissioner's approach that is in controversy. If the panel finds deficiencies, the panel must recommend how the deficiencies can be corrected. The written opinion becomes part of the administrative record and must be submitted to the Office of Administrative Hearings. The office must send a copy of the opinion to the commissioner of the Pollution Control Agency, all petitioners, and the chairs and ranking minority members of the house of representatives and senate committees having jurisdiction over environment and natural resources policy and finance.

Subd. 6. **Status of action pending review.** Once the Office of Administrative Hearings receives the requisite number of review petitions:

(1) the Office of Administrative Hearings must notify the commissioner of the Pollution Control Agency of this fact;

(2) the commissioner must not grant or deny a contested case petition filed by a local government unit on the proposed action that is the subject of the petition or otherwise proceed toward finalizing the proposed action until the Office of Administrative Hearings denies the petition for independent expert review or, if the petition is granted, the commissioner receives and considers the written opinion required under subdivision 5; and

(3) the Office of Administrative Hearings must not conduct the review required by subdivision 2 until the office receives the written opinion required under subdivision 5.

Subd. 7. **Chapter 14 requirements.** Nothing in this section shall be construed to abrogate or otherwise repeal any of the procedural requirements of chapter 14. Upon receiving a written opinion according to subdivision 5, the commissioner of the Pollution Control Agency and the Office of Administrative Hearings must make the opinion available to the public for review and continue to follow all applicable provisions of chapter 14, including public comment and hearing requirements.

Subd. 8. **Timing of review petition submission.** A review petition submitted to the Office of Administrative Hearings must be submitted within the period for filing a contested case petition or before expiration of the public comment period as noticed in the statement of intent to adopt the rule, as applicable.

Subd. 9. **Supplementing other law.** The duties and procedures in this section are supplementary and applicable to those set forth in section 14.091.

Sec. 98. **[115.542] NOTICE REQUIREMENTS FOR PUBLICLY OWNED WASTEWATER TREATMENT FACILITIES.**

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

(1) "permit" means a national pollutant discharge elimination system (NPDES) permit or state disposal system (SDS) permit; and

(2) "permit applicant" means a person or entity submitting an application for a new permit or renewal, modification, or revocation of an existing permit for a publicly owned wastewater treatment facility.

Subd. 2. **Applicability.** This section applies to all draft permits and permits for publicly owned wastewater treatment facilities for which the commissioner of the Pollution Control Agency makes a preliminary determination whether to issue or deny.

Subd. 3. **Notice requirements.** The commissioner of the Pollution Control Agency must provide a permit applicant with a copy of the draft permit and any fact sheets required by agency rules at least 30 days before the distribution and public notice of the permit application and preliminary determination.

Subd. 4. **Public comment period.** The commissioner must prepare and issue a public notice of a completed application and the commissioner's preliminary determination as to whether the permit should be issued or denied. The public comment period must be at least 60 days for permit applications under this section.

Sec. 99. Minnesota Statutes 2016, section 115B.41, subdivision 1, is amended to read:

Subdivision 1. **Allocation and recovery of costs.** (a) ~~A person who~~ An owner or operator that is subject to the requirements in section 115B.40, subdivision 4 or 5, paragraph (b), is responsible for all environmental response costs incurred by the commissioner at or related to the facility until the date of notice of compliance under section 115B.40, subdivision 7. The commissioner may use any funds available for closure, postclosure care, and response action established by the owner or operator. If those funds are insufficient or if the owner or operator fails to assign rights to them to the commissioner, the commissioner may seek recovery of environmental response costs against the owner or operator in the county of Ramsey or in the county where the facility is located or where the owner or operator resides.

(b) In an action brought under this subdivision in which the commissioner prevails, the court shall award the commissioner reasonable attorney fees and other litigation expenses incurred by the commissioner to bring the action. All costs, fees, and expenses recovered under this subdivision must be deposited in the remediation fund established in section 116.155.

Sec. 100. Minnesota Statutes 2016, section 115B.421, is amended to read:

115B.421 CLOSED LANDFILL INVESTMENT FUND.

The closed landfill investment fund is established in the state treasury. The fund consists of money credited to the fund, and interest and other earnings on money in the fund. Beginning July 1, 2003, funds must be deposited as described in section 115B.445. The fund shall be managed to maximize long-term gain through the State Board of Investment. Money in the fund may be spent by the commissioner after fiscal year 2020 in accordance with sections 115B.39 to 115B.444, and for costs incurred under agreements with indemnified persons under section 115B.431.

Sec. 101. **[115B.431] INDEMNIFYING RESPONSIBLE PERSONS.**

Subdivision 1. **Indemnification.** In the case of a qualified facility as defined in section 115B.39, subdivision 2, paragraph (l), clause (1), located in the city of Burnsville, when the owner or operator has received notice under section 115B.40, subdivision 3, and within 15 years after receiving the notice has not entered into an agreement with the commissioner of the Pollution Control Agency, the commissioner must enter into an indemnification agreement with an eligible person under subdivision 2 who requests such indemnification, under which the commissioner indemnifies the eligible person and holds the eligible person harmless for:

(1) all legal responsibility liability or potential liability for environmental response costs and natural resources damages related to the qualified facility, including any and all liability and potential liability for legal and administrative costs and expenses incurred or to be incurred by the state or federal government or reimbursed by the state or federal government;

(2) all legal liability or potential liability under the federal Comprehensive Environmental Response, Compensation, and Liability Act related to the qualified facility including any and all liability and potential liability for costs incurred by the federal government in cleaning up the site and legal and administrative costs and expenses incurred or to be incurred by the state or federal government or reimbursed by the state or federal government; and

(3) all legal liability or potential liability that has been asserted, could have been asserted, or may be asserted in the future against the eligible person under state or federal law, common law, or other legal theory related to the qualified facility including any claim by any person or entity for contribution regarding any matters to which the indemnity applies.

Subd. 2. **Eligible persons.** (a) A person who is not an owner or operator of a qualified facility is eligible to enter into an indemnification agreement with the commissioner provided the person agrees to:

(1) waive all claims for environmental response costs related to the facility against all persons other than the owner or operator;

(2) provide the commissioner with a copy of all applicable comprehensive general liability insurance policies and other liability insurance policies relating to property damage, certificates, or other evidence of insurance coverage held during the life of the facility; and

(3) enter into a binding agreement with the commissioner to take any actions necessary to preserve the person's rights to payment or defense under insurance policies, cooperate with the commissioner in asserting the claims under the policies, and assign those rights under the policies related to environmental response costs.

(b) For purposes of this subdivision, "insurance" has the meaning given in section 60A.02, subdivision 3.

Subd. 3. **Recovery for illegal actions.** The indemnification of eligible persons under this section does not prevent the commissioner from recovering costs for illegal actions at qualified facilities as provided in section 115B.402.

Subd. 4. **Commissioner's duties.** (a) In consideration of the indemnitee's agreement to enter into an agreement under this section, the commissioner must not sue or take administrative action against the indemnitee, must agree to indemnify and hold the indemnitee harmless and defend the indemnitee against all claims or liability for state or federal environmental response actions at the qualified facility that is the subject of the agreement and claims made by a responsible person or group of responsible persons under state or federal law for payment of response costs and related costs at the qualified facility.

(b) To the extent allowed under applicable law, a person who enters into an indemnification agreement under this section is not liable for claims for contribution regarding matters addressed in the agreement. As a condition of the agreement, the person must waive the person's rights to seek contribution for any amounts paid on the person's behalf under the agreement. This section does not limit the state's ability to seek contribution on the person's behalf.

Sec. 102. Minnesota Statutes 2016, section 115C.021, subdivision 1, is amended to read:

Subdivision 1. **General rule.** Except as provided in subdivisions 2 to ~~4~~ 5, a person is responsible for a release from a tank if the person is an owner or operator of the tank at any time during or after the release.

Sec. 103. Minnesota Statutes 2016, section 115C.021, is amended by adding a subdivision to read:

Subd. 5. **Heating fuel oil vendor.** A heating fuel oil vendor is not a responsible person for a heating fuel oil release at a residential location if the release was caused solely by the failure of a tank owned by the homeowner.

Sec. 104. Minnesota Statutes 2016, section 116.03, subdivision 2b, is amended to read:

Subd. 2b. **Permitting efficiency.** (a) It is the goal of the state that environmental and resource management permits be issued or denied within 90 days for Tier 1 permits or 150 days for Tier 2 permits following submission of a permit application. The commissioner of the Pollution Control Agency shall establish management systems designed to achieve the goal. For the purposes of this section, "Tier 1 permits" are permits that do not require individualized actions or public comment periods, and "Tier 2 permits" are permits that require individualized actions or public comment periods.

(b) The commissioner shall prepare an annual permitting efficiency report that includes statistics on meeting the goal in paragraph (a) and the criteria for Tier 1 and Tier 2 by permit categories. The report is due August 1 each year. For permit applications that have not met the goal, the report must state the reasons for not meeting the goal. In stating the reasons for not meeting the goal, the commissioner shall separately identify delays caused by the responsiveness of the proposer, lack of staff, scientific or technical disagreements, or the level of public engagement. The report must specify the number of days from initial submission of the application to the day of determination that the application is complete. The report must aggregate the data for the year and assess whether program or system changes are necessary to achieve the goal. The report must be posted on the agency's Web site and submitted to the governor and the chairs and ranking minority members of the house of representatives and senate committees having jurisdiction over environment policy and finance.

(c) The commissioner shall allow electronic submission of environmental review and permit documents to the agency.

(d) ~~Beginning July 1, 2011,~~ Within 30 business days of application for a permit subject to paragraph (a), the commissioner of the Pollution Control Agency shall notify the ~~project proposer~~ <u>permit applicant</u>, in writing, whether the application is complete or incomplete. If the commissioner determines that an application is incomplete, the notice to the applicant must enumerate all deficiencies, citing specific provisions of the applicable rules and statutes, and advise the applicant on how the deficiencies can be remedied. If the commissioner determines that the application is complete, the notice must confirm the application's Tier 1 or Tier 2 permit status <u>and, upon request of the permit applicant of an individual Tier 2 permit, provide the permit applicant with a schedule for reviewing the permit application</u>. This paragraph does not apply to an application for a permit that is subject to a grant or loan agreement under chapter 446A.

(e) For purposes of this subdivision, "permit professional" means an individual not employed by the Pollution Control Agency who:

(1) has a professional license issued by the state of Minnesota in the subject area of the permit;

(2) has at least ten years of experience in the subject area of the permit; and

(3) abides by the duty of candor applicable to employees of the Pollution Control Agency under agency rules and complies with all applicable requirements under chapter 326.

(f) Upon the agency's request, an applicant relying on a permit professional must participate in a meeting with the agency before submitting an application:

(1) at least two weeks prior to the preapplication meeting, the applicant must submit at least the following:

(i) project description, including, but not limited to, scope of work, primary emissions points, discharge outfalls, and water intake points;

(ii) location of the project, including county, municipality, and location on the site;

(iii) business schedule for project completion; and

(iv) other information requested by the agency at least four weeks prior to the scheduled meeting; and

(2) during the preapplication meeting, the agency shall provide for the applicant at least the following:

(i) an overview of the permit review program;

(ii) a determination of which specific application or applications will be necessary to complete the project;

(iii) a statement notifying the applicant if the specific permit being sought requires a mandatory public hearing or comment period;

(iv) a review of the timetable established in the permit review program for the specific permit being sought; and

(v) a determination of what information must be included in the application, including a description of any required modeling or testing.

(g) The applicant may select a permit professional to undertake the preparation of the permit application and draft permit.

(h) If a preapplication meeting was held, the agency shall, within seven business days of receipt of an application, notify the applicant and submitting permit professional that the application is complete or is denied, specifying the deficiencies of the application.

(i) Upon receipt of notice that the application is complete, the permit professional shall submit to the agency a timetable for submitting a draft permit. The permit professional shall submit a draft permit on or before the date provided in the timetable. Within 60 days after the close of the public comment period, the commissioner shall notify the applicant whether the permit can be issued.

(j) Nothing in this section shall be construed to modify:

(1) any requirement of law that is necessary to retain federal delegation to or assumption by the state; or

(2) the authority to implement a federal law or program.

(k) The permit application and draft permit shall identify or include as an appendix all studies and other sources of information used to substantiate the analysis contained in the permit application and draft permit. The commissioner shall request additional studies, if needed, and the ~~project proposer~~ permit applicant shall submit all additional studies and information necessary for the commissioner to perform the commissioner's responsibility to review, modify, and determine the completeness of the application and approve the draft permit.

Sec. 105. Minnesota Statutes 2016, section 116.03, is amended by adding a subdivision to read:

Subd. 7. **Draft permits; public notice.** When public notice of a draft individual Tier 2 permit is required, the commissioner must issue the notice with the draft permit within 150 days of receiving a completed permit application unless the permit applicant and the commissioner mutually agree to a different date. Upon request of the permit applicant, the commissioner must provide a copy of the draft permit to the permit applicant and consider comments on the draft permit from the permit applicant before issuing the public notice.

Sec. 106. Minnesota Statutes 2016, section 116.03, is amended by adding a subdivision to read:

Subd. 8. **Clean Air Act settlement money.** "Clean Air Act settlement money" means money received by or required to be paid to the state as a result of litigation or settlements of alleged violations of the federal Clean Air Act, United States Code, title 42, section 7401 et seq., or rules adopted thereunder, by an automobile manufacturer. Clean Air Act settlement money may not be spent until it is specifically appropriated by law.

Sec. 107. Minnesota Statutes 2016, section 116.07, subdivision 4d, is amended to read:

Subd. 4d. **Permit fees.** (a) The agency may collect permit fees in amounts not greater than those necessary to cover the reasonable costs of developing, reviewing, and acting upon applications for agency permits and implementing and enforcing the conditions of the permits pursuant to agency rules. Permit fees shall not include the costs of litigation. The fee schedule must reflect reasonable and routine direct and indirect costs associated with permitting, implementation, and enforcement. The agency may impose an additional enforcement fee to be collected for a period of up to two years to cover the reasonable costs of implementing and enforcing the conditions of a permit under the rules of the agency. Any money collected under this paragraph shall be deposited in the environmental fund.

(b) Notwithstanding paragraph (a), the agency shall collect an annual fee from the owner or operator of all stationary sources, emission facilities, emissions units, air contaminant treatment facilities, treatment facilities, potential air contaminant storage facilities, or storage facilities subject to a notification, permit, or license requirement under this chapter, subchapters I and V of the federal Clean Air Act, United States Code, title 42, section 7401 et seq., or rules adopted thereunder. The annual fee shall be used to pay for all direct and indirect reasonable costs, including legal costs, required to develop and administer the notification, permit, or license program requirements of this chapter, subchapters I and V of the federal Clean Air Act, United States Code, title 42, section 7401 et seq., or rules adopted thereunder. Those costs include the reasonable costs of reviewing and acting upon an application for a permit; implementing and enforcing statutes, rules, and the terms and conditions of a permit; emissions, ambient, and deposition monitoring; preparing generally applicable regulations; responding to federal guidance; modeling, analyses, and demonstrations; preparing inventories and tracking emissions; and providing information to the public about these activities.

(c) The agency shall set fees that:

(1) will result in the collection, in the aggregate, from the sources listed in paragraph (b), of an amount not less than $25 per ton of each volatile organic compound; pollutant regulated under United States Code, title 42, section 7411 or 7412 (section 111 or 112 of the federal Clean Air Act); and each pollutant, except carbon monoxide, for which a national primary ambient air quality standard has been promulgated;

(2) may result in the collection, in the aggregate, from the sources listed in paragraph (b), of an amount not less than $25 per ton of each pollutant not listed in clause (1) that is regulated under this chapter or air quality rules adopted under this chapter; and

(3) shall collect, in the aggregate, from the sources listed in paragraph (b), the amount needed to match grant funds received by the state under United States Code, title 42, section 7405 (section 105 of the federal Clean Air Act).

The agency must not include in the calculation of the aggregate amount to be collected under clauses (1) and (2) any amount in excess of 4,000 tons per year of each air pollutant from a source. The increase in air permit fees to match federal grant funds shall be a surcharge on existing fees. The commissioner may not collect the surcharge after the grant funds become unavailable. In addition, the commissioner shall use nonfee funds to the extent practical to match the grant funds so that the fee surcharge is minimized.

(d) To cover the reasonable costs described in paragraph (b), the agency shall provide in the rules promulgated under paragraph (c) for an increase in the fee collected in each year by the percentage, if any, by which the Consumer Price Index for the most recent calendar year ending before the beginning of the year the fee is collected exceeds the Consumer Price Index for the calendar year 1989. For purposes of this paragraph the Consumer Price Index for any calendar year is the average of the Consumer Price Index for all-urban consumers published by the United States Department of Labor, as of the close of the 12-month period ending on August 31 of each calendar year. The revision of the Consumer Price Index that is most consistent with the Consumer Price Index for calendar year 1989 shall be used.

(e) Any money collected under paragraphs (b) to (d) must be deposited in the environmental fund and must be used solely for the activities listed in paragraph (b).

(f) Permit applicants who wish to construct, reconstruct, or modify a ~~facility~~ project may offer to reimburse the agency for the reasonable costs ~~of staff time or consultant services~~ needed to expedite the preapplication process and permit development process through the final decision on the permit, including the analysis of environmental review documents. The reimbursement shall be in addition to permit application fees imposed by law. When the agency determines that it needs additional resources to develop the permit application in an expedited manner, and that expediting the development is consistent with permitting program priorities, the agency may accept the reimbursement. The commissioner must give the applicant an estimate of costs to be incurred by the commissioner. The estimate must include a brief description of the tasks to be performed, a schedule for completing the tasks, and the estimated cost for each task. The applicant and the commissioner must enter into a written agreement detailing the estimated costs for the expedited permit decision-making process to be incurred by the agency and any recourse available to the applicant if the agency fails to meet the schedule. The agreement must also identify staff anticipated to be assigned to the project and describe the commissioner's commitment to make assigned staff available for the project until the permit decision is made. The commissioner must not issue a permit until the applicant has paid all fees in full. The commissioner must refund any unobligated balance of fees paid. Reimbursements accepted by the agency are appropriated to the agency for the purpose of developing the permit or analyzing environmental review documents. Reimbursement by a permit applicant shall precede and not be contingent upon issuance of a permit; shall not affect the agency's decision on whether to issue or deny a permit, what conditions are included in a permit, or the application of state and federal statutes and rules governing permit determinations; and shall not affect final decisions regarding environmental review.

(g) The fees under this subdivision are exempt from section 16A.1285.

Sec. 108. Minnesota Statutes 2016, section 116.07, is amended by adding a subdivision to read:

Subd. 13. **Irrevocability, suspensions, or expiration of permits; environmental review.** If, by July 1 of an odd-numbered year, legislation has not been enacted to appropriate money to the commissioner of the Pollution Control Agency for environmental review and permitting activities of the agency:

(1) a permit granted by the commissioner may not be terminated or suspended for the term of the permit nor shall it expire without the consent of the permittee, except for breach or nonperformance of any condition of the permit by the permittee that is an imminent threat to impair or destroy the environment or injure the health, safety, or welfare of the citizens of the state; and

(2) environmental review and permit application work on environmental review and permits filed before July 1 of that year must not be suspended or terminated.

(b) Paragraph (a), clause (1), applies until legislation appropriating money to the commissioner for the environmental review and permitting activities is enacted.

Sec. 109. Minnesota Statutes 2016, section 116.07, is amended by adding a subdivision to read:

Subd. 14. **Unadopted rules.** The commissioner of the Pollution Control Agency must not seek to implement in a permit or enforce a penalty based upon an agency policy, guideline, bulletin, criterion, manual standard, interpretive statement, or similar pronouncement if the policy, guideline, bulletin, criterion, manual standard, interpretive standard, or pronouncement has not been adopted under the rulemaking process under chapter 14. In any proceeding under section 14.381, the commissioner has the burden of proving the action is not prohibited.

Sec. 110. Minnesota Statutes 2016, section 116.07, is amended by adding a subdivision to read:

Subd. 15. **Limitation regarding certain policies, guidelines, and other interpretive statements.** (a) The commissioner of the Pollution Control Agency must not seek to implement or enforce against any person a policy, guideline, or other interpretive statement that meets the definition of a rule under section 14.02, subdivision 4, if the policy, guideline, or other interpretive statement has not been adopted as a rule according to chapter 14. In any proceeding under chapter 14 challenging agency action prohibited by this subdivision, the reviewing authority must independently and without deference to the agency determine whether the agency violated this subdivision. The agency must overcome the presumption that the agency action may not be enforced as a rule.

(b) If the commissioner incorporates by reference an internal guideline, bulletin, criterion, manual standard, interpretive statement, or similar pronouncement into a statute, rule, or standard, the commissioner must follow the rulemaking process provided under chapter 14 to amend or revise the guideline, bulletin, criterion, manual standard, interpretive statement, or similar pronouncement.

Sec. 111. Minnesota Statutes 2016, section 116.0714, is amended to read:

116.0714 NEW OPEN AIR SWINE BASINS.

The commissioner of the Pollution Control Agency or a county board shall not approve any permits for the construction of new open air swine basins, except that existing facilities may use one basin of less than 1,000,000 gallons as part of a permitted waste treatment program for resolving pollution problems or to allow conversion of an existing basin of less than 1,000,000 gallons to a different animal type, provided all standards are met. This section expires June 30, ~~2017~~ 2022.

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

Sec. 112. Minnesota Statutes 2016, section 116C.03, subdivision 2, is amended to read:

Subd. 2. **Membership.** The members of the board are the commissioner of administration, the commissioner of commerce, the commissioner of the Pollution Control Agency, the commissioner of natural resources, the commissioner of agriculture, the commissioner of health, the commissioner of employment and economic development, the commissioner of transportation, and the chair of the Board of Water and Soil Resources~~, and a representative of the governor's office designated by the governor~~. The governor shall appoint ~~five~~ eight members from the general public to the board, one from each congressional district, subject to the advice and consent of the senate. ~~At least two of~~ The ~~five~~ public members must have knowledge of and be conversant in ~~water management issues in the state~~ environmental review or permitting. Notwithstanding the provisions of section 15.06, subdivision 6, members of the board may not delegate their powers and responsibilities as board members to any other person.

Sec. 113. Minnesota Statutes 2016, section 116C.04, subdivision 2, is amended to read:

Subd. 2. **Jurisdiction.** ~~(a) The board shall determine which environmental problems of interdepartmental concern to state government shall be considered by the board. The board shall initiate interdepartmental investigations into those matters that it determines are in need of study. Topics for investigation may include but need not be limited to future population and settlement patterns, air and water resources and quality, solid waste management, transportation and utility corridors, economically productive open space, energy policy and need, growth and development, and land use planning.~~

~~(b) The board shall review programs of state agencies that significantly affect the environment and coordinate those it determines are interdepartmental in nature, and insure agency compliance with state environmental policy.~~

~~(c)~~ The board may review environmental rules and criteria for granting and denying permits by state agencies and may resolve conflicts involving state agencies with regard to programs, rules, permits and procedures significantly affecting the environment, provided that such resolution of conflicts is consistent with state environmental policy.

~~(d) State agencies shall submit to the board all proposed legislation of major significance relating to the environment and the board shall submit a report to the governor and the legislature with comments on such major environmental proposals of state agencies.~~

Sec. 114. Minnesota Statutes 2016, section 116D.04, subdivision 2a, is amended to read:

Subd. 2a. **When prepared.** (a) Where there is potential for significant environmental effects resulting from any major governmental action, the action shall be preceded by a detailed environmental impact statement prepared by the responsible governmental unit. The environmental impact statement shall be an analytical rather than an encyclopedic document which describes the proposed action in detail, analyzes its significant environmental impacts, discusses appropriate alternatives to the proposed action and their impacts, and explores methods by which adverse environmental impacts of an action could be mitigated. The environmental impact statement shall also analyze those economic, employment, and sociological effects that cannot be avoided should the action be implemented. To ensure its use in the decision-making process, the environmental impact statement shall be prepared as early as practical in the formulation of an action.

~~(a)~~ (b) The board shall by rule establish categories of actions for which environmental impact statements and for which environmental assessment worksheets shall be prepared as well as categories of actions for which no environmental review is required under this section. A mandatory environmental assessment worksheet ~~shall~~ is not ~~be~~ required for the expansion of an ethanol plant, as defined in section 41A.09, subdivision 2a, paragraph (b), or the conversion of an ethanol plant to a biobutanol facility or the expansion of a biobutanol facility as defined in section 41A.15, subdivision 2d, based on the capacity of the expanded or converted facility to produce alcohol fuel, but must be required if the ethanol plant or biobutanol facility meets or exceeds thresholds of other categories of actions for which environmental assessment worksheets must be prepared. The responsible governmental unit for an ethanol plant or biobutanol facility project for which an environmental assessment worksheet is prepared ~~shall be~~ is the state agency with the greatest responsibility for supervising or approving the project as a whole.

(c) A mandatory environmental impact statement ~~shall~~ is not ~~be~~ required for a facility or plant located outside the seven-county metropolitan area that produces less than 125,000,000 gallons of ethanol, biobutanol, or cellulosic biofuel annually, or produces less than 400,000 tons of chemicals annually, if the facility or plant is: an ethanol plant, as defined in section 41A.09, subdivision 2a, paragraph (b); a biobutanol facility, as defined in section 41A.15, subdivision 2d; or a cellulosic biofuel facility. A facility or plant that only uses a cellulosic feedstock to produce chemical products for use by another facility as a feedstock ~~shall~~ is not ~~be~~ considered a fuel conversion facility as used in rules adopted under this chapter.

~~(b)~~ (d) The responsible governmental unit shall promptly publish notice of the completion of an environmental assessment worksheet by publishing the notice in at least one newspaper of general circulation in the geographic area where the project is proposed, by posting the notice on a Web site that has been designated as the official publication site for publication of proceedings, public notices, and summaries of a political subdivision in which the project is proposed, or in any other manner determined by the board and shall provide copies of the environmental assessment worksheet to the board and its member agencies. Comments on the need for an environmental impact statement may be submitted to the responsible governmental unit during a 30-day period following publication of the notice that an environmental assessment worksheet has been completed. The responsible governmental unit's decision on the need for an environmental impact statement shall be based on the environmental assessment worksheet and the comments received during the comment period, and shall be made within 15 days after the close of the comment period. The board's chair may extend the 15-day period by not more than 15 additional days upon the request of the responsible governmental unit.

~~(c)~~ (e) An environmental assessment worksheet shall also be prepared for a proposed action whenever material evidence accompanying a petition by not less than 100 individuals who reside or own property in the state, submitted before the proposed project has received final approval by the appropriate governmental units, demonstrates that, because of the nature or location of a proposed action, there may be potential for significant environmental effects. Petitions requesting the preparation of an environmental assessment worksheet shall be submitted to the board. The chair of the board shall determine the appropriate responsible governmental unit and forward the petition to it. A decision on the need for an environmental assessment worksheet shall be made by the responsible governmental unit within 15 days after the petition is received by the responsible governmental unit. The board's chair may extend the 15-day period by not more than 15 additional days upon request of the responsible governmental unit.

~~(d)~~ (f) Except in an environmentally sensitive location where Minnesota Rules, part 4410.4300, subpart 29, item B, applies, the proposed action is exempt from environmental review under this chapter and rules of the board, if:

(1) the proposed action is:

(i) an animal feedlot facility with a capacity of less than 1,000 animal units; or

(ii) an expansion of an existing animal feedlot facility with a total cumulative capacity of less than 1,000 animal units;

(2) the application for the animal feedlot facility includes a written commitment by the proposer to design, construct, and operate the facility in full compliance with Pollution Control Agency feedlot rules; and

(3) the county board holds a public meeting for citizen input at least ten business days ~~prior to~~ before the Pollution Control Agency or county issuing a feedlot permit for the animal feedlot facility unless another public meeting for citizen input has been held with regard to the feedlot facility to be permitted. The exemption in this paragraph is in addition to other exemptions provided under other law and rules of the board.

~~(e)~~ (g) The board may, ~~prior to~~ before final approval of a proposed project, require preparation of an environmental assessment worksheet by a responsible governmental unit selected by the board for any action where environmental review under this section has not been specifically provided for by rule or otherwise initiated.

~~(f)~~ (h) An early and open process shall be utilized to limit the scope of the environmental impact statement to a discussion of those impacts~~, which~~ that, because of the nature or location of the project, have the potential for significant environmental effects. The same process shall be utilized to determine the form, content, and level of detail of the statement as well as the alternatives ~~which~~ that are appropriate for consideration in the statement. In addition, the permits ~~which~~ that will be required for the proposed action shall be identified during the scoping process. Further, the process shall identify those permits for which information will be developed concurrently with the environmental impact statement. The board shall provide in its rules for the expeditious completion of the scoping process. The determinations reached in the process shall be incorporated into the order requiring the preparation of an environmental impact statement.

~~(g)~~ (i) The responsible governmental unit shall, to the extent practicable, avoid duplication and ensure coordination between state and federal environmental review and between environmental review and environmental permitting. Whenever practical, information needed by a governmental unit for making final decisions on permits or other actions required for a proposed project shall be developed in conjunction with the preparation of an environmental impact statement. When an environmental impact statement is prepared for a project requiring multiple permits for which two or more agencies' decision processes include either mandatory or discretionary hearings before a hearing officer ~~prior to~~ before the agencies' decision on the permit, the agencies may, notwithstanding any law or rule to the contrary, conduct the hearings in a single consolidated hearing process if requested by the proposer. All agencies having jurisdiction over a permit that is included in the consolidated hearing shall participate. The responsible governmental unit shall establish appropriate procedures for the consolidated hearing process, including procedures to ensure that the consolidated hearing process is consistent with the applicable requirements for each permit regarding the rights and duties of parties to the hearing, and shall utilize the earliest applicable hearing procedure to initiate the hearing. All agencies having jurisdiction over a permit identified in the draft environmental impact statement must accept and begin reviewing any permit application upon publication of the notice of preparation of the environmental impact statement.

~~(h)~~ (j) An environmental impact statement shall be prepared and its adequacy determined within 280 days after notice of its preparation unless the time is extended by consent of the parties or by the governor for good cause. The responsible governmental unit shall determine the adequacy of an environmental impact statement, unless within 60 days after notice is published that an environmental impact statement will be prepared, the board chooses to determine the adequacy of an environmental impact statement. If an environmental impact statement is found to be inadequate, the responsible governmental unit shall have 60 days to prepare an adequate environmental impact statement.

~~(i)~~ (k) The proposer of a specific action may include in the information submitted to the responsible governmental unit a preliminary draft environmental impact statement under this section on that action for review, modification, and determination of completeness and adequacy by the responsible governmental unit. A preliminary draft environmental impact statement prepared by the project proposer and submitted to the responsible governmental unit shall identify or include as an appendix all studies and other sources of information used to substantiate the analysis contained in the preliminary draft environmental impact statement. The responsible governmental unit shall require additional studies, if needed, and obtain from the project proposer all additional studies and information necessary for the responsible governmental unit to perform its responsibility to review, modify, and determine the completeness and adequacy of the environmental impact statement.

Sec. 115. Minnesota Statutes 2016, section 116D.04, subdivision 10, is amended to read:

Subd. 10. **Review.** A person aggrieved by a final decision on the need for an environmental assessment worksheet, the need for an environmental impact statement, or the adequacy of an environmental impact statement is entitled to judicial review of the decision under sections 14.63 to 14.68. A petition for a writ of certiorari by an aggrieved person for judicial review under sections 14.63 to 14.68 must be filed with the Court of Appeals and served on the responsible governmental unit not more than ~~30~~ 45 days after the ~~party receives the final decision and order of the~~ responsible governmental unit provides notice of the decision as required by law. Proceedings for review under this section must be instituted by serving a petition for a writ of certiorari personally or by certified mail upon the responsible governmental unit and by promptly filing the proof of service in the Office of the Clerk of the Appellate Courts and the matter will proceed in the manner provided by the Rules of Civil Appellate Procedure. A copy of the petition must be provided to the attorney general at the time of service. Copies of the writ must be served, personally or by certified mail, upon the responsible governmental unit and the project proposer. The filing of the writ of certiorari does not stay the enforcement of any other governmental action, provided that the responsible governmental unit may stay enforcement or the Court of Appeals may order a stay upon terms it deems proper. A bond may be required under section 562.02 unless at the time of hearing on the application for the bond the petitioner-relator has shown that the claim is likely to succeed on the merits. The board may initiate judicial review of decisions referred to herein and the board or a project proposer may intervene as of right in any proceeding brought under this subdivision.

Sec. 116. Minnesota Statutes 2016, section 116D.045, subdivision 1, is amended to read:

Subdivision 1. **Assessment.** The board ~~shall~~ must by rule adopt procedures to:

(1) assess the proposer of a specific action for the responsible government unit's reasonable costs of preparing, reviewing, and distributing the environmental impact statement. The costs ~~shall~~ must be determined by the responsible governmental unit ~~pursuant~~ according to the rules ~~promulgated~~ adopted by the board~~.~~; and

(2) authorize a proposer of a specific action to prepare a draft environmental impact statement for that action for submission to and review, modification, and determination of completeness and adequacy by the responsible governmental unit.

Sec. 117. Minnesota Statutes 2016, section 160.06, is amended to read:

160.06 TRAIL OR PORTAGE DEDICATION.

Any trail or portage between public or navigable bodies of water or from public or navigable water to a public highway in this state ~~which~~ that has been in continued and uninterrupted use by the general public for 15 years or more as a trail or portage for the purposes of travel, ~~shall be~~ is deemed to have been dedicated to the public as a trail or portage. This section ~~shall apply~~ applies only to forest trails on established ~~state water trails~~ canoe routes and the public ~~shall have~~ has the right to use the same for ~~the purposes of~~ travel to the same extent as public highways. The width of all trails and portages dedicated by user ~~shall be~~ is eight feet on each side of the centerline of the trail or portage.

Sec. 118. Minnesota Statutes 2016, section 168.1295, subdivision 1, is amended to read:

Subdivision 1. **General requirements and procedures.** (a) The commissioner shall issue state parks and trails plates to an applicant who:

(1) is a registered owner of a passenger automobile, recreational vehicle, one ton pickup truck, or motorcycle;

(2) pays a fee of $10 to cover the costs of handling and manufacturing the plates;

(3) pays the registration tax required under section 168.013;

(4) pays the fees required under this chapter;

(5) contributes a minimum of ~~$50~~ $60 annually to the state parks and trails donation account established in section 85.056; and

(6) complies with this chapter and rules governing registration of motor vehicles and licensing of drivers.

(b) The state parks and trails plate application must indicate that the contribution specified under paragraph (a), clause (5), is a minimum contribution to receive the plate and that the applicant may make an additional contribution to the account.

(c) State parks and trails plates may be personalized according to section 168.12, subdivision 2a.

Sec. 119. Minnesota Statutes 2016, section 296A.18, subdivision 6a, is amended to read:

Subd. 6a. **Computation of nonhighway use amounts.** The nonhighway use amounts determined in subdivisions 2 to 6 must be transferred from the highway user tax distribution fund to the accounts as provided for in sections 84.794, 84.803, 84.83, 84.927, and 86B.706. These amounts, together with interest and penalties for delinquency in payment, paid or collected pursuant to the provisions of this chapter, must be computed for each six-month period ending June 30 and December 31 and must be transferred on November 1 and ~~June~~ April 1 following each six-month period.

Sec. 120. Laws 2013, chapter 114, article 4, section 105, is amended to read:

Sec. 105. **RULES; SILICA SAND.**

(a) The commissioner of the Pollution Control Agency ~~shall~~ may adopt rules pertaining to the control of particulate emissions from silica sand projects. The rulemaking is exempt from Minnesota Statutes, section 14.125.

(b) The commissioner of natural resources shall adopt rules pertaining to the reclamation of silica sand mines. The rulemaking is exempt from Minnesota Statutes, section 14.125.

(c) By January 1, 2014, the Department of Health shall adopt an air quality health-based value for silica sand.

(d) The Environmental Quality Board ~~shall~~ may amend its rules for environmental review, adopted under Minnesota Statutes, chapter 116D, for silica sand mining and processing to take into account the increased activity in the state and concerns over the size of specific operations. The Environmental Quality Board shall consider whether the requirements of Minnesota Statutes, section 116C.991, should remain part of the environmental review requirements for silica sand and whether the requirements should be different for different geographic areas of the state. The rulemaking is exempt from Minnesota Statutes, section 14.125.

Sec. 121. Laws 2015, First Special Session chapter 4, article 4, section 136, is amended to read:

Sec. 136. **WILD RICE WATER QUALITY STANDARDS.**

(a) Until the commissioner of the Pollution Control Agency amends rules refining the wild rice water quality standard in Minnesota Rules, part 7050.0224, subpart 2, to consider all independent research and publicly funded research and to include criteria for identifying waters and a list of waters subject to the standard, implementation of the wild rice water quality standard in Minnesota Rules, part 7050.0224, subpart 2, shall be limited to the following, unless the permittee requests additional conditions:

(1) when issuing, modifying, or renewing national pollutant discharge elimination system (NPDES) or state disposal system (SDS) permits, the agency shall endeavor to protect wild rice, and in doing so shall be limited by the following conditions:

(i) the agency shall not require permittees to expend money for design or implementation of sulfate treatment technologies or other forms of sulfate mitigation; and

(ii) the agency may require sulfate minimization plans in permits; and

(2) the agency shall not list waters containing natural beds of wild rice as impaired for sulfate under section 303(d) of the federal Clean Water Act, United States Code, title 33, section 1313, until the rulemaking described in this paragraph takes effect.

(b) Upon the rule described in paragraph (a) taking effect, the agency may reopen permits issued or reissued after the effective date of this section as needed to include numeric permit limits based on the wild rice water quality standard.

(c) The commissioner shall complete the rulemaking described in paragraph (a) by January 15, ~~2018~~ 2019.

Sec. 122. Laws 2016, chapter 189, article 3, section 46, is amended to read:

Sec. 46. **PRESCRIBED BURN REQUIREMENTS; REPORT.**

The commissioner of natural resources, in cooperation with prescribed burning professionals, nongovernmental organizations, and local and federal governments, must develop criteria for certifying an entity to conduct a prescribed burn under ~~a general~~ an open burning permit. The certification requirements must include training, equipment, and experience requirements and include an apprentice program to allow entities without experience to become certified. The commissioner must establish provisions for decertifying entities. The commissioner must not require additional certification or requirements for burns conducted as part of normal agricultural practices not currently subject to prescribed burn specifications. The commissioner must submit a report with recommendations and any legislative changes needed to the chairs and ranking minority members of the house of representatives and senate committees and divisions with jurisdiction over environment and natural resources by January 15, 2017.

Sec. 123. **DEMOLITION DEBRIS LANDFILL PERMITTING.**

A solid waste permit issued by the Pollution Control Agency to an existing class I demolition debris landfill facility that is operating under the Pollution Control Agency Demolition Landfill Guidance, issued August 2005, is extended pursuant to Minnesota Rules, part 7001.0160, for five years, unless a new permit is issued for the facility by the Pollution Control Agency after the effective date of this section.

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

Sec. 124. **ENVIRONMENTAL QUALITY BOARD MEMBERSHIP TRANSITION.**

(a) Until the governor has appointed members of the Environmental Quality Board from each congressional district as required under this act, this section governs membership of the board.

(b) The citizen members of the board as of July 1, 2017, shall continue to serve until the expiration of their terms.

(c) No later than October 1, 2017, the governor shall appoint board members from the first, second, seventh, and eighth congressional districts for terms to begin January 2, 2018.

(d) No later than October 1, 2018, the governor shall appoint a board member from the third congressional district for a term to begin January 8, 2019.

(e) No later than October 1, 2019, the governor shall appoint a board member from the fourth congressional district for a term to begin January 7, 2020.

(f) No later than October 1, 2020, the governor shall appoint a board member from the fifth congressional district for a term to begin January 5, 2021.

(g) No later than October 1, 2021, the governor shall appoint a commissioner from the sixth congressional district for a term to begin January 4, 2022.

Sec. 125. **SAND DUNES STATE FOREST MANAGEMENT; PLAN REQUIRED.**

Subdivision 1. **Forest management.** When managing the Sand Dunes State Forest, the commissioner of natural resources must:

(1) not convert additional land to oak savanna or convert oak savanna to nonforest land unless it is done as a result of a contract entered into before the effective date of this section;

(2) require all prairie seeds planted to be from native species of a local ecotype to Sherburne or Benton County; and

(3) comply with the Minnesota Forest Resources Council's guidelines for aesthetics in residential areas.

Subd. 2. **Forest management plan; county approval.** Within two years of the effective date of this section, the commissioner must develop and submit a forest management plan for the Sand Dunes State Forest that has been approved by the county board to the chairs and ranking minority members of the house of representatives and senate committees and divisions with jurisdiction over environment and natural resources.

Subd. 3. **Prescribed burns; notification.** At least 40 days before conducting a prescribed burn, the commissioner must:

(1) publish a notice in a newspaper of general circulation in the area;

(2) notify the county and township in writing; and

(3) notify residents within a quarter mile of the prescribed burn in writing.

Subd. 4. **School trust lands.** Nothing in this section restricts the ability of the commissioner or the school trust lands director from managing school trust lands within the Sand Dunes State Forest for economic return.

Subd. 5. **Township road.** If the commissioner of natural resources finds that any portion of 233rd Avenue within the Sand Dunes State Forest is not owned by the township, the commissioner must convey an easement over and across state-owned lands administered by the commissioner to the township under Minnesota Statutes, section 84.63, for the width of 233rd Avenue.

Subd. 6. **Sunset.** This section expires two years from the day following final enactment.

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

Sec. 126. **FORT RIDGELY STATE PARK GOLF COURSE.**

(a) By May 1, 2017, the commissioner of natural resources must work out an agreement with the city of Fairfax that allows the city to lease and operate the golf course at Fort Ridgely State Park. The agreement must include:

(1) lease and operation of the existing golf course;

(2) lease of the irrigation system, including the ability to maintain and repair it;

(3) lease of the upper level of the Fort Ridgely State Park Chalet;

(4) lease of Storage Building 4-292;

(5) the ability for golf carts to be used by users of the golf course;

(6) the ability to offer liquor for sale;

(7) public access to the golf course without requiring a state park permit;

(8) the ability to improve the golf course, including improvements to golf-cart paths and the chalet; and

(9) terms that ensure there is not a negative fiscal impact to the Department of Natural Resources.

(b) The agreement must allow the city to lease the golf course for 12 months and renew the lease annually for at least ten years. The rental fee must not exceed eight percent of the total green fees received, excluding golf-cart rental fees. The commissioner must ensure that the golf course has a playable surface when the lease begins and the city of Fairfax must ensure the golf course has a playable surface should the lease expire.

(c) Admission to property leased under this section is exempt from state park permit fees required under Minnesota Statutes, chapter 85.

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

Sec. 127. **HILL-ANNEX MINE STATE PARK MANAGEMENT AND OPERATION PLAN.**

The commissioner of natural resources must work with the commissioner of the Iron Range Resources and Rehabilitation Board and representatives from the city of Calumet, Itasca County, and the Western Mesabi Mine Planning Board to create an alternate operating model for local management and operation of Hill-Annex Mine State Park until mining resumes on the property. The commissioner of natural resources must submit a management and operation plan to the chairs and ranking minority members of the house of representatives and senate committees and divisions with jurisdiction over environment and natural resources by January 15, 2018.

Sec. 128. **BASE BUDGET REPORT.**

(a) The commissioners of natural resources and the Pollution Control Agency must each submit a report that contains the details of their base budgets, by fiscal year, including:

(1) appropriation riders for the previous biennium and the year the rider was first used;

(2) anticipated appropriation riders for the fiscal years 2020-2021 biennium;

(3) statutory appropriations; and

(4) an explanation on the use of funds for each appropriation not covered by a rider.

(b) The reports must be submitted to the chairs and ranking minority members of the house of representatives and senate committees and divisions with jurisdiction over environment and natural resources by October 15, 2018.

Sec. 129. **RULEMAKING; MINNOW LICENSES.**

The commissioner of natural resources shall amend Minnesota Rules, part 6254.0100, subpart 2, to conform with Minnesota Statutes, section 97C.501, subdivision 1. The commissioner may use the good cause exemption under Minnesota Statutes, section 14.388, subdivision 1, clause (3), to adopt rules under this section, and Minnesota Statutes, section 14.386, does not apply, except as provided under Minnesota Statutes, section 14.388.

Sec. 130. **CANCELLATION OF PERMITS.**

Water-use permits issued before July 1, 2017, for water use exempted under Minnesota Statutes, section 103G.271, subdivision 1, paragraph (b), clause (3), are canceled effective July 1, 2017.

Sec. 131. **RULEMAKING; EFFLUENT LIMITATION COMPLIANCE.**

(a) The commissioner of the Pollution Control Agency shall amend Minnesota Rules, part 7001.0150, subpart 2, item A, by inserting the following:

"For a municipality that constructs a publicly owned treatment works facility or an industrial national pollutant discharge elimination system/state disposal system permit holder who constructs a treatment works facility to comply with a new or modified effluent limitation, compliance with any new or modified effluent limitation adopted after construction begins that would require additional capital investment is required no sooner than 16 years after the date of initiation of operation of the facility."

(b) The commissioner may use the good cause exemption under Minnesota Statutes, section 14.388, subdivision 1, clause (3), to adopt rules under this section, and Minnesota Statutes, section 14.386, does not apply, except as provided under Minnesota Statutes, section 14.388.

Sec. 132. **REPEALER.**

(a) Minnesota Statutes 2016, sections 84.026, subdivision 3; 97B.031, subdivision 5; 97C.701, subdivisions 1a and 6; 97C.705; 97C.711; and 116C.04, subdivisions 3 and 4, are repealed.

(b) Minnesota Rules, parts 6258.0100; 6258.0200; 6258.0300; 6258.0400; 6258.0500; 6258.0600; 6258.0700, subparts 1, 4, and 5; 6258.0800; and 6258.0900, are repealed."

Delete the title and insert:

"A bill for an act relating to state government; appropriating money for environment, natural resources, and tourism purposes; modifying fees; creating accounts; providing for disposition of certain receipts; modifying grant, contract, and lease provisions; modifying water safety provisions; modifying provisions to take, possess, and transport wildlife; modifying duties and authority; modifying buffer requirements; modifying wetland provisions; modifying invasive species provisions; modifying off-highway vehicle provisions; modifying permit and license requirements; modifying Petroleum Tank Release Cleanup Act; extending ban on open air swine basins; modifying environmental review; modifying Environmental Quality Board; requiring reports; requiring rulemaking; amending Minnesota Statutes 2016, sections 84.01, by adding a subdivision; 84.027, subdivisions 14a, 14b, by adding subdivisions; 84.788, subdivision 2; 84.793, subdivision 1; 84.82, subdivision 2; 84.925, subdivision 1; 84.9256, subdivisions 1, 2; 84.946, subdivision 2, by adding a subdivision; 84.992, subdivisions 3, 4, 5, 6; 84D.03, subdivisions 3, 4; 84D.04, subdivision 1; 84D.05, subdivision 1; 84D.108, subdivision 2a, by adding a subdivision; 84D.11, by adding a subdivision; 85.052, subdivision 1; 85.054, by adding a subdivision; 85.055, subdivision 1; 85.22, subdivision 2a; 85.32, subdivision 1; 86B.313, subdivision 1; 86B.511; 86B.701, subdivision 3; 88.01, subdivision 28; 88.523; 89.39; 90.01, subdivisions 8, 12, by adding a subdivision; 90.041, subdivision 2; 90.051; 90.101, subdivision 2; 90.14; 90.145, subdivision 2; 90.151, subdivision 1; 90.162; 90.252; 93.47, subdivision 4; 93.481, subdivision 2; 93.50; 94.343, subdivision 9; 94.344, subdivision 9; 97A.015, subdivisions 39, 43, 45, 52, 53; 97A.045, subdivision 10; 97A.075, subdivision 1; 97A.137, subdivision 5; 97A.201, subdivision 2, by adding a subdivision; 97A.301, subdivision 1; 97A.338; 97A.420, subdivision 1; 97A.421, subdivision 2a; 97B.031, subdivision 6; 97B.516; 97B.655, subdivision 1; 97C.401, subdivision 2; 97C.501, subdivision 1; 97C.701, by adding a subdivision; 103B.101, subdivision 12a; 103F.411, subdivision 1; 103F.48, subdivisions 1, 3, 7; 103G.005, subdivisions 10b, 10h, by adding a subdivision; 103G.222, subdivisions 1, 3; 103G.2242, subdivision 2; 103G.2372, subdivision 1; 103G.271, subdivisions 1, 6, 6a, 7, by adding a subdivision; 103G.287, subdivisions 1, 4; 103G.411; 114D.25, by adding a subdivision; 115B.41, subdivision 1; 115B.421; 115C.021, subdivision 1, by adding a subdivision; 116.03, subdivision 2b, by adding subdivisions; 116.07, subdivision 4d, by adding subdivisions; 116.0714; 116C.03, subdivision 2; 116C.04, subdivision 2; 116D.04, subdivisions 2a, 10; 116D.045, subdivision 1; 160.06; 168.1295, subdivision 1; 296A.18, subdivision 6a; Laws 2013, chapter 114, article 4, section 105; Laws 2015, First Special Session chapter 4, article 4, section 136; Laws 2016, chapter 189, article 3, sections 6; 46; proposing coding for new law in Minnesota Statutes, chapters 85; 93; 97B; 115; 115B; repealing Minnesota Statutes 2016, sections 84.026, subdivision 3; 97B.031, subdivision 5; 97C.701, subdivisions 1a, 6; 97C.705; 97C.711; 116C.04, subdivisions 3, 4; Minnesota Rules, parts 6258.0100; 6258.0200; 6258.0300; 6258.0400; 6258.0500; 6258.0600; 6258.0700, subparts 1, 4, 5; 6258.0800; 6258.0900."

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

The report was adopted.

Loon from the Committee on Education Finance to which was referred:

H. F. No. 890, A bill for an act relating to education finance; providing funding in early childhood, kindergarten through grade 12, and adult education, including general education, education excellence, special education, facilities and technology, nutrition, libraries, early childhood and family support, community education and prevention, self-sufficiency and lifelong learning, and state agencies; appropriating money; requiring a report; amending Minnesota Statutes 2016, sections 122A.415, subdivision 4; 123B.53, subdivision 4; 124D.151, subdivisions 2, 5, 6; 124D.165, subdivision 2; 124D.83, subdivision 2; 125A.76, subdivisions 1, 2a, 2c; 125A.79, subdivision 5; 126C.10, subdivisions 2, 13a, 37; 127A.45, subdivision 12; repealing Minnesota Statutes 2016, sections 125A.75, subdivision 7; 125A.76, subdivision 2b.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1
GENERAL EDUCATION

Section 1. Minnesota Statutes 2016, section 121A.22, subdivision 2, is amended to read:

Subd. 2. **Exclusions.** In addition, this section does not apply to drugs or medicine that are:

(1) purchased without a prescription;

(2) used by a pupil who is 18 years old or older;

(3) used in connection with services for which a minor may give effective consent, including section 144.343, subdivision 1, and any other law;

(4) used in situations in which, in the judgment of the school personnel who are present or available, the risk to the pupil's life or health is of such a nature that drugs or medicine should be given without delay;

(5) used off the school grounds;

(6) used in connection with athletics or extra curricular activities;

(7) used in connection with activities that occur before or after the regular school day;

(8) provided or administered by a public health agency to prevent or control an illness or a disease outbreak as provided for in sections 144.05 and 144.12;

(9) prescription asthma or reactive airway disease medications self-administered by a pupil with an asthma inhaler, consistent with section 121A.221, if the district has received a written authorization from the pupil's parent permitting the pupil to self-administer the medication, the inhaler is properly labeled for that student, and the parent has not requested school personnel to administer the medication to the pupil. The parent must submit written authorization for the pupil to self-administer the medication each school year; or

(10) epinephrine auto-injectors, consistent with section 121A.2205, if the parent and prescribing medical professional annually inform the pupil's school in writing that (i) the pupil may possess the epinephrine or (ii) the pupil is unable to possess the epinephrine and requires immediate access to epinephrine auto-injectors that the parent provides properly labeled to the school for the pupil as needed.

Sec. 2. Minnesota Statutes 2016, section 121A.221, is amended to read:

121A.221 POSSESSION AND USE OF ASTHMA INHALERS BY ASTHMATIC STUDENTS.

(a) Consistent with section 121A.22, subdivision 2, clause (9), in a school district that employs a school nurse or provides school nursing services under another arrangement, the school nurse or other appropriate party must assess the student's knowledge and skills to safely possess and use an asthma inhaler in a school setting and enter into the student's school health record a plan to implement safe possession and use of asthma inhalers.

(b) Consistent with section 121A.22, subdivision 2, clause (9), in a school that does not have a school nurse or school nursing services, the student's parent or guardian must submit written verification from the prescribing professional that documents an assessment of the student's knowledge and skills to safely possess and use an asthma inhaler in a school setting has been completed.

Sec. 3. Minnesota Statutes 2016, section 123B.41, subdivision 2, is amended to read:

Subd. 2. **Textbook.** (a) "Textbook" means any book or book substitute, including electronic books as well as other printed materials delivered electronically, which a pupil uses as a text or text substitute in a particular class or program in the school regularly attended and a copy of which is expected to be available for the individual use of each pupil in this class or program. Textbook includes an online book with an annual subscription cost.

(b) For purposes of calculating the annual nonpublic pupil aid entitlement for textbooks, the term shall be limited to books, workbooks, or manuals, whether bound or in loose-leaf form, as well as electronic books and other printed materials delivered electronically, intended for use as a principal source of study material for a given class or a group of students.

(c) For purposes of sections 123B.40 to 123B.48, the terms "textbook" and "software or other educational technology" include only such secular, neutral, and nonideological materials as are available, used by, or of benefit to Minnesota public school pupils.

EFFECTIVE DATE. This section is effective for revenue in fiscal year 2018 and later.

Sec. 4. Minnesota Statutes 2016, section 123B.41, subdivision 5a, is amended to read:

Subd. 5a. **Software or other educational technology.** For purposes of sections 123B.42 and 123B.43, "software or other educational technology" includes software, programs, applications, hardware, and any other electronic educational technology. Software or other educational technology includes course registration fees for advanced placement courses delivered online.

EFFECTIVE DATE. This section is effective for revenue in fiscal year 2018 and later.

Sec. 5. Minnesota Statutes 2016, section 123B.42, subdivision 3, is amended to read:

Subd. 3. **Cost; limitation.** (a) The cost per pupil of the textbooks, individualized instructional or cooperative learning materials, software or other educational technology, and standardized tests provided for in this section for each school year must not exceed the statewide average expenditure per pupil~~, adjusted pursuant to clause (b),~~ by the Minnesota public elementary and secondary schools for textbooks, individualized instructional materials and standardized tests as computed and established by the department by February 1 of the preceding school year from the most recent public school year data then available.

~~(b) The cost computed in clause (a) shall be increased by an inflation adjustment equal to the percent of increase in the formula allowance, pursuant to section 126C.10, subdivision 2, from the second preceding school year to the current school year. Notwithstanding the amount of the formula allowance for fiscal years 2015 and 2016 in section 126C.10, subdivision 2, the commissioner shall use the amount of the formula allowance for the current year minus $414 in determining the inflation adjustment for fiscal years 2015 and 2016.~~

~~(c)~~ (b) The commissioner shall allot to the districts or intermediary service areas the total cost for each school year of providing or loaning the textbooks, individualized instructional or cooperative learning materials, software or other educational technology, and standardized tests for the pupils in each nonpublic school. The allotment shall not exceed the product of the statewide average expenditure per pupil~~, according to clause (a), adjusted pursuant to clause (b),~~ multiplied by the number of nonpublic school pupils who make requests pursuant to this section and who are enrolled as of September 15 of the current school year.

EFFECTIVE DATE. This section is effective for fiscal year 2018 and later.

Sec. 6. Minnesota Statutes 2016, section 123B.92, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For purposes of this section and section 125A.76, the terms defined in this subdivision have the meanings given to them.

(a) "Actual expenditure per pupil transported in the regular and excess transportation categories" means the quotient obtained by dividing:

(1) the sum of:

(i) all expenditures for transportation in the regular category, as defined in paragraph (b), clause (1), and the excess category, as defined in paragraph (b), clause (2), plus

(ii) an amount equal to one year's depreciation on the district's school bus fleet and mobile units computed on a straight line basis at the rate of 15 percent per year for districts operating a program under section 124D.128 for grades 1 to 12 for all students in the district and 12-1/2 percent per year for other districts of the cost of the fleet, plus

(iii) an amount equal to one year's depreciation on the district's type III vehicles, as defined in section 169.011, subdivision 71, which must be used a majority of the time for pupil transportation purposes, computed on a straight line basis at the rate of 20 percent per year of the cost of the type three school buses by:

(2) the number of pupils eligible for transportation in the regular category, as defined in paragraph (b), clause (1), and the excess category, as defined in paragraph (b), clause (2).

(b) "Transportation category" means a category of transportation service provided to pupils as follows:

(1) Regular transportation is:

(i) transportation to and from school during the regular school year for resident elementary pupils residing one mile or more from the public or nonpublic school they attend, and resident secondary pupils residing two miles or more from the public or nonpublic school they attend, excluding desegregation transportation and noon kindergarten transportation; but with respect to transportation of pupils to and from nonpublic schools, only to the extent permitted by sections 123B.84 to 123B.87;

(ii) transportation of resident pupils to and from language immersion programs;

(iii) transportation of a pupil who is a custodial parent and that pupil's child between the pupil's home and the child care provider and between the provider and the school, if the home and provider are within the attendance area of the school;

(iv) transportation to and from or board and lodging in another district, of resident pupils of a district without a secondary school; and

(v) transportation to and from school during the regular school year required under subdivision 3 for nonresident elementary pupils when the distance from the attendance area border to the public school is one mile or more, and for nonresident secondary pupils when the distance from the attendance area border to the public school is two miles or more, excluding desegregation transportation and noon kindergarten transportation.

For the purposes of this paragraph, a district may designate a licensed day care facility, school day care facility, respite care facility, the residence of a relative, or the residence of a person or other location chosen by the pupil's parent or guardian, or an after-school program for children operated by a political subdivision of the state, as the home of a pupil for part or all of the day, if requested by the pupil's parent or guardian, and if that facility, residence, or program is within the attendance area of the school the pupil attends.

(2) Excess transportation is:

(i) transportation to and from school during the regular school year for resident secondary pupils residing at least one mile but less than two miles from the public or nonpublic school they attend, and transportation to and from school for resident pupils residing less than one mile from school who are transported because of full-service school zones, extraordinary traffic, drug, or crime hazards; and

(ii) transportation to and from school during the regular school year required under subdivision 3 for nonresident secondary pupils when the distance from the attendance area border to the school is at least one mile but less than two miles from the public school they attend, and for nonresident pupils when the distance from the attendance area border to the school is less than one mile from the school and who are transported because of full-service school zones, extraordinary traffic, drug, or crime hazards.

(3) Desegregation transportation is transportation within and outside of the district during the regular school year of pupils to and from schools located outside their normal attendance areas under a plan for desegregation mandated by the commissioner or under court order.

(4) "Transportation services for pupils with disabilities" is:

(i) transportation of pupils with disabilities who cannot be transported on a regular school bus between home or a respite care facility and school;

(ii) necessary transportation of pupils with disabilities from home or from school to other buildings, including centers such as developmental achievement centers, hospitals, and treatment centers where special instruction or services required by sections 125A.03 to 125A.24, 125A.26 to 125A.48, and 125A.65 are provided, within or outside the district where services are provided;

(iii) necessary transportation for resident pupils with disabilities required by sections 125A.12, and 125A.26 to 125A.48;

(iv) board and lodging for pupils with disabilities in a district maintaining special classes;

(v) transportation from one educational facility to another within the district for resident pupils enrolled on a shared-time basis in educational programs, and necessary transportation required by sections 125A.18, and 125A.26 to 125A.48, for resident pupils with disabilities who are provided special instruction and services on a shared-time basis or if resident pupils are not transported, the costs of necessary travel between public and private schools or neutral instructional sites by essential personnel employed by the district's program for children with a disability;

(vi) transportation for resident pupils with disabilities to and from board and lodging facilities when the pupil is boarded and lodged for educational purposes;

(vii) transportation of pupils for a curricular field trip activity on a school bus equipped with a power lift when the power lift is required by a student's disability or section 504 plan; and

(viii) services described in clauses (i) to (vii), when provided for pupils with disabilities in conjunction with a summer instructional program that relates to the pupil's individualized education program or in conjunction with a learning year program established under section 124D.128.

For purposes of computing special education initial aid under section 125A.76, the cost of providing transportation for children with disabilities includes (A) the additional cost of transporting a student in a shelter care facility as defined in section 260C.007, subdivision 30, a homeless student ~~from a temporary nonshelter home~~ in another district to the school of origin, or a formerly homeless student from a permanent home in another district to the school of origin but only through the end of the academic year; and (B) depreciation on district-owned school buses purchased after July 1, 2005, and used primarily for transportation of pupils with disabilities, calculated according to paragraph (a), clauses (ii) and (iii). Depreciation costs included in the disabled transportation category must be excluded in calculating the actual expenditure per pupil transported in the regular and excess transportation categories according to paragraph (a). For purposes of subitem (A), a school district may transport a child who does not have a school of origin to the same school attended by that child's sibling, if the siblings are homeless or in a shelter care facility.

(5) "Nonpublic nonregular transportation" is:

(i) transportation from one educational facility to another within the district for resident pupils enrolled on a shared-time basis in educational programs, excluding transportation for nonpublic pupils with disabilities under clause (4);

(ii) transportation within district boundaries between a nonpublic school and a public school or a neutral site for nonpublic school pupils who are provided pupil support services pursuant to section 123B.44; and

(iii) late transportation home from school or between schools within a district for nonpublic school pupils involved in after-school activities.

(c) "Mobile unit" means a vehicle or trailer designed to provide facilities for educational programs and services, including diagnostic testing, guidance and counseling services, and health services. A mobile unit located off nonpublic school premises is a neutral site as defined in section 123B.41, subdivision 13.

EFFECTIVE DATE. This section is effective retroactively from December 10, 2016.

Sec. 7. Minnesota Statutes 2016, section 123B.92, subdivision 9, is amended to read:

Subd. 9. **Nonpublic pupil transportation aid.** (a) A district's nonpublic pupil transportation aid ~~for the 1996-1997 and later school years~~ for transportation services for nonpublic school pupils according to sections 123B.88, 123B.84 to 123B.86, and this section, equals the sum of the amounts computed in paragraphs (b) and (c). This aid does not limit the obligation to transport pupils under sections 123B.84 to 123B.87.

(b) For regular and excess transportation according to subdivision 1, paragraph (b), clauses (1) and (2), an amount equal to the product of:

(1) the district's actual expenditure per pupil transported in the regular and excess transportation categories during the second preceding school year; ~~times~~ and

(2) the number of nonpublic school pupils residing in the district who receive regular or excess transportation service or reimbursement for the current school year~~; times~~.

~~(3) the ratio of the formula allowance pursuant to section 126C.10, subdivision 2, for the current school year to the formula allowance pursuant to section 126C.10, subdivision 2, for the second preceding school year.~~

(c) For nonpublic nonregular transportation according to subdivision 1, paragraph (b), clause (5), an amount equal to ~~the product of:~~

~~(1)~~ the district's actual expenditure for nonpublic nonregular transportation during the second preceding school year~~; times~~.

~~(2) the ratio of the formula allowance pursuant to section 126C.10, subdivision 2, for the current school year to the formula allowance pursuant to section 126C.10, subdivision 2, for the second preceding school year.~~

~~(d) Notwithstanding the amount of the formula allowance for fiscal years 2015 and 2016 in section 126C.10, subdivision 2, the commissioner shall use the amount of the formula allowance for the current year minus $414 in determining the nonpublic pupil transportation revenue in paragraphs (b) and (c) for fiscal years 2015 and 2016.~~

EFFECTIVE DATE. This section is effective for fiscal year 2018 and later.

Sec. 8. Minnesota Statutes 2016, section 126C.05, subdivision 8, is amended to read:

Subd. 8. **Average daily membership.** (a) Membership for pupils in grades kindergarten through 12 and for prekindergarten pupils with disabilities shall mean the number of pupils on the current roll of the school, counted from the date of entry until withdrawal. The date of withdrawal shall mean the day the pupil permanently leaves the school or the date it is officially known that the pupil has left or has been legally excused. However, a pupil, regardless of age, who has been absent from school for 15 consecutive school days during the regular school year or for five consecutive school days during summer school or intersession classes of flexible school year programs without receiving instruction in the home or hospital shall be dropped from the roll and classified as withdrawn. Nothing in this section shall be construed as waiving the compulsory attendance provisions cited in section 120A.22. Average daily membership equals the sum for all pupils of the number of days of the school year each pupil is enrolled in the district's schools divided by the number of days the schools are in session. Days of summer school or intersession classes of flexible school year programs are only included in the computation of membership for pupils with a disability not appropriately served primarily in the regular classroom. A student must not be counted as more than 1.2 pupils in average daily membership under this section and section 126C.10, subdivision 2a, paragraph (b). When the initial total average daily membership exceeds 1.2 for a pupil enrolled in more than one school district during the fiscal year, each district's average daily membership must be reduced proportionately.

(b) A student must not be counted as more than one pupil in average daily membership except for purposes of section 126C.10, subdivision 2a.

Sec. 9. Minnesota Statutes 2016, section 126C.10, subdivision 2, is amended to read:

Subd. 2. **Basic revenue.** 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 2015 is $5,831. The formula allowance for fiscal year 2016 is $5,948.~~ The formula allowance for fiscal year 2017 ~~and later~~ is $6,067. The formula allowance for fiscal year 2018 is $6,158. The formula allowance for fiscal year 2019 and later is $6,249.

EFFECTIVE DATE. This section is effective for revenue in fiscal year 2018 and later.

Sec. 10. Minnesota Statutes 2016, section 126C.10, subdivision 2a, is amended to read:

Subd. 2a. **Extended time revenue.** (a) A school district's extended time revenue is equal to the product of $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) Extended time revenue for pupils placed in an on-site education program at the Prairie Lakes Education Center or the Lake Park School, located within the borders of Independent School District No. 347, Willmar, for instruction provided after the end of the preceding regular school year and before the beginning of the following regular school year equals membership hours divided by the minimum annual instructional hours in section 126C.05, subdivision 15, not to exceed 0.20, times the pupil unit weighting in section 126C.05, subdivision 1, times $5,117.

(c) A school district's extended time 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.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2018 and later.

Sec. 11. Minnesota Statutes 2016, section 126C.10, subdivision 3, is amended to read:

Subd. 3. **Compensatory education revenue.** (a) ~~For fiscal year 2014, the compensatory education revenue for each building in the district equals the formula allowance minus $415 times the compensation revenue pupil units computed according to section 126C.05, subdivision 3. For fiscal year 2015 and later,~~ The compensatory education revenue for each building in the district equals the formula allowance for fiscal year 2017 minus $839 times the compensation revenue pupil units computed according to section 126C.05, subdivision 3. A district's compensatory revenue equals:

(1) the sum of its compensatory revenue for each building in the district;

(2) the amounts computed under paragraph (b); and

(3) the amounts computed under section 126C.131.

(b) A district's additional compensatory revenue equals the amount designated under Laws 2015, First Special Session chapter 3, article 2, section 70, subdivision 8, for fiscal year 2018. Revenue shall be paid to the district and must be allocated according to section 126C.15, subdivision 2.

~~(b)~~ (c) When the district contracting with an alternative program under section 124D.69 changes prior to the start of a school year, the compensatory revenue generated by pupils attending the program shall be paid to the district contracting with the alternative program for the current school year, and shall not be paid to the district contracting with the alternative program for the prior school year.

~~(c)~~ (d) When the fiscal agent district for an area learning center changes prior to the start of a school year, the compensatory revenue shall be paid to the fiscal agent district for the current school year, and shall not be paid to the fiscal agent district for the prior school year.

(e) For fiscal years 2018 to 2022 only, the amount in paragraph (b) is increased by 75 percent of the difference between the amounts calculated under Laws 2015, First Special Session chapter 3, article 2, section 70, subdivision 8, for fiscal years 2017 and 2018.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2018 and later.

Sec. 12. Minnesota Statutes 2016, section 126C.10, subdivision 13a, is amended to read:

Subd. 13a. **Operating capital levy.** To obtain operating capital revenue, 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 pupil unit to the operating capital equalizing factor. The operating capital equalizing factor equals $15,740 for fiscal year 2017, ~~$19,972~~ $19,245 for fiscal year 2018, and ~~$22,912~~ $22,185 for fiscal year 2019 and later.

Sec. 13. **[126C.131] TARGETED COMPENSATORY REVENUE.**

Subdivision 1. **Policy and purpose.** The policy and purpose of this section are to close the opportunity gap by increasing student performance growth rates and proficiency rates by targeting compensatory revenue to the most productive instructional activities.

Subd. 2. **Eligibility.** A school site qualifies for targeted compensatory revenue under this section if the school site receives compensatory revenue under section 126C.10, subdivision 3.

Subd. 3. **Statewide revenue amount.** For fiscal year 2018, the total amount available for targeted compensatory revenue under this section is $11,000,000. The total amount available for targeted compensatory revenue for fiscal year 2019 and thereafter is $15,000,000.

Subd. 4. **Targeted compensatory revenue.** Each school site's initial targeted compensatory revenue equals:

(1) the statewide revenue amount for that year under subdivision 3, divided by the statewide sum of the number of pupils eligible to receive free lunch and 0.5 times the sum of the pupils eligible to receive reduced-price lunch on October 1 of the previous year; and

(2) the sum of the number of pupils enrolled in the building eligible to receive free lunch and 0.5 times the number of pupils eligible to receive reduced-price lunch on October 1 of the previous year.

Subd. 5. **Participation on Minnesota Comprehensive Assessments.** For fiscal years 2018 and later, each school site's targeted compensatory revenue equals its initial revenue under subdivision 4 multiplied by:

(1) the lesser of one; or

(2) the ratio of the school site's average student participation percentage rate on all of the Minnesota Comprehensive Assessments administered at that site during the previous fiscal year to 95 percent.

Subd. 6. **Revenue uses.** (a) Targeted compensatory revenue must be used for extended time activities according to section 126C.10, subdivision 2a, paragraph (c).

(b) Targeted compensatory revenue generated at a school site under this section may be used at any school site, provided the services are provided to the students enrolled at the site generating the revenue.

Sec. 14. Minnesota Statutes 2016, section 127A.41, subdivision 3, is amended to read:

Subd. 3. **Audits.** The commissioner shall establish procedures for conducting and shall conduct audits of district records and files for the purpose of verifying district pupil counts, levy limitations, and aid entitlements. The commissioner shall establish procedures for selecting and shall select districts to be audited. Disparities, if any, between pupil counts, levy limitations, or aid entitlements determined by audit of district records and files and data reported by districts in reports, claims and other documents shall be reviewed by the commissioner who shall order increases or decreases accordingly. Whenever possible, the commissioner shall audit at least 25 districts each year pursuant to this subdivision. Procedures adopted under this subdivision are not subject to chapter 14, including section 14.386, and may differ from the procedures under section 127A.42.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 15. Minnesota Statutes 2016, section 127A.45, subdivision 10, is amended to read:

Subd. 10. **Payments to school nonoperating funds.** Each fiscal year state general fund payments for a district nonoperating fund must be made at the current year aid payment percentage of the estimated entitlement during the fiscal year of the entitlement. This amount shall be paid in ~~12~~ six equal monthly installments from July through December. The amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement must be paid prior to October 31 of the following school year. The commissioner may make advance payments of debt service equalization aid and state-paid tax credits for a district's debt service fund earlier than would occur under the preceding schedule if the district submits evidence showing a serious cash flow problem in the fund. The commissioner may make earlier payments during the year and, if necessary, increase the percent of the entitlement paid to reduce the cash flow problem.

Sec. 16. **LEGISLATIVE STUDY GROUP ON SCHOOL FINANCE.**

(a) A 12-member legislative study group on school finance is created to review Minnesota's school finance system and recommend changes to make it more equitable and efficient. The study group must submit a written report by February 1, 2018, to the legislature recommending how to restructure Minnesota's school finance system. The study group must publicly adopt goals for Minnesota's school funding system and identify specific formula changes to implement those goals. The study group must examine compensatory revenue and funding for regular instruction, special education, and facilities. The study group may also examine other areas of Minnesota's school finance system. In developing its recommendations, the study group must identify and include in its report any statutory changes needed to implement the study group's recommendations.

(b) The legislative study group on school finance includes:

(1) six duly elected and currently serving members of the house of representatives, three appointed by the speaker of the house and three appointed by the house minority leader, and one of whom must be the current chair of the house of representatives Education Finance Committee or the chair's designee; and

(2) six duly elected and currently serving senators, three appointed by the senate majority leader and three appointed by the senate minority leader, one of whom must be the current chair of the senate Education Finance Committee or the chair's designee.

Only duly elected and currently serving members of the house of representatives or senate may be study group members.

(c) The appointments must be made by June 1, 2017, and expire February 2, 2018. If a vacancy occurs, the leader of the caucus in the house of representatives or senate to which the vacating study group member belonged must fill the vacancy. The chair of the house of representatives Education Finance Committee shall convene the first meeting of the study group. The study group shall elect a chair or cochairs from among the members at the first meeting. The study group must meet periodically. The Legislative Coordinating Commission shall provide technical and administrative assistance upon request.

(d) In performing its tasks, the study group must consult with interested and affected stakeholders.

(e) The study group expires February 2, 2018, unless extended by law.

Sec. 17. **NEVIS SCHOOL DISTRICT; LEVY ADJUSTMENT.**

Notwithstanding Minnesota Statutes, section 126C.48, Independent School District No. 308, Nevis, at the discretion of its school board, may spread any levy adjustment remaining from the conversion of its operating referendum revenue over three or fewer years beginning with school property taxes for taxes payable in 2018.

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

Sec. 18. **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:

$6,981,830,000	. . . . .	2018
$7,135,532,000	. . . . .	2019

The 2018 appropriation includes $686,828,000 for 2017 and $6,295,002,000 for 2018.

The 2019 appropriation includes $699,444,000 for 2018 and $6,436,088,000 for 2019.

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:

$29,000	. . . . .	2018
$31,000	. . . . .	2019

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

$2,374,000	. . . . .	2018
$2,163,000	. . . . .	2019

The 2018 appropriation includes $262,000 for 2017 and $2,112,000 for 2018.

The 2019 appropriation includes $234,000 for 2018 and $1,929,000 for 2019.

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

$185,000	. . . . .	2018
$382,000	. . . . .	2019

The 2018 appropriation includes $0 for 2017 and $185,000 for 2018.

The 2019 appropriation includes $20,000 for 2018 and $362,000 for 2019.

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

$18,138,000	. . . . .	2018
$18,987,000	. . . . .	2019

The 2018 appropriation includes $1,687,000 for 2017 and $16,451,000 for 2018.

The 2019 appropriation includes $1,827,000 for 2018 and $17,160,000 for 2019.

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

$18,049,000	. . . . .	2018
$17,857,000	. . . . .	2019

The 2018 appropriation includes $1,835,000 for 2017 and $16,214,000 for 2018.

The 2019 appropriation includes $1,801,000 for 2018 and $16,056,000 for 2019.

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

$65,000	. . . . .	2018
$65,000	. . . . .	2019

Subd. 9. **Career and technical aid.** For career and technical aid under Minnesota Statutes, section 124D.4531, subdivision 1b:

$4,561,000	. . . . .	2018
$4,125,000	. . . . .	2019

The 2018 appropriation includes $476,000 for 2017 and $4,085,000 for 2018.

The 2019 appropriation includes $453,000 for 2018 and $3,672,000 for 2019.

Sec. 19. **REPEALER.**

Minnesota Statutes 2016, section 124D.73, subdivision 2, is repealed.

ARTICLE 2
EDUCATION EXCELLENCE

Section 1. Minnesota Statutes 2016, section 120A.22, subdivision 9, is amended to read:

Subd. 9. **~~Curriculum~~ Knowledge and skills.** Instruction must be provided in at least the following subject areas:

(1) basic communication skills including reading and writing, literature, and fine arts;

(2) mathematics and science;

(3) social studies including history, geography, ~~and~~ economics, government, and citizenship; and

(4) health and physical education.

Instruction, textbooks, and materials must be in the English language. Another language may be used pursuant to sections 124D.59 to 124D.61.

Sec. 2. Minnesota Statutes 2016, section 120A.41, is amended to read:

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

(a) 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 a prekindergarten student under section 124D.151, if offered by the district, must include at least 350 hours of instruction for the school year. 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.

(b) A school board's annual school calendar may include plans for up to five days of instruction provided through online instruction due to inclement weather. The inclement weather plans must be developed according to section 120A.414.

Sec. 3. **[120A.414] E-LEARNING DAYS.**

Subdivision 1. **Days.** "E-learning day" means a school day where a school offers full access to online instruction provided by students' individual teachers due to inclement weather. A school district or charter school that chooses to have e-learning days may have up to five e-learning days in one school year. An e-learning day is counted as a day of instruction and included in the hours of instruction under section 120A.41.

Subd. 2. **Plan.** A school board may adopt an e-learning day plan after consulting with the exclusive representative of the teachers. A charter school may adopt an e-learning day plan after consulting with its teachers. The plan must include accommodations for students without Internet access at home and for digital device access for families without the technology or an insufficient amount of technology for the number of children in the household. A school's e-learning day plan must provide accessible options for students with disabilities under chapter 125A.

Subd. 3. **Annual notice.** A school district or charter school must notify parents and students of the e-learning day plan at the beginning of the school year.

Subd. 4. **Daily notice.** On an e-learning day declared by the school, a school district or charter school must notify parents and students at least two hours prior to the normal school start time that students need to follow the e-learning day plan for that day.

Subd. 5. **Teacher access.** Each student's teacher must be accessible both online and by telephone during normal school hours on an e-learning day to assist students and parents.

EFFECTIVE DATE. This section is effective for the 2017-2018 school year and later.

Sec. 4. Minnesota Statutes 2016, section 120B.021, subdivision 1, is amended to read:

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

(1) language arts;

(2) mathematics;

(3) science;

(4) social studies, including history, geography, economics, and government and citizenship that includes civics consistent with section 120B.02, subdivision 3;

(5) physical education;

(6) health, for which locally developed academic standards apply; and

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

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

(c) ~~Beginning in the 2016-2017 school year,~~ The department must adopt the most recent ~~National Association of Sport and Physical Education~~ SHAPE America (Society of Health and Physical Educators) kindergarten through grade 12 standards and benchmarks for physical education as the required physical education academic standards. The department may modify and adapt the national standards to accommodate state interest. The modification and adaptations must maintain the purpose and integrity of the national standards. The department must make available sample assessments, which school districts may use as an alternative to local assessments, to assess students' mastery of the physical education standards beginning in the 2018-2019 school year.

(d) A school district may include child sexual abuse prevention instruction in a health curriculum, consistent with paragraph (a), clause (6). Child sexual abuse prevention instruction may include age-appropriate instruction on recognizing sexual abuse and assault, boundary violations and unwanted forms of touching or contact, and ways offenders groom or desensitize victims, as well as strategies to promote disclosure, reduce self-blame, and mobilize bystanders. A school district may provide instruction under this paragraph in a variety of ways, including at an annual assembly or classroom presentation. A school district may also provide parents information on the warning signs of child sexual abuse and available resources.

~~(d)~~ (e) District efforts to develop, implement, or improve instruction or curriculum as a result of the provisions of this section must be consistent with sections 120B.10, 120B.11, and 120B.20.

Sec. 5. Minnesota Statutes 2016, section 120B.021, subdivision 3, is amended to read:

Subd. 3. **Rulemaking.** The commissioner, consistent with the requirements of this section and section 120B.022, must adopt statewide rules under section 14.389 for implementing statewide rigorous core academic standards in language arts, mathematics, science, social studies, physical education, and the arts. After the rules authorized under this subdivision are initially adopted, the commissioner may not amend or repeal these rules nor adopt new rules on the same topic without specific legislative authorization. ~~The academic standards for language arts, mathematics, and the arts must be implemented for all students beginning in the 2003-2004 school year. The academic standards for science and social studies must be implemented for all students beginning in the 2005-2006 school year.~~

Sec. 6. Minnesota Statutes 2016, section 120B.022, subdivision 1b, is amended to read:

Subd. 1b. **State bilingual and multilingual seals.** (a) Consistent with efforts to strive for the world's best workforce under sections 120B.11 and 124E.03, subdivision 2, paragraph (i), and close the academic achievement and opportunity gap under sections 124D.861 and 124D.862, voluntary state bilingual and multilingual seals are established to recognize high school students in any school district, charter school, or nonpublic school who demonstrate an advanced-low level or an intermediate high level of functional proficiency in listening, speaking, reading, and writing on either assessments aligned with American Council on the Teaching of Foreign Languages' (ACTFL) proficiency guidelines or on equivalent valid and reliable assessments in one or more languages in addition to English. American Sign Language is a language other than English for purposes of this subdivision and a world language for purposes of subdivision 1a.

(b) In addition to paragraph (a), to be eligible to receive a seal:

(1) students must satisfactorily complete all required English language arts credits; and

(2) students must demonstrate mastery of Minnesota's English language proficiency standards.

(c) Consistent with this subdivision, a high school student who demonstrates an intermediate high ACTFL level of functional proficiency in one language in addition to English is eligible to receive the state bilingual gold seal. A high school student who demonstrates an intermediate high ACTFL level of functional native proficiency in more than one language in addition to English is eligible to receive the state multilingual gold seal. A high school student who demonstrates an advanced-low ACTFL level of functional proficiency in one language in addition to English is eligible to receive the state bilingual platinum seal. A high school student who demonstrates an advanced-low ACTFL level of functional proficiency in more than one language in addition to English is eligible to receive the state multilingual platinum seal.

(d) School districts and charter schools may give students periodic opportunities to demonstrate their level of proficiency in listening, speaking, reading, and writing in a language in addition to English. Where valid and reliable assessments are unavailable, a school district or charter school may rely on evaluators trained in assessing under ACTFL proficiency guidelines to assess a student's level of foreign, heritage, or indigenous language proficiency under this section. School districts and charter schools must maintain appropriate records to identify high school students eligible to receive the state bilingual or multilingual gold and platinum seals. The school district or charter school must affix the appropriate seal to the transcript of each high school student who meets the requirements of this subdivision and may affix the seal to the student's diploma. A school district or charter school must not charge the high school student a fee for this seal.

(e) A school district or charter school may award elective course credits in world languages to a student who demonstrates the requisite proficiency in a language other than English under this section.

(f) A school district or charter school may award community service credit to a student who demonstrates an intermediate high or advanced-low ACTFL level of functional proficiency in listening, speaking, reading, and writing in a language other than English and who participates in community service activities that are integrated into the curriculum, involve the participation of teachers, and support biliteracy in the school or local community.

(g) The commissioner must list on the Web page those assessments that are aligned to ACTFL proficiency guidelines.

(h) By August 1, 2015, the colleges and universities of the Minnesota State Colleges and Universities system must establish criteria to translate the seals into college credits based on the world language course equivalencies identified by the Minnesota State Colleges and Universities faculty and staff and, upon request from an enrolled student, the Minnesota State Colleges and Universities may award foreign language credits to a student who receives a Minnesota World Language Proficiency Certificate under subdivision 1a. A student who demonstrated the requisite level of language proficiency in grade 10, 11, or 12 to receive a seal or certificate and is enrolled in a Minnesota State Colleges and Universities institution must request college credits for the student's seal or proficiency certificate within three academic years after graduating from high school. The University of Minnesota is encouraged to award students foreign language academic credits consistent with this paragraph.

Sec. 7. Minnesota Statutes 2016, section 120B.12, subdivision 2, is amended to read:

Subd. 2. **Identification; report.** (a) Each school district shall identify before the end of kindergarten, grade 1, and grade 2 students who are not reading at grade level before the end of the current school year and shall identify students in grade 3 or higher who demonstrate a reading difficulty to a classroom teacher. Reading assessments in English, and in the predominant languages of district students where practicable, must identify and evaluate students' areas of academic need related to literacy. The district also must monitor the progress and provide reading instruction appropriate to the specific needs of English learners. The district must use a locally adopted, developmentally appropriate, and culturally responsive assessment and annually report summary assessment results to the commissioner by July 1. The district also must annually report to the commissioner by July 1 a summary of the district's efforts to screen and identify students with:

(1) dyslexia, using screening tools such as those recommended by the department's dyslexia and literacy specialist; or

(2) convergence insufficiency disorder ~~to the commissioner by July 1~~.

(b) A student identified under this subdivision must be provided with alternate instruction under section 125A.56, subdivision 1.

Sec. 8. **[120B.122] DYSLEXIA SPECIALIST.**

Subdivision 1. **Purpose.** The department must employ a dyslexia specialist to provide technical assistance for dyslexia and related disorders and to serve as the primary source of information and support for schools in addressing the needs of students with dyslexia and related disorders. The dyslexia specialist shall also act to increase professional awareness and instructional competencies to meet the educational needs of students with dyslexia or identified with risk characteristics associated with dyslexia and shall develop implementation guidance and make recommendations to the commissioner consistent with section 122A.06, subdivision 4, to be used to assist general education teachers and special education teachers to recognize educational needs and to improve literacy outcomes for students with dyslexia or identified with risk characteristics associated with dyslexia.

Subd. 2. **Definition.** For purposes of this section, a "dyslexia specialist" means a dyslexia therapist, licensed psychologist, licensed speech-language pathologist, or certified dyslexia training specialist who has a minimum of three years of field experience in screening, identifying, and treating dyslexia and related disorders.

Subd. 3. **Requirements.** A dyslexia specialist shall be highly trained in dyslexia and related disorders and in using interventions and treatments that are evidence-based, multisensory, direct, explicit, structured, and sequential in the areas of phonics, phonemic awareness, vocabulary, fluency, and comprehension.

Sec. 9. Minnesota Statutes 2016, section 120B.22, subdivision 2, is amended to read:

Subd. 2. **In-service training.** Each district is encouraged to provide training for district staff and school board members ~~to help~~ on the following:

(1) helping students identify violence in the family and the community so that students may learn to resolve conflicts in effective, nonviolent ways;

(2) responding to a disclosure of child sexual abuse in a supportive, appropriate manner; and

(3) complying with mandatory reporting requirements under section 626.556.

The in-service training must be ongoing and involve experts familiar with sexual abuse, domestic violence, and personal safety issues.

Sec. 10. Minnesota Statutes 2016, section 120B.23, subdivision 3, is amended to read:

Subd. 3. **Grant awards.** (a) The commissioner may award grants for a violence prevention education program to eligible applicants as defined in subdivision 2. Grant amounts may not exceed $3 per resident pupil unit in the district or group of districts in the prior school year. Grant recipients should be geographically distributed throughout the state.

(b) School districts and charter schools may accept funds from private and other public sources for child sexual abuse prevention programs developed and implemented under sections 120B.021, subdivision 1, paragraph (d), and 120B.234, including federal funding under the Every Student Succeeds Act.

Sec. 11. Minnesota Statutes 2016, section 120B.232, subdivision 1, is amended to read:

Subdivision 1. **Character development education.** (a) Character education is the shared responsibility of parents, teachers, and members of the community. The legislature encourages districts to integrate or offer instruction on character education including, but not limited to, character qualities such as attentiveness, truthfulness, respect for authority, diligence, gratefulness, self-discipline, patience, forgiveness, respect for others, peacemaking, and resourcefulness. Instruction should be integrated into a district's existing programs, curriculum, or the general school environment. To the extent practicable, instruction should be integrated into positive behavioral intervention strategies, under section 122A.627. The commissioner shall provide assistance at the request of a district to develop character education curriculum and programs.

(b) Character development education under paragraph (a) may include a voluntary elementary, middle, and high school program that incorporates the history and values of Congressional Medal of Honor recipients and may be offered as part of the social studies, English language arts, or other curriculum, as a schoolwide character building and veteran awareness initiative, or as an after-school program, among other possibilities.

Sec. 12. **[120B.234] CHILD SEXUAL ABUSE PREVENTION EDUCATION.**

Subdivision 1. **Purpose.** The purpose of this section, which may be cited as "Erin's Law," is to encourage districts to integrate or offer instruction on child sexual abuse prevention to students and training to all school personnel on recognizing and preventing sexual abuse and sexual violence.

Subd. 2. **Curriculum.** School districts may consult with other federal, state, or local agencies and community-based organizations, including the Child Information Gateway Web site maintained by the United States Department of Health and Human Services, to identify research-based tools, curricula, and programs to prevent child sexual abuse for use under section 120B.021, subdivision 1, paragraph (d).

Subd. 3. **Other state programs.** The child sexual abuse prevention instruction provided under this section is part of preventing sexual violence against children, which includes, but is not limited to, the following activities:

(1) training on mandated reporting requirements provided on the Department of Education's Web site;

(2) the Code of Ethics for Minnesota Teachers; and

(3) consultation by the commissioner of education with the commissioners of health, human services, and public safety, and other state agencies to prevent violence against children.

Subd. 4. **Report.** The commissioner of education must submit a report by November 1, 2019, to the chairs and ranking minority members of the legislative committees with jurisdiction over kindergarten through grade 12 education, providing information regarding child sexual abuse prevention programs developed and implemented by school districts and charter schools. The report must include information regarding the students and personnel served, program activities, and program revenue sources and expenditures.

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

Sec. 13. Minnesota Statutes 2016, section 120B.30, subdivision 1, is amended to read:

Subdivision 1. **Statewide testing.** (a) The commissioner, with advice from experts with appropriate technical qualifications and experience and stakeholders, consistent with subdivision 1a, shall include in the comprehensive assessment system, for each grade level to be tested, state-constructed tests developed as computer-adaptive reading and mathematics assessments for students that are aligned with the state's required academic standards under section 120B.021, include multiple choice questions, and are administered annually to all students in grades 3 through 8. State-developed high school tests aligned with the state's required academic standards under section 120B.021 and administered to all high school students in a subject other than writing must include multiple choice questions. The commissioner shall establish one or more months during which schools shall administer the tests to students each school year.

(1) Students enrolled in grade 8 through the 2009-2010 school year are eligible to be assessed under (i) the graduation-required assessment for diploma in reading, mathematics, or writing under Minnesota Statutes 2012, section 120B.30, subdivision 1, paragraphs (c), clauses (1) and (2), and (d), (ii) the WorkKeys job skills assessment, (iii) the Compass college placement test, (iv) the ACT assessment for college admission, (v) a nationally recognized armed services vocational aptitude test.

(2) Students enrolled in grade 8 in the 2010-2011 or 2011-2012 school year are eligible to be assessed under (i) the graduation-required assessment for diploma in reading, mathematics, or writing under Minnesota Statutes 2012, section 120B.30, subdivision 1, paragraph (c), clauses (1) and (2), (ii) the WorkKeys job skills assessment, (iii) the Compass college placement test, (iv) the ACT assessment for college admission, (v) a nationally recognized armed services vocational aptitude test.

(3) For students under clause (1) or (2), a school district may substitute a score from an alternative, equivalent assessment to satisfy the requirements of this paragraph.

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

(1) mathematics;

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

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

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

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

(c) For students enrolled in grade 8 in the 2012-2013 school year and later, students' state graduation requirements, based on a longitudinal, systematic approach to student education and career planning, assessment, instructional support, and evaluation, include the following:

(1) ~~an opportunity to participate on a nationally normed college entrance exam, in grade 11 or grade 12;~~

~~(2)~~ achievement and career and college readiness in mathematics, reading, and writing, consistent with paragraph (k) and to the extent available, to monitor students' continuous development of and growth in requisite knowledge and skills; analyze students' progress and performance levels, identifying students' academic strengths and diagnosing areas where students require curriculum or instructional adjustments, targeted interventions, or remediation; and, based on analysis of students' progress and performance data, determine students' learning and instructional needs and the instructional tools and best practices that support academic rigor for the student; and

~~(3)~~ (2) consistent with this paragraph and section 120B.125, age-appropriate exploration and planning activities and career assessments to encourage students to identify personally relevant career interests and aptitudes and help students and their families develop a regularly reexamined transition plan for postsecondary education or employment without need for postsecondary remediation.

Based on appropriate state guidelines, students with an individualized education program may satisfy state graduation requirements by achieving an individual score on the state-identified alternative assessments.

(d) Expectations of schools, districts, and the state for career or college readiness under this subdivision must be comparable in rigor, clarity of purpose, and rates of student completion.

A student under paragraph (c), clause ~~(2)~~ (1), must receive targeted, relevant, academically rigorous, and resourced instruction, which may include a targeted instruction and intervention plan focused on improving the student's knowledge and skills in core subjects so that the student has a reasonable chance to succeed in a career or college without need for postsecondary remediation. Consistent with sections 120B.13, 124D.09, 124D.091, 124D.49, and related sections, an enrolling school or district must actively encourage a student in grade 11 or 12 who is identified as academically ready for a career or college to participate in courses and programs awarding college credit to high school students. Students are not required to achieve a specified score or level of proficiency on an assessment under this subdivision to graduate from high school.

(e) Though not a high school graduation requirement, students are encouraged to participate in a nationally recognized college entrance exam. To the extent state funding for college entrance exam fees is available, a district must ~~pay the cost~~ reimburse a student in grade 11 or 12 who is eligible for a free or reduced-price meal, one time, ~~for an interested student in grade 11 or 12 to take~~ for the registration fees associated with a nationally recognized college entrance exam before graduating. ~~A student must be able to take the exam under this paragraph at the student's high school during the school day and at any one of the multiple exam administrations available to students in the district.~~ In order to comply with this subdivision, a district may administer the ACT or SAT or both the ACT and SAT ~~to comply with this paragraph~~ at the student's high school or arrange for the student to take the exam at another location. ~~If the district administers only one of these two tests and a student opts not to take that test and chooses instead to take the other of the two tests, the~~ A free or reduced-price meal eligible student may take the ~~other test~~ exam at a different time or location and remains eligible for the examination fee reimbursement.

(f) The commissioner and the chancellor of the Minnesota State Colleges and Universities must collaborate in aligning instruction and assessments for adult basic education students and English learners to provide the students with diagnostic information about any targeted interventions, accommodations, modifications, and supports they need so that assessments and other performance measures are accessible to them and they may seek postsecondary education or employment without need for postsecondary remediation. When administering formative or summative assessments used to measure the academic progress, including the oral academic development, of English learners and inform their instruction, schools must ensure that the assessments are accessible to the students and students have the modifications and supports they need to sufficiently understand the assessments.

(g) Districts and schools, on an annual basis, must use career exploration elements to help students, beginning no later than grade 9, and their families explore and plan for postsecondary education or careers based on the students' interests, aptitudes, and aspirations. Districts and schools must use timely regional labor market information and partnerships, among other resources, to help students and their families successfully develop, pursue, review, and revise an individualized plan for postsecondary education or a career. This process must help increase students' engagement in and connection to school, improve students' knowledge and skills, and deepen students' understanding of career pathways as a sequence of academic and career courses that lead to an industry-recognized credential, an associate's degree, or a bachelor's degree and are available to all students, whatever their interests and career goals.

(h) A student who demonstrates attainment of required state academic standards, which include career and college readiness benchmarks, on high school assessments under subdivision 1a is academically ready for a career or college and is encouraged to participate in courses awarding college credit to high school students. Such courses and programs may include sequential courses of study within broad career areas and technical skill assessments that extend beyond course grades.

(i) As appropriate, students through grade 12 must continue to participate in targeted instruction, intervention, or remediation and be encouraged to participate in courses awarding college credit to high school students.

(j) In developing, supporting, and improving students' academic readiness for a career or college, schools, districts, and the state must have a continuum of empirically derived, clearly defined benchmarks focused on students' attainment of knowledge and skills so that students, their parents, and teachers know how well students must perform to have a reasonable chance to succeed in a career or college without need for postsecondary remediation. The commissioner, in consultation with local school officials and educators, and Minnesota's public postsecondary institutions must ensure that the foundational knowledge and skills for students' successful performance in postsecondary employment or education and an articulated series of possible targeted interventions are clearly identified and satisfy Minnesota's postsecondary admissions requirements.

(k) For students in grade 8 in the 2012-2013 school year and later, a school, district, or charter school must record on the high school transcript a student's progress toward career and college readiness, and for other students as soon as practicable.

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

(m) The 3rd through 8th grade computer-adaptive assessment results and high school test results shall be available to districts for diagnostic purposes affecting student learning and district instruction and curriculum, and for establishing educational accountability. The commissioner must establish empirically derived benchmarks on adaptive assessments in grades 3 through 8. The commissioner, in consultation with the chancellor of the Minnesota State Colleges and Universities, must establish empirically derived benchmarks on the high school tests that reveal a trajectory toward career and college readiness consistent with section 136F.302, subdivision 1a. The commissioner must disseminate to the public the computer-adaptive assessments and high school test results upon receiving those results.

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

(o) The commissioner shall include the following components in the statewide public reporting system:

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

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

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

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

(p) For purposes of statewide accountability, "career and college ready" means a high school graduate has the knowledge, skills, and competencies to successfully pursue a career pathway, including postsecondary credit leading to a degree, diploma, certificate, or industry-recognized credential and employment. Students who are career and college ready are able to successfully complete credit-bearing coursework at a two- or four-year college or university or other credit-bearing postsecondary program without need for remediation.

(q) For purposes of statewide accountability, "cultural competence," "cultural competency," or "culturally competent" means the ability ~~and will~~ of families and educators to interact effectively with people of different cultures, native languages, and socioeconomic backgrounds.

Sec. 14. Minnesota Statutes 2016, section 120B.31, is amended by adding a subdivision to read:

Subd. 3a. **Rollout sites; report.** The commissioner of education shall designate up to six school districts or charter schools as rollout sites.

(a) The rollout sites should represent urban school districts, suburban school districts, nonurban school districts, and charter schools. The commissioner shall designate rollout sites and notify the schools by August 1, 2017, and the designated school districts or charter schools shall have the right to opt-out or opt-in as rollout sites by September 1, 2017.

(b) The commissioner must consult stakeholders and review the American Community Survey to develop recommendations for best practices for disaggregated data. Stakeholders consulted under this paragraph include at least:

(1) the rollout sites;

(2) parent groups; and

(3) community representatives.

(c) The commissioner shall report to the legislative committees having jurisdiction over kindergarten through grade 12 education policy and finance by February 1, 2018. The commissioner may research best practices from other states that have disaggregated data beyond the requirements of the most recent reauthorization of the Elementary and Secondary Education Act. The recommendations may address:

(1) the most meaningful use of disaggregated data, including but not limited to which reports should include further disaggregated data;

(2) collection of additional student characteristics, including but not limited to ensuring enhanced enrollment forms:

(i) provide context and the objective of additional data;

(ii) are designed to convey respect and acknowledgment of the sensitive nature of the additional data; and

(iii) are designed to collect data consistent with user feedback;

(3) efficient data-reporting approaches when reporting additional information to the department;

(4) the frequency by which districts and schools must update enrollment forms to meet the needs of the state's changing racial and ethnic demographics; and

(5) the criteria for determining additional data. This recommendation should include a recommendation for frequency of reviews and updates of the additional data and should also identify the approach of updating any additional census data and data on new enrollees. This recommendation must consider additional student groups that may face education disparities and must take into account maintaining student privacy and providing nonidentifiable student level data.

EFFECTIVE DATE. This section is effective for the 2018-2019 school year and later.

Sec. 15. Minnesota Statutes 2016, section 120B.31, subdivision 4, is amended to read:

Subd. 4. **Student performance data.** In developing policies and assessment processes to hold schools and districts accountable for high levels of academic standards under section 120B.021, the commissioner shall aggregate and disaggregate student data over time to report summary student performance and growth levels and, under section 120B.11, subdivision 2, clause (2), student learning and outcome data measured at the school, school district, and statewide level. The commissioner shall use the student categories identified under the federal Elementary and Secondary Education Act, as most recently reauthorized, and student categories of:

(1) homelessness~~,~~;

(2) ethnicity~~,~~ under section 120B.35, subdivision 3, paragraph (a), clause (2);

(3) race~~,~~ under section 120B.35, subdivision 3, paragraph (a), clause (2);

(4) home language~~, immigrant, refugee status,~~;

(5) English learners under section 124D.59~~,~~;

(6) free or reduced-price lunch~~,~~; and

(7) other categories designated by federal law to organize and report the data so that state and local policy makers can understand the educational implications of changes in districts' demographic profiles over time as data are available.

Any report the commissioner disseminates containing summary data on student performance must integrate student performance and the demographic factors that strongly correlate with that performance.

EFFECTIVE DATE. This section is effective for the 2019-2020 school year and later.

Sec. 16. Minnesota Statutes 2016, section 120B.35, subdivision 3, is amended to read:

Subd. 3. **State growth target; other state measures.** (a)(1) The state's educational assessment system measuring individual students' educational growth is based on indicators of achievement growth that show an individual student's prior achievement. Indicators of achievement and prior achievement must be based on highly reliable statewide or districtwide assessments.

(2) For purposes of paragraphs (b), (c), and (d), the commissioner must analyze and report separate categories of information using the student categories identified under the federal Elementary and Secondary Education Act, as most recently reauthorized, and, in addition to "other" for each race and ethnicity, and the Karen community, ~~other student categories as determined by the total Minnesota population at or above the 1,000-person threshold based on the most recent decennial census, including ethnicity; race; refugee status~~ seven of the most populous Asian and Pacific Islander groups, three of the most populous Native groups, seven of the most populous Hispanic/Latino groups, and five of the most populous Black and African Heritage groups as determined by the total Minnesota population based on the most recent American Community Survey; English learners under section 124D.59; home language; free or reduced-price lunch; ~~immigrant;~~ and all students enrolled in a Minnesota public school who are currently or were previously in foster care, except that such disaggregation and cross tabulation is not required if the number of students in a category is insufficient to yield statistically reliable information or the results would reveal personally identifiable information about an individual student.

(b) The commissioner, in consultation with a stakeholder group that includes assessment and evaluation directors, district staff, experts in culturally responsive teaching, and researchers, must implement a model that uses a value-added growth indicator and includes criteria for identifying schools and school districts that demonstrate medium and high growth under section 120B.299, subdivisions 8 and 9, and may recommend other value-added measures under section 120B.299, subdivision 3. The model may be used to advance educators' professional development and replicate programs that succeed in meeting students' diverse learning needs. Data on individual teachers generated under the model are personnel data under section 13.43. The model must allow users to:

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

(2) for all student categories, report and compare aggregated and disaggregated state student growth and, under section 120B.11, subdivision 2, clause (2), student learning and outcome data using the student categories identified under the federal Elementary and Secondary Education Act, as most recently reauthorized, and other student categories under paragraph (a), clause (2).

The commissioner must report measures of student growth and, under section 120B.11, subdivision 2, clause (2), student learning and outcome data, consistent with this paragraph, including the English language development, academic progress, and oral academic development of English learners and their native language development if the native language is used as a language of instruction, and include data on all pupils enrolled in a Minnesota public school course or program who are currently or were previously counted as an English learner under section 124D.59.

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

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

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

When reporting the core measures under clauses (1) and (2), the commissioner must also analyze and report separate categories of information using the student categories identified under the federal Elementary and Secondary Education Act, as most recently reauthorized, and other student categories under paragraph (a), clause (2).

(d) When reporting student performance under section 120B.36, subdivision 1, the commissioner annually, beginning July 1, 2014, must report summary data on school safety and students' engagement and connection at school, consistent with the student categories identified under paragraph (a), clause (2). The summary data under this paragraph are separate from and must not be used for any purpose related to measuring or evaluating the performance of classroom teachers. The commissioner, in consultation with qualified experts on student engagement and connection and classroom teachers, must identify highly reliable variables that generate summary data under this paragraph. The summary data may be used at school, district, and state levels only. Any data on individuals received, collected, or created that are used to generate the summary data under this paragraph are nonpublic data under section 13.02, subdivision 9.

(e) For purposes of statewide educational accountability, the commissioner must identify and report measures that demonstrate the success of learning year program providers under sections 123A.05 and 124D.68, among other such providers, in improving students' graduation outcomes. The commissioner, beginning July 1, 2015, must annually report summary data on:

(1) the four- and six-year graduation rates of students under this paragraph;

(2) the percent of students under this paragraph whose progress and performance levels are meeting career and college readiness benchmarks under section 120B.30, subdivision 1; and

(3) the success that learning year program providers experience in:

(i) identifying at-risk and off-track student populations by grade;

(ii) providing successful prevention and intervention strategies for at-risk students;

(iii) providing successful recuperative and recovery or reenrollment strategies for off-track students; and

(iv) improving the graduation outcomes of at-risk and off-track students.

The commissioner may include in the annual report summary data on other education providers serving a majority of students eligible to participate in a learning year program.

(f) The commissioner, in consultation with recognized experts with knowledge and experience in assessing the language proficiency and academic performance of all English learners enrolled in a Minnesota public school course or program who are currently or were previously counted as an English learner under section 124D.59, must identify and report appropriate and effective measures to improve current categories of language difficulty and assessments, and monitor and report data on students' English proficiency levels, program placement, and academic language development, including oral academic language.

(g) When reporting four- and six-year graduation rates, the commissioner or school district must disaggregate the data by student categories according to paragraph (a), clause (2).

(h) A school district must inform parents and guardians that volunteering information on student categories not required by the most recent reauthorization of the Elementary and Secondary Education Act is optional and will not violate the privacy of students or their families, parents, or guardians. The notice must state the purpose for collecting the student data.

EFFECTIVE DATE. This section is effective for the 2018-2019 school year and later for rollout sites under Minnesota Statutes, section 120B.31, subdivision 3a. This section is effective for the 2019-2020 school year and later for all other schools.

Sec. 17. Minnesota Statutes 2016, section 120B.36, subdivision 1, is amended to read:

Subdivision 1. **School performance reports and public reporting.** (a) The commissioner shall report student academic performance data under section 120B.35, subdivisions 2 and 3; the percentages of students showing low, medium, and high growth under section 120B.35, subdivision 3, paragraph (b); school safety and student engagement and connection under section 120B.35, subdivision 3, paragraph (d); rigorous coursework under section 120B.35, subdivision 3, paragraph (c); the percentage of students under section 120B.35, subdivision 3, paragraph (b), clause (2), whose progress and performance levels are meeting career and college readiness benchmarks under sections 120B.30, subdivision 1, and 120B.35, subdivision 3, paragraph (e); longitudinal data on the progress of eligible districts in reducing disparities in students' academic achievement and realizing racial and economic integration under section 124D.861; the acquisition of English, and where practicable, native language academic literacy, including oral academic language, and the academic progress of all English learners enrolled in a Minnesota public school course or program who are currently or were previously counted as English learners under section 124D.59; two separate student-to-teacher ratios that clearly indicate the definition of teacher consistent with sections 122A.06 and 122A.15 for purposes of determining these ratios; staff characteristics excluding salaries; student enrollment demographics; foster care status, including all students enrolled in a Minnesota public school course or program who are currently or were previously in foster care, student homelessness, and district mobility; and extracurricular activities. ~~The report also must indicate a school's status under applicable federal law.~~

(b) The school performance report for a school site and a school district must include school performance reporting information and calculate proficiency rates as required by the most recently reauthorized Elementary and Secondary Education Act.

(c) The commissioner shall develop, annually update, and post on the department Web site school performance reports consistent with paragraph (a) and section 120B.11.

~~(c)~~ (d) The commissioner must make available performance reports by the beginning of each school year.

~~(d)~~ (e) A school or district may appeal its results in a form and manner determined by the commissioner and consistent with federal law. The commissioner's decision to uphold or deny an appeal is final.

~~(e)~~ (f) School performance data are nonpublic data under section 13.02, subdivision 9, until the commissioner publicly releases the data. The commissioner shall annually post school performance reports to the department's public Web site no later than September 1, except that in years when the reports reflect new performance standards, the commissioner shall post the school performance reports no later than October 1.

EFFECTIVE DATE. This section is effective for the 2017-2018 school year and later.

Sec. 18. Minnesota Statutes 2016, section 124D.03, subdivision 5a, is amended to read:

Subd. 5a. **Lotteries.** If a school district has more applications than available seats at a specific grade level, it must hold an impartial lottery following the January 15 deadline to determine which students will receive seats. The district must give priority to enrolling siblings of currently enrolled students, students whose applications are related to an approved integration and achievement plan, ~~and~~ children of the school district's staff ~~must receive priority in the lottery.~~, and students residing in that part of a municipality, defined under section 469.1812, subdivision 3, where:

(1) the student's resident district does not operate a school building;

(2) the nonresident district in which the student seeks to enroll operates one or more school buildings within the municipality; and

(3) no other nonresident district operates a school building within the municipality.

The process for the school district lottery must be established in school district policy, approved by the school board, and posted on the school district's Web site.

EFFECTIVE DATE. This section is effective for lotteries conducted beginning July 1, 2017.

Sec. 19. Minnesota Statutes 2016, section 124D.09, subdivision 3, is amended to read:

Subd. 3. **Definitions.** For purposes of this section, the following terms have the meanings given to them.

(a) "Eligible institution" means a Minnesota public postsecondary institution, a private, nonprofit two-year trade and technical school granting associate degrees, an opportunities industrialization center accredited by the North Central Association of Colleges and Schools, or a private, residential, two-year or four-year, liberal arts, degree-granting college or university located in Minnesota.

(b) "Course" means a course or program.

(c) "Concurrent enrollment" means nonsectarian courses in which an eligible pupil under subdivision 5 or 5b enrolls to earn both secondary and postsecondary credits, are taught by a secondary teacher or a postsecondary faculty member, and are offered at a high school for which the district is eligible to receive concurrent enrollment program aid under section 124D.091.

Sec. 20. Minnesota Statutes 2016, section 124D.09, subdivision 5, is amended to read:

Subd. 5. **Authorization; notification.** Notwithstanding any other law to the contrary, an 11th or 12th grade pupil enrolled in a school or an American Indian-controlled tribal contract or grant school eligible for aid under section 124D.83, except a foreign exchange pupil enrolled in a district under a cultural exchange program, may apply to an eligible institution, as defined in subdivision 3, to enroll in nonsectarian courses offered by that postsecondary institution. ~~Notwithstanding any other law to the contrary, a 9th or 10th grade pupil enrolled in a district or an American Indian-controlled tribal contract or grant school eligible for aid under section 124D.83, except a foreign exchange pupil enrolled in a district under a cultural exchange program, may apply to enroll in nonsectarian courses offered under subdivision 10, if (1) the school district and the eligible postsecondary institution providing the course agree to the student's enrollment or (2) the course is a world language course currently available to 11th and 12th grade students, and consistent with section 120B.022 governing world language standards, certificates, and seals.~~ If an institution accepts a secondary pupil for enrollment under this section, the institution shall send written notice to the pupil, the pupil's school or school district, and the commissioner ~~within ten days of acceptance~~. The notice must indicate the course and hours of enrollment of that pupil. If the pupil enrolls in a course for postsecondary credit, the institution must notify the pupil about payment in the customary manner used by the institution.

Sec. 21. Minnesota Statutes 2016, section 124D.09, is amended by adding a subdivision to read:

Subd. 5b. **Authorization; 9th or 10th grade pupil.** Notwithstanding any other law to the contrary, a 9th or 10th grade pupil enrolled in a district or an American Indian-controlled tribal contract or grant school eligible for aid under section 124D.83, except a foreign exchange pupil enrolled in a district under a cultural exchange program, may apply to enroll in nonsectarian courses offered under subdivision 10, if:

(1) the school district and the eligible postsecondary institution providing the course agree to the student's enrollment; or

(2) the course is a world language course currently available to 11th and 12th grade students, and consistent with section 120B.022 governing world language standards, certificates, and seals.

Sec. 22. Minnesota Statutes 2016, section 124D.09, subdivision 9, is amended to read:

Subd. 9. **Enrollment priority.** (a) A postsecondary institution shall give priority to its postsecondary students when enrolling 10th, 11th, and 12th grade pupils in its courses. A postsecondary institution may provide information about its programs to a secondary school or to a pupil or parent ~~and it may advertise or otherwise recruit or solicit a secondary pupil to enroll in its programs on educational and programmatic grounds only except, notwithstanding other law to the contrary, and for the 2014-2015 through 2019-2020 school years only, an eligible postsecondary institution may advertise or otherwise recruit or solicit a secondary pupil residing in a school district with 700 students or more in grades 10, 11, and 12, to enroll in its programs on educational, programmatic, or financial grounds~~.

(b) An institution must not enroll secondary pupils, for postsecondary enrollment options purposes, in remedial, developmental, or other courses that are not college level except when a student eligible to participate and enrolled in the graduation incentives program under section 124D.68 enrolls full time in a middle or early college program. A middle or early college program must be specifically designed to allow the student to earn dual high school and college credit with a well-defined pathway to allow the student to earn a postsecondary degree or credential. In this case, the student shall receive developmental college credit and not college credit for completing remedial or developmental courses.

(c) Once a pupil has been enrolled in any postsecondary course under this section, the pupil shall not be displaced by another student.

(d) If a postsecondary institution enrolls a secondary school pupil in a course under this section, the postsecondary institution also must enroll in the same course an otherwise enrolled and qualified postsecondary student who qualifies as a veteran under section 197.447, and demonstrates to the postsecondary institution's satisfaction that the institution's established enrollment timelines were not practicable for that student.

Sec. 23. Minnesota Statutes 2016, section 124D.09, is amended by adding a subdivision to read:

Subd. 11a. **Access to building and technology.** (a) A school district must allow a student enrolled in a course under this section to remain at the school site during regular school hours.

(b) A school district must adopt a policy that provides a student enrolled in a course under this section with reasonable access during regular school hours to a computer and other technology resources that the student needs to complete coursework for a postsecondary enrollment course.

Sec. 24. Minnesota Statutes 2016, section 124D.09, subdivision 12, is amended to read:

Subd. 12. **Credits; grade point average weighting policy.** (a) A pupil must not audit a course under this section.

(b) A district shall grant academic credit to a pupil enrolled in a course for secondary credit if the pupil successfully completes the course. Seven quarter or four semester college credits equal at least one full year of high school credit. Fewer college credits may be prorated. A district must also grant academic credit to a pupil enrolled in a course for postsecondary credit if secondary credit is requested by a pupil. If no comparable course is offered by the district, the district must, as soon as possible, notify the commissioner, who shall determine the number of credits that shall be granted to a pupil who successfully completes a course. If a comparable course is offered by the district, the school board shall grant a comparable number of credits to the pupil. If there is a dispute between the district and the pupil regarding the number of credits granted for a particular course, the pupil may appeal the board's decision to the commissioner. The commissioner's decision regarding the number of credits shall be final.

(c) A school board must adopt a policy regarding weighted grade point averages for any high school or dual enrollment course. The policy must state whether the district offers weighted grades. A school board must annually publish on its Web site a list of courses for which a student may earn a weighted grade.

(d) The secondary credits granted to a pupil must be counted toward the graduation requirements and subject area requirements of the district. Evidence of successful completion of each course and secondary credits granted must be included in the pupil's secondary school record. A pupil shall provide the school with a copy of the pupil's grade in each course taken for secondary credit under this section. Upon the request of a pupil, the pupil's secondary school record must also include evidence of successful completion and credits granted for a course taken for postsecondary credit. In either case, the record must indicate that the credits were earned at a postsecondary institution.

(e) If a pupil enrolls in a postsecondary institution after leaving secondary school, the postsecondary institution must award postsecondary credit for any course successfully completed for secondary credit at that institution. Other postsecondary institutions may award, after a pupil leaves secondary school, postsecondary credit for any courses successfully completed under this section. An institution may not charge a pupil for the award of credit.

(f) The Board of Trustees of the Minnesota State Colleges and Universities and the Board of Regents of the University of Minnesota must, and private nonprofit and proprietary postsecondary institutions should, award postsecondary credit for any successfully completed courses in a program certified by the National Alliance of Concurrent Enrollment Partnerships offered according to an agreement under subdivision 10. Consistent with section 135A.101, subdivision 3, all MnSCU institutions must give full credit to a secondary pupil who completes for postsecondary credit a postsecondary course or program that is part or all of a goal area or a transfer curriculum at a MnSCU institution when the pupil enrolls in a MnSCU institution after leaving secondary school. Once one MnSCU institution certifies as completed a secondary student's postsecondary course or program that is part or all of a goal area or a transfer curriculum, every MnSCU institution must consider the student's course or program for that goal area or the transfer curriculum as completed.

Sec. 25. Minnesota Statutes 2016, section 124D.09, subdivision 13, is amended to read:

Subd. 13. **Financial arrangements.** For a pupil enrolled in a course under this section, the department must make payments according to this subdivision for courses that were taken for secondary credit.

The department must not make payments to a school district or postsecondary institution for a course taken for postsecondary credit only. The department must not make payments to a postsecondary institution for a course from which a student officially withdraws during the first 14 days of the quarter or semester or who has been absent from the postsecondary institution for the first 15 consecutive school days of the quarter or semester and is not receiving instruction in the home or hospital.

A postsecondary institution shall receive the following:

(1) for an institution granting quarter credit, the reimbursement per credit hour shall be an amount equal to 88 percent of the product of the formula allowance minus $425, multiplied by 1.2, and divided by 45; or

(2) for an institution granting semester credit, the reimbursement per credit hour shall be an amount equal to 88 percent of the product of the general revenue formula allowance minus $425, multiplied by 1.2, and divided by 30.

The department must pay to each postsecondary institution 100 percent of the amount in clause (1) or (2) within ~~30~~ 45 days of receiving initial enrollment information each quarter or semester. If changes in enrollment occur during a quarter or semester, the change shall be reported by the postsecondary institution at the time the enrollment information for the succeeding quarter or semester is submitted. At any time the department notifies a postsecondary institution that an overpayment has been made, the institution shall promptly remit the amount due.

Sec. 26. Minnesota Statutes 2016, section 124D.095, subdivision 3, is amended to read:

Subd. 3. **Authorization; notice; limitations on enrollment.** (a) A student may apply for full-time enrollment in an approved online learning program under section 124D.03 or 124D.08 or chapter 124E. Notwithstanding sections 124D.03 and 124D.08 and chapter 124E, procedures for enrolling in supplemental online learning are as provided in this subdivision. A student age 17 or younger must have the written consent of a parent or guardian to apply. No school district or charter school may prohibit a student from applying to enroll in online learning. In order to enroll in online learning, the student and the student's parents must submit an application to the online learning provider and identify the student's reason for enrolling. An online learning provider that accepts a student under this section must notify the student and the enrolling district in writing within ten days if the enrolling district is not the online learning provider. The student and the student's parent must notify the online learning provider of the student's intent to enroll in online learning within ten days of being accepted, at which time the student and the student's parent must sign a statement indicating that they have reviewed the online course or program and understand the expectations of enrolling in online learning. The online learning provider must use a form provided by the department to notify the enrolling district of the student's application to enroll in online learning.

(b) The supplemental online learning notice to the enrolling district when a student applies to the online learning provider will include the courses or program, credits to be awarded, and the start date of the online course or program. An online learning provider must make available the supplemental online course syllabus to the enrolling district. Within 15 days after the online learning provider makes information in this paragraph available to the enrolling district, the enrolling district must notify the online provider whether the student, the student's parent, and the enrolling district agree or disagree that the course meets the enrolling district's graduation requirements. A student may enroll in a supplemental online learning course up to the midpoint of the enrolling district's term. The enrolling district may waive this requirement for special circumstances and with the agreement of the online provider. An online learning course or program that meets or exceeds a graduation standard or the grade progression requirement of the enrolling district as described in the provider's online course syllabus meets the corresponding graduation requirements applicable to the student in the enrolling district. If the enrolling district does not agree that the course or program meets its graduation requirements, then:

(1) the enrolling district must make available an explanation of its decision to the student, the student's parent, and the online provider; and

(2) the online provider may make available a response to the enrolling district, showing how the course or program meets the graduation requirements of the enrolling district.

(c) An online learning provider must notify the commissioner that it is delivering online learning and report the number of online learning students it accepts and the online learning courses and programs it delivers.

(d) An online learning provider may limit enrollment if the provider's school board or board of directors adopts by resolution specific standards for accepting and rejecting students' applications. <u>Limits to enrollment must not discriminate against any group under chapter 363A.</u>

(e) An enrolling district may reduce an online learning student's regular classroom instructional membership in proportion to the student's membership in online learning courses.

(f) The online provider must report or make available information on an individual student's progress and accumulated credit to the student, the student's parent, and the enrolling district in a manner specified by the commissioner unless the enrolling district and the online provider agree to a different form of notice and notify the commissioner. The enrolling district must designate a contact person to help facilitate and monitor the student's academic progress and accumulated credits towards graduation.

Sec. 27. **[124D.4535] INNOVATIVE DELIVERY OF CAREER AND TECHNICAL EDUCATION PROGRAMS; SHARING OF DISTRICT RESOURCES.**

Subdivision 1. **Establishment; requirements for participation.** (a) A program is established to improve student, career and college readiness, and school outcomes by allowing groups of school districts to work together in partnership with local and regional postsecondary institutions and programs, community institutions, and other private, public, for-profit, and nonprofit workplace partners, to:

(1) provide innovative education programs and activities that integrate core academic and career and technical subjects in students' programs of study through coordinated secondary and postsecondary career and technical programs leading to an industry certification or other credential;

(2) provide embedded professional development for program participants;

(3) use performance assessments in authentic settings to measure students' technical skills and progress toward attaining an industry certification or other credential; and

(4) efficiently share district, institution, and workplace resources.

(b) To participate in this program to improve student, career and college readiness, and school outcomes, a group of two or more school districts must collaborate with school staff and project partners and receive formal school board approval to form a partnership. The partnership must develop a plan to provide challenging programmatic options for students under paragraph (a); create professional development opportunities for educators and other program participants; increase student engagement and connection and challenging learning opportunities for diverse populations of students that are focused on employability skills and technical, job-specific skills related to a specific career pathway; or demonstrate efficiencies in delivering financial and other services needed to realize plan goals and objectives. The plan must include:

(1) collaborative education goals and objectives;

(2) strategies and processes to implement those goals and objectives, including a budget process with periodic expenditure reviews;

(3) valid and reliable measures including performance assessments in authentic settings and progress toward attaining an industry certification or other credential, among other measures, to evaluate progress in realizing plan goals and objectives;

(4) an implementation timeline; and

(5) other applicable conditions, regulations, responsibilities, duties, provisions, fee schedules, and legal considerations needed to fully implement the plan.

A partnership may invite additional districts or other participants under paragraph (a) to join the partnership after notifying the commissioner.

(c) A partnership of interested districts must submit an application to the commissioner of education in the form and manner the commissioner determines, consistent with the requirements of this section. The application must contain the formal approval adopted by the school board in each district to participate in the plan.

(d) Notwithstanding any other law to the contrary, a participating school district under this section continues to: receive revenue and maintain its taxation authority; be organized and governed by an elected school board with general powers under section 123B.02; and be subject to employment agreements under chapter 122A, and section 179A.20; and district employees continue to remain employees of the employing school district.

(e) Participating districts must submit a biennial report by February 1 in each odd-numbered year to the education committees of the legislature and the commissioner of education that includes performance assessment, high school graduation, and career and technical certification data to show the success of the partnership in preparing diverse populations of students for careers and jobs.

Subd. 2. **Commissioner's role.** The commissioner of education must convene an advisory panel to advise the commissioner on applicants' qualifications to participate in this program. The commissioner must ensure an equitable geographical distribution of program participants to the extent practicable. The commissioner must select only those applicants that fully complies with subdivision 1. The commissioner may terminate a program participant that fails to effectively implement the goals and objectives contained in its application and according to its stated timeline.

EFFECTIVE DATE. (a) This section is effective the day following final enactment and applies to those applications submitted after that date.

(b) Districts already approved for an innovation zone pilot project under Laws 2012, chapter 263, section 1, as amended by Laws 2014, chapter 312, article 15, section 24, may continue to operate.

Sec. 28. Minnesota Statutes 2016, section 124D.68, subdivision 2, is amended to read:

Subd. 2. **Eligible pupils.** (a) A pupil under the age of 21 or who meets the requirements of section 120A.20, subdivision 1, paragraph (c), is eligible to participate in the graduation incentives program, if the pupil:

(1) performs substantially below the performance level for pupils of the same age in a locally determined achievement test;

(2) is behind in satisfactorily completing coursework or obtaining credits for graduation;

(3) is pregnant or is a parent;

(4) has been assessed as chemically dependent;

(5) has been excluded or expelled according to sections 121A.40 to 121A.56;

(6) has been referred by a school district for enrollment in an eligible program or a program pursuant to section 124D.69;

(7) is a victim of physical or sexual abuse;

(8) has experienced mental health problems;

(9) has experienced homelessness sometime within six months before requesting a transfer to an eligible program;

(10) speaks English as a second language or is an English learner; or

(11) has withdrawn from school or has been chronically truant; or

(12) is being treated in a hospital in the seven-county metropolitan area for cancer or other life threatening illness or is the sibling of an eligible pupil who is being currently treated, and resides with the pupil's family at least 60 miles beyond the outside boundary of the seven-county metropolitan area.

(b) ~~For the 2016-2017 school year only,~~ For fiscal years 2017 and 2018 only, a pupil otherwise qualifying under paragraph (a) who is at least 21 years of age and not yet 22 years of age, is an English learner with an interrupted formal education according to section 124D.59, subdivision 2a, and was in an early middle college program during the previous school year is eligible to participate in the graduation incentives program under section 124D.68 and in concurrent enrollment courses offered under section 124D.09, subdivision 10, and is funded in the same manner as other pupils under this section.

Sec. 29. Minnesota Statutes 2016, section 124E.03, subdivision 2, is amended to read:

Subd. 2. **Certain federal, state, and local requirements.** (a) A charter school shall meet all federal, state, and local health and safety requirements applicable to school districts.

(b) A school must comply with statewide accountability requirements governing standards and assessments in chapter 120B.

(c) A charter school must comply with the Minnesota Public School Fee Law, sections 123B.34 to 123B.39.

(d) A charter school is a district for the purposes of tort liability under chapter 466.

(e) A charter school must comply with the Pledge of Allegiance requirement under section 121A.11, subdivision 3.

(f) A charter school and charter school board of directors must comply with chapter 181 governing requirements for employment.

(g) A charter school must comply with continuing truant notification under section 260A.03.

(h) A charter school must develop and implement a teacher evaluation and peer review process under section 122A.40, subdivision 8, paragraph (b), clauses (2) to (13), and place students in classrooms in accordance with section 122A.40, subdivision 8, paragraph (d). The teacher evaluation process in this paragraph does not create any additional employment rights for teachers.

(i) A charter school must adopt a policy, plan, budget, and process, consistent with section 120B.11, to review curriculum, instruction, and student achievement and strive for the world's best workforce.

(j) A charter school is subject to and must comply with the Pupil Fair Dismissal Act, sections 121A.40 to 121A.56.

Sec. 30. Minnesota Statutes 2016, section 124E.11, is amended to read:

124E.11 ADMISSION REQUIREMENTS AND ENROLLMENT.

(a) A charter school, including its free preschool or prekindergarten program established under section 124E.06, subdivision 3, paragraph (b), may limit admission to:

(1) pupils within an age group or grade level;

(2) pupils who are eligible to participate in the graduation incentives program under section 124D.68; or

(3) residents of a specific geographic area in which the school is located when the majority of students served by the school are members of underserved populations.

(b) A charter school, including its free preschool or prekindergarten program established under section 124E.06, subdivision 3, paragraph (b), shall enroll an eligible pupil who submits a timely application, unless the number of applications exceeds the capacity of a program, class, grade level, or building. In this case, pupils must be accepted by lot. The charter school must develop and publish, including on its Web site, a lottery policy and process that it must use when accepting pupils by lot.

(c) A charter school shall give enrollment preference to a sibling of an enrolled pupil and to a foster child of that pupil's parents and may give preference for enrolling children of the school's staff before accepting other pupils by lot. A charter school that is located in Duluth township in St. Louis County and admits students in kindergarten through grade 6 must give enrollment preference to students residing within a five-mile radius of the school and to the siblings of enrolled children. A charter school may give enrollment preference to children currently enrolled in the school's free preschool or prekindergarten program under section 124E.06, subdivision 3, paragraph (a), who are eligible to enroll in kindergarten in the next school year.

(d) A person shall not be admitted to a charter school (1) as a kindergarten pupil, unless the pupil is at least five years of age on September 1 of the calendar year in which the school year for which the pupil seeks admission commences; or (2) as a first grade student, unless the pupil is at least six years of age on September 1 of the calendar year in which the school year for which the pupil seeks admission commences or has completed kindergarten; except that a charter school may establish and publish on its Web site a policy for admission of selected pupils at an earlier age, consistent with the enrollment process in paragraphs (b) and (c).

(e) Except as permitted in paragraph (d), a charter school, including its free preschool or prekindergarten program established under section 124E.06, subdivision 3, paragraph (b), may not limit admission to pupils on the basis of intellectual ability, measures of achievement or aptitude, or athletic ability and may not establish any criteria or requirements for admission that are inconsistent with this section.

(f) The charter school shall not distribute any services or goods of value to students, parents, or guardians as an inducement, term, or condition of enrolling a student in a charter school.

(g) Once a student is enrolled in the school, the student is considered enrolled in the school until the student formally withdraws or is expelled under the Pupil Fair Dismissal Act in sections 121A.40 to 121A.56. ~~A charter school is subject to and must comply with the Pupil Fair Dismissal Act, sections 121A.40 to 121A.56.~~

(h) A charter school with at least 90 percent of enrolled students who are eligible for special education services and have a primary disability of deaf or hard-of-hearing may enroll prekindergarten pupils with a disability under section 126C.05, subdivision 1, paragraph (a), and must comply with the federal Individuals with Disabilities Education Act under Code of Federal Regulations, title 34, section 300.324, subsection (2), clause (iv).

Sec. 31. Minnesota Statutes 2016, section 125A.56, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** (a) Before a pupil is referred for a special education evaluation, the district must conduct and document at least two instructional strategies, alternatives, or interventions using a system of scientific, research-based instruction and intervention in academics or behavior, based on the pupil's needs, while the pupil is in the regular classroom. The pupil's teacher must document the results. A special education evaluation team may waive this requirement when it determines the pupil's need for the evaluation is urgent. This section may not be used to deny a pupil's right to a special education evaluation.

(b) A school district shall use alternative intervention services, including the assurance of mastery program under section 124D.66, or an early intervening services program under subdivision 2 to serve at-risk pupils who demonstrate a need for alternative instructional strategies or interventions.

(c) A student identified as being unable to read at grade level under section 120B.12, subdivision 2, paragraph (a), must be provided with alternate instruction under this subdivision that is multisensory, systematic, sequential, cumulative, and explicit.

Sec. 32. Minnesota Statutes 2016, section 126C.05, subdivision 8, is amended to read:

Subd. 8. **Average daily membership.** (a) Membership for pupils in grades kindergarten through 12 and for prekindergarten pupils with disabilities shall mean the number of pupils on the current roll of the school, counted from the date of entry until withdrawal. The date of withdrawal shall mean the day the pupil permanently leaves the school or the date it is officially known that the pupil has left or has been legally excused. However, a pupil, regardless of age, who has been absent from school for 15 consecutive school days during the regular school year or for five consecutive school days during summer school or intersession classes of flexible school year programs without receiving instruction in the home or hospital shall be dropped from the roll and classified as withdrawn. Nothing in this section shall be construed as waiving the compulsory attendance provisions cited in section 120A.22. Average daily membership equals the sum for all pupils of the number of days of the school year each pupil is enrolled in the district's schools divided by the number of days the schools are in session or are providing e-learning days due to inclement weather. Days of summer school or intersession classes of flexible school year programs are only included in the computation of membership for pupils with a disability not appropriately served primarily in the regular classroom. A student must not be counted as more than 1.2 pupils in average daily membership under this section. When the initial total average daily membership exceeds 1.2 for a pupil enrolled in more than one school district during the fiscal year, each district's average daily membership must be reduced proportionately.

(b) A student must not be counted as more than one pupil in average daily membership except for purposes of section 126C.10, subdivision 2a.

Sec. 33. Laws 2016, chapter 189, article 25, section 62, subdivision 7, is amended to read:

Subd. 7. **Education Innovation Partners Cooperative Center.** (a) For a matching grant to Education Innovation Partners Cooperative Center, No. 6091-50, to provide research-based professional development services, on-site training, and leadership coaching to teachers and other school staff:

$ ~~500,000~~ 90,000	.....	2017
$310,000	.....	2018

(b) $410,000 of the $500,000 appropriation in Laws 2016, chapter 189, article 25, section 62, subdivision 7, is canceled to the state general fund on June 30, 2017.

(c) A grant under this subdivision must be matched with money or in-kind contributions from nonstate sources. This is a onetime appropriation. This appropriation is available until June 30, 2019.

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

Sec. 34. Laws 2016, chapter 189, article 25, section 62, subdivision 17, is amended to read:

Subd. 17. **Southwest Minnesota State University special education teacher education program.** (a) For the Southwest Minnesota State University special education teacher education program to support Minnesota ~~resident~~ residents working toward licensure in an online program, including persons currently employed as:

(1) special education paraprofessionals ~~working toward licensure in an online program~~;

(2) teachers without a special education license working on a variance; or

(3) individuals teaching with a community expert license:

$ ~~385,000~~ 132,000	. . . . .	2017
$253,000	. . . . .	2018

(b) $253,000 of the $385,000 appropriation in Laws 2016, chapter 189, article 25, section 62, subdivision 17, is canceled to the state general fund on June 30, 2017.

~~The base for this program in fiscal year 2018 is $0.~~ (c) The 2018 appropriation is available until June 30, 2019.

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

Sec. 35. **COMMISSIONER OF EDUCATION MUST SUBMIT ESSA PLAN TO LEGISLATURE.**

(a) The commissioner of education must submit the state plan developed pursuant to the Elementary and Secondary Education Act of 1965, as amended by the Every Student Succeeds Act, United States Code, title 20, section 6311, to the education policy and finance committees of the legislature before submitting the plan to the United States Department of Education. The commissioner of education must not implement the state plan until the legislature has approved it.

(b) The state plan must be consistent and aligned, to the extent practicable, with the performance accountability measures required under Minnesota Statutes, section 120B.11, subdivision 1a, to create a single accountability system for all public schools.

(c) The state plan must include indicators of school quality or student success based on the following:

(1) for elementary and secondary schools:

(i) reading and math growth for students performing in the bottom quartile, as measured on the state accountability assessments, and using growth to proficiency standards;

(ii) third grade reading proficiency as measured on the state accountability assessments;

(iii) eighth grade mathematics proficiency as measured on state accountability assessments; and

(iv) science proficiency as measured on state accountability assessments.

(2) career and college readiness of high school students as measured by:

(i) the high school accountability assessments;

(ii) student success or attainment on advanced placement or international baccalaureate examinations;

(iii) college-level examination program examinations;

(iv) credits under Minnesota Statutes, section 124D.09; and

(v) industry-recognized certifications.

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

Sec. 36. **AFTER-SCHOOL COMMUNITY LEARNING GRANTS.**

Subdivision 1. **Grant program established.** A competitive grant program is established to support community-based organizations, schools, political subdivisions, or child care centers that service young people in kindergarten through grade 12 after school or during nonschool hours. Grants must be used to offer enrichment activities that promote positive youth development, including mentoring, leadership, community engagement, agriculture, art, music, literacy, science, technology, engineering, mathematics, health, and recreation programs.

Subd. 2. **Application.** The commissioner of education shall develop the form and method for applying for the grants. The application must include information on the applicant's outreach to children and youth that qualify for free or reduced-price lunch and two-year measurable goals and activities linked to research or best practices. The commissioner may consider the following criteria to allocate the grants:

(1) increasing access to protective factors that build young people's capacity to become productive adults, such as connections to a caring adult;

(2) developing children's skills and behaviors necessary to succeed in postsecondary education and career opportunities; and

(3) encouraging attendance and improving performance in school.

Subd. 3. **Grant awards.** To the extent practicable, the selection of applicants shall result in an equitable distribution of grant awards among geographic areas within Minnesota, including rural, suburban, and urban communities. The commissioner shall also give priority to programs that collaborate with and leverage existing community resources that have demonstrated effectiveness. Applicants selected as grantees are eligible to receive a two-year renewable grant, contingent upon satisfactory progress toward goals and objectives and the availability of funds.

Sec. 37. **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. **Achievement and integration aid.** For achievement and integration aid under Minnesota Statutes, section 124D.862:

$71,114,000	. . . . .	2018
$73,117,000	. . . . .	2019

The 2018 appropriation includes $6,725,000 for 2017 and $64,389,000 for 2018.

The 2019 appropriation includes $7,154,000 for 2018 and $65,963,000 for 2019.

Subd. 3. **Literacy incentive aid.** For literacy incentive aid under Minnesota Statutes, section 124D.98:

$47,264,000	. . . . .	2018
$47,763,000	. . . . .	2019

The 2018 appropriation includes $4,597,000 for 2017 and $42,667,000 for 2018.

The 2019 appropriation includes $4,740,000 for 2018 and $43,023,000 for 2019.

Subd. 4. **Interdistrict desegregation or integration transportation grants.** For interdistrict desegregation or integration transportation grants under Minnesota Statutes, section 124D.87:

$14,198,000	.....	2018
$14,936,000	.....	2019

Subd. 5. **Tribal contract schools.** For tribal contract school aid under Minnesota Statutes, section 124D.83:

$1,983,000	.....	2018
$1,930,000	.....	2019

The 2018 appropriation includes $323,000 for 2017 and $1,660,000 for 2018.

The 2019 appropriation includes $184,000 for 2018 and $1,746,000 for 2019.

Subd. 6. **American Indian education aid.** For American Indian education aid under Minnesota Statutes, section 124D.81, subdivision 2a:

$9,244,000	.....	2018
$9,464,000	.....	2019

The 2018 appropriation includes $886,000 for 2017 and $8,358,000 for 2018.

The 2019 appropriation includes $928,000 for 2018 and $8,536,000 for 2019.

Subd. 7. **Concurrent enrollment program.** For concurrent enrollment programs under Minnesota Statutes, section 124D.091:

$4,000,000	.....	2018
$4,000,000	.....	2019

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

$900,000	.....	2018
$900,000	.....	2019

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. 9. **Student organizations.** For student organizations:

$725,000	.....	2018
$725,000	.....	2019

(a) $46,000 each year is for student organizations serving health occupations (HOSA).

(b) $100,000 each year is for student organizations serving trade and industry occupations (Skills USA, secondary and postsecondary).

(c) $95,000 each year is for student organizations serving business occupations (BPA, secondary and postsecondary).

(d) $193,000 each year is for student organizations serving agriculture occupations (FFA, PAS).

(e) $142,000 each year is for student organizations serving family and consumer science occupations (FCCLA).

(f) $109,000 each year is for student organizations serving marketing occupations (DECA and DECA collegiate).

(g) $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. 10. **Museums and education centers.** For grants to museums and education centers:

$451,000	. . . . .	2018
$451,000	. . . . .	2019

(a) $260,000 each year is for the Minnesota Children's Museum.

(b) $50,000 each year is for the Duluth Children's Museum.

(c) $41,000 each year is for the Minnesota Academy of Science.

(d) $50,000 each year is for the Headwaters Science Center.

(e) $50,000 for fiscal years 2018 and 2019 only is for the Children's Museum of Southern Minnesota. This is a onetime appropriation.

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

(g) The budget base for this program is $401,000 per year.

Subd. 11. **Recovery program grants.** For recovery program grants under Minnesota Statutes, section 124D.695:

$500,000	. . . . .	2018
$500,000	. . . . .	2019

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

Subd. 12. **Civic education grants.** For grants to the Minnesota Civic Education Coalition, Minnesota Civic Youth, 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.

$125,000	. . . . .	2018
$125,000	. . . . .	2019

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

Subd. 13. **Charter school building lease aid.** For building lease aid under Minnesota Statutes, section 124E.22:

$73,036,000	. . . . .	2018
$78,449,000	. . . . .	2019

The 2018 appropriation includes $6,850,000 for 2017 and $66,186,000 for 2018.

The 2019 appropriation includes $7,353,000 for 2018 and $71,096,000 for 2019.

Subd. 14. **Statewide testing and reporting system.** For the statewide testing and reporting system under Minnesota Statutes, section 120B.30:

$10,892,000	. . . . .	2018
$10,892,000	. . . . .	2019

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

Subd. 15. **College entrance examination reimbursement.** To reimburse districts for students who qualify under Minnesota Statutes, section 120B.30, subdivision 1, paragraph (e), for payment of their college entrance examination fee:

$1,511,000	. . . . .	2018
$1,511,000	. . . . .	2019

The commissioner must reimburse school districts for their costs of one-time payments to free or reduced-price meal eligible students who take the ACT or SAT test under Minnesota Statutes, section 120B.30, subdivision 1.

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

Subd. 16. **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:

$4,500,000	. . . . .	2018
$4,500,000	. . . . .	2019

(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.

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

Subd. 17. **Alternative teacher compensation aid.** For alternative teacher compensation aid under Minnesota Statutes, section 122A.415, subdivision 4:

$89,666,000	. . . . .	2018
$89,405,000	. . . . .	2019

The 2018 appropriation includes $8,917,000 for 2017 and $80,749,000 for 2018.

The 2019 appropriation includes $8,972,000 for 2018 and $80,433,000 for 2019.

Subd. 18. **American Indian teacher preparation grants.** For joint grants to assist American Indian people to become teachers under Minnesota Statutes, section 122A.63:

$460,000	. . . . .	2018
$460,000	. . . . .	2019

Subd. 19. **Minnesota Center for the Book programming.** For grants to the entity designated by the Library of Congress as the Minnesota Center for the Book to provide statewide programming related to the Minnesota Book Awards and for additional programming throughout the state related to the Center for the Book designation:

$50,000	. . . . .	2018
$50,000	. . . . .	2019

The base for fiscal year 2020 is $0.

Subd. 20. **Sanneh Foundation.** (a) For a grant to the Sanneh Foundation to provide all-day, in-school, and before- and after-school academic and behavioral interventions for low-performing and chronically absent students with a focus on low-income students and students of color throughout the school year and during the summer to decrease absenteeism, encourage school engagement, and improve grades and graduation rates.

$1,000,000	. . . . .	2018

(b) Funds appropriated in this section must be used to establish and provide services in schools where the Sanneh Foundation does not currently operate, and must not be used for programs operating in schools as of June 30, 2017.

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

(d) The base for fiscal year 2020 is $0.

Subd. 21. **Early childhood literacy programs.** For early childhood literacy programs under Minnesota Statutes, section 119A.50, subdivision 3:

$6,125,000	. . . . .	2018
$6,125,000	. . . . .	2019

Up to $6,125,000 each year is for leveraging federal and private funding to support AmeriCorps members serving in the Minnesota reading corps program established by ServeMinnesota, including costs associated with training and teaching early literacy skills to children age three to grade 3 and evaluating the impact of the program under Minnesota Statutes, sections 124D.38, subdivision 2, and 124D.42, subdivision 6.

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

Subd. 22. **Minnesota math corps.** For the Minnesota math corps program under Minnesota Statutes, section 124D.42, subdivision 9:

$500,000	. . . . .	2018
$500,000	. . . . .	2019

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

Subd. 23. **Singing-based pilot program to improve student reading.** (a) For a grant to pilot a research-supported, computer-based educational program that uses singing to improve the reading ability of students in grades 2 through 5:

$500,000	. . . . .	2018
$0	. . . . .	2019

(b) The commissioner of education shall award a grant to the Rock 'n' Read Project to implement a research-supported, computer-based educational program that uses singing to improve the reading ability of students in grades 2 through 5. The grantee shall be responsible for selecting participating school sites; providing any required hardware and software, including software licenses, for the duration of the grant period; providing technical support, training, and staff to install required project hardware and software; providing on-site professional development and instructional monitoring and support for school staff and students; administering preintervention and postintervention reading assessments; evaluating the impact of the intervention; and other project management services as required. To the extent practicable, the grantee must select participating schools in urban, suburban, and greater Minnesota, and give priority to schools in which a high proportion of students do not read proficiently at grade level and are eligible for free or reduced-price lunch.

(c) By February 15, 2019, the grantee must submit a report detailing expenditures and outcomes of the grant to the commissioner of education and the chairs and ranking minority members of the legislative committees with primary jurisdiction over kindergarten through grade 12 education policy and finance.

(d) This is a onetime appropriation.

Subd. 24. **Starbase MN.** For a grant to Starbase MN for the operations and infrastructure for expanded, innovative, and academically rigorous science, technology, engineering, and math (STEM) programs in a hands-on and immersive technology-rich environment for students in grades 4 to 6:

$1,398,000	. . . . .	2018
$-0-	. . . . .	2019

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

The base appropriation for fiscal year 2020 is $500,000.

$898,000 from the Starbase MN appropriation under Laws 2015, First Special Session chapter 3, article 2, section 70, subdivision 17, is canceled the day following final enactment.

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

Sec. 38. **INTERMEDIATE SCHOOL DISTRICT MENTAL HEALTH INNOVATION GRANT PROGRAM; APPROPRIATION.**

(a) $2,450,000 in fiscal year 2018 and $2,450,000 in fiscal year 2019 are appropriated from the general fund to the commissioner of human services for a grant program to fund innovative projects to improve mental health outcomes for youth attending a qualifying school unit.

(b) A "qualifying school unit" means an intermediate district organized under Minnesota Statutes, section 136D.01, or a service cooperative organized under Minnesota Statutes, section 123A.21, subdivision 1, paragraph (a), clause (2), that provides instruction to students in a setting of federal instructional level four or higher. Grants under paragraph (a) must be awarded to eligible applicants such that the services are proportionately provided among qualifying school units. The commissioner shall calculate the share of the appropriation to be used in each qualifying school unit by dividing the qualifying school unit's average daily membership in a setting of federal instructional level 4 or higher for fiscal year 2016 by the total average daily membership in a setting of federal instructional level 4 or higher for the same year for all qualifying school units.

(c) An eligible applicant is an entity that has demonstrated capacity to serve the youth identified in paragraph (a) and that is:

(1) certified under Minnesota Rules, parts 9520.0750 to 9520.0870;

(2) a community mental health center under Minnesota Statutes, section 256B.0625, subdivision 5;

(3) an Indian health service facility or facility owned and operated by a tribe or tribal organization operating under United States Code, title 25, section 5321; or

(4) a provider of children's therapeutic services and supports as defined in Minnesota Statutes, section 256B.0943.

(d) An eligible applicant must employ or contract with at least two licensed mental health professionals as defined in Minnesota Statutes, section 245.4871, subdivision 27, clauses (1) to (6), who have formal training in evidence-based practices.

(e) A qualifying school unit must submit an application to the commissioner in the form and manner specified by the commissioner. The commissioner may approve an application that describes models for innovative projects to serve the needs of the schools and students. The commissioner may provide technical assistance to the qualifying school unit. The commissioner shall then solicit grant project proposals and award grant funding to the eligible applicants whose project proposals best meet the requirements of this section and most closely adhere to the models created by the intermediate districts and service cooperatives.

(f) To receive grant funding, an eligible applicant must obtain a letter of support for the applicant's grant project proposal from each qualifying school unit the eligible applicant is proposing to serve. An eligible applicant must also demonstrate the following:

(1) the ability to seek third-party reimbursement for services;

(2) the ability to report data and outcomes as required by the commissioner; and

(3) partnerships with counties, tribes, substance use disorder providers, and mental health service providers, including providers of mobile crisis services.

(g) Grantees shall obtain all available third-party reimbursement sources as a condition of receiving grant funds. For purposes of this grant program, a third-party reimbursement source does not include a public school as defined in Minnesota Statutes, section 120A.20, subdivision 1.

(h) The base budget for this program is $0.

Sec. 39. **REVISOR'S INSTRUCTION.**

In the next edition of Minnesota Statutes, the revisor of statutes shall codify Laws 2016, chapter 189, article 24, section 22, as amended by this act.

ARTICLE 3
TEACHERS

Section 1. Minnesota Statutes 2016, section 122A.09, subdivision 4a, is amended to read:

Subd. 4a. **Teacher and administrator preparation and performance data; report.** (a) The Board of Teaching and the Board of School Administrators, in cooperation with the Minnesota Association of Colleges of Teacher Education and Minnesota colleges and universities offering board-adopted teacher or administrator preparation programs, annually must collect and report summary data on teacher and administrator preparation and performance outcomes, consistent with this subdivision. The Board of Teaching and the Board of School Administrators annually by June 1 must update and post the reported summary preparation and performance data on teachers and administrators from the preceding school years on a Web site hosted jointly by the boards.

(b) Publicly reported summary data on teacher preparation programs must include: student entrance requirements for each Board of Teaching-approved program, including grade point average for enrolling students in the preceding year; the average board-adopted skills examination or ACT or SAT scores of students entering the program in the preceding year; summary data on faculty qualifications, including at least the content areas of faculty undergraduate and graduate degrees and their years of experience either as kindergarten through grade 12 classroom teachers or school administrators; the average time resident and nonresident program graduates in the preceding year needed to complete the program; the current number and percent of students by program who graduated, received a standard Minnesota teaching license, and were hired to teach full time in their licensure field in a Minnesota district or school in the preceding year, disaggregated by race, except when such disaggregation would not yield statistically reliable results or would reveal personally identifiable information about an individual; the number of content area credits and other credits by undergraduate program that students in the preceding school year needed to complete to graduate; students' pass rates on skills and subject matter exams required for graduation in each program and licensure area in the preceding school year; survey results measuring student and graduate satisfaction with the program in the preceding school year, disaggregated by race, except when such disaggregation would not yield statistically reliable results or would reveal personally identifiable information about an individual; a standard measure of the satisfaction of school principals or supervising teachers with the student teachers assigned to a school or supervising teacher; and information under paragraphs (d) and (e). Program reporting must be consistent with subdivision 11.

(c) Publicly reported summary data on administrator preparation programs approved by the Board of School Administrators must include: summary data on faculty qualifications, including at least the content areas of faculty undergraduate and graduate degrees and their years of experience either as kindergarten through grade 12 classroom teachers or school administrators; the average time program graduates in the preceding year needed to complete the program; the current number and percent of students who graduated, received a standard Minnesota administrator license, and were employed as an administrator in a Minnesota school district or school in the preceding year, disaggregated by race, except when such disaggregation would not yield statistically reliable results or would reveal personally identifiable information about an individual; the number of credits by graduate program that students in the preceding school year needed to complete to graduate; survey results measuring student, graduate, and employer satisfaction with the program in the preceding school year, disaggregated by race, except when such disaggregation would not yield statistically reliable results or would reveal personally identifiable information about an individual; and information under paragraphs (f) and (g). Program reporting must be consistent with section 122A.14, subdivision 10.

(d) School districts annually by October 1 must report to the Board of Teaching the following information for all teachers who finished the probationary period and accepted a continuing contract position with the district from September 1 of the previous year through August 31 of the current year: the effectiveness category or rating of the teacher on the summative evaluation under section 122A.40, subdivision 8, or 122A.41, subdivision 5; the licensure area in which the teacher primarily taught during the three-year evaluation cycle; and the teacher preparation program preparing the teacher in the teacher's primary areas of instruction and licensure.

(e) School districts annually by October 1 must report to the Board of Teaching the following information for all probationary teachers in the district who were released or whose contracts were not renewed from September 1 of the previous year through August 31 of the current year: the licensure areas in which the probationary teacher taught; and the teacher preparation program preparing the teacher in the teacher's primary areas of instruction and licensure.

(f) School districts annually by October 1 must report to the Board of School Administrators the following information for all school principals and assistant principals who finished the probationary period and accepted a continuing contract position with the district from September 1 of the previous year through August 31 of the current year: the effectiveness category or rating of the principal or assistant principal on the summative evaluation under section 123B.147, subdivision 3; and the principal preparation program providing instruction to the principal or assistant principal.

(g) School districts annually by October 1 must report to the Board of School Administrators all probationary school principals and assistant principals in the district who were released or whose contracts were not renewed from September 1 of the previous year through August 31 of the current year.

(h) Data that must be disaggregated by race under this section must be reported in the following categories:

(1) American Indian or Alaskan Native;

(2) Asian;

(3) Black or African American;

(4) Hispanic or Latino;

(5) Native Hawaiian or Other Pacific Islander;

(6) White; and

(7) two or more races.

Sec. 2. Minnesota Statutes 2016, section 122A.245, subdivision 1, is amended to read:

Subdivision 1. **Requirements.** (a) To improve academic excellence, improve ethnic and cultural diversity in the classroom, and close the academic achievement gap, the Board of Teaching must approve qualified teacher preparation programs under this section that are a means to acquire a two-year preliminary teacher license, which the board may renew one time for an additional one-year term, and to prepare for acquiring a professional five-year license. The following entities are eligible to participate and seek approval under this section:

(1) a school district~~,~~;

(2) charter school~~,~~; or

(3) nonprofit corporation organized under chapter 317A for an education-related purpose ~~that forms a partnership with a college or university that has a board-approved alternative teacher preparation program; or~~.

~~(2) a school district or charter school, after consulting with a college or university with a board-approved teacher preparation program, that forms a partnership with a nonprofit corporation organized under chapter 317A for an education-related purpose that has a board-approved teacher preparation program.~~

~~(b) Before becoming a teacher of record, a candidate must:~~

~~(1) have a bachelor's degree with a 3.0 or higher grade point average unless the board waives the grade point average requirement based on board-adopted criteria adopted by January 1, 2016;~~

~~(2) demonstrate a passing score on a board-adopted reading, writing, and mathematics skills examination under section 122A.09, subdivision 4, paragraph (b); and~~

~~(3) obtain qualifying scores on applicable board-approved rigorous content area and pedagogy examinations under section 122A.09, subdivision 4, paragraph (e).~~

~~(c)~~ (b) The Board of Teaching must issue a two-year preliminary teacher license to a person who enrolls in an alternative teacher preparation program.

Sec. 3. Minnesota Statutes 2016, section 122A.245, subdivision 2, is amended to read:

Subd. 2. ~~**Characteristics**~~ **Approval criteria.** ~~An~~ The Board of Teaching must approve alternative teacher preparation ~~program under this section must include~~ programs that meet the following criteria:

(1) a minimum 200-hour instructional phase that provides intensive preparation and ~~student teaching~~ observed classroom experience before the teacher candidate assumes classroom responsibilities;

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

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

(4) assessment, supervision, and evaluation of teacher candidates to determine their specific needs throughout the program and to support their efforts to successfully complete the program;

(5) intensive, ongoing, and multiyear professional learning opportunities that accelerate teacher candidates' professional growth, support student learning, and provide a workplace orientation, professional staff development, and mentoring and peer review focused on standards of professional practice and continuous professional growth; and

(6) a requirement that teacher candidates demonstrate to the local site team under subdivision 5 satisfactory progress toward acquiring professional five-year teaching licenses from the Board of Teaching.

Sec. 4. Minnesota Statutes 2016, section 122A.245, subdivision 3, is amended to read:

Subd. 3. **Program approval; disapproval.** ~~(a) The Board of Teaching must approve alternative teacher preparation programs under this section based on board-adopted criteria that reflect best practices for alternative teacher preparation programs, consistent with this section.~~

~~(b)~~ (a) The Board of Teaching must permit teacher candidates to demonstrate mastery of pedagogy and content standards in school-based settings and through other nontraditional means. "Nontraditional means" must include a portfolio of previous experiences, teaching experience, educator evaluations, certifications marking the completion of education training programs, and essentially equivalent demonstrations.

~~(c)~~ (b) The board must use nontraditional criteria to determine the qualifications of program instructors.

~~(d)~~ (c) The board may permit instructors to hold a baccalaureate degree only.

~~(e)~~ (d) If the Board of Teaching determines that a teacher preparation program under this section does not meet the requirements of this section, it may revoke its approval of the program after it notifies the program provider of any deficiencies and gives the program provider an opportunity to remedy the deficiencies.

Sec. 5. Minnesota Statutes 2016, section 122A.245, subdivision 10, is amended to read:

Subd. 10. **Reports.** The Board of Teaching must submit ~~an interim~~ a biennial report on ~~the efficacy of~~ this program to the policy and finance committees of the legislature with jurisdiction over kindergarten through grade 12 education by ~~February~~ January 15~~, 2013, and a final report by February 15, 2015~~ of each odd-numbered year.

Sec. 6. Minnesota Statutes 2016, section 122A.40, subdivision 10, is amended to read:

Subd. 10. **Negotiated unrequested leave of absence.** The school board and the exclusive bargaining representative of the teachers ~~may~~ must negotiate a plan providing for unrequested leave of absence without pay or fringe benefits for as many teachers as may be necessary because of discontinuance of position, lack of pupils, financial limitations, or merger of classes caused by consolidation of districts. ~~Failing to successfully negotiate such a plan, the provisions of subdivision 11 shall apply. The negotiated plan must not include provisions which would result in the exercise of seniority by a teacher holding a provisional license, other than a vocational education license, contrary to the provisions of subdivision 11, paragraph (c), or the reinstatement of a teacher holding a provisional license, other than a vocational education license, contrary to the provisions of subdivision 11, paragraph (e). The provisions of section 179A.16 do not apply for the purposes of this subdivision.~~

EFFECTIVE DATE. This section is effective July 1, 2018.

Sec. 7. Minnesota Statutes 2016, section 122A.41, is amended by adding a subdivision to read:

Subd. 14a. **Negotiated unrequested leave of absence.** The school board and the exclusive bargaining representative of the teachers must negotiate a plan providing for unrequested leave of absence without pay or fringe benefits for as many teachers as may be necessary because of discontinuance of position, lack of pupils, financial limitations, or merger of classes caused by consolidation of districts.

EFFECTIVE DATE. This section is effective July 1, 2018.

Sec. 8. Minnesota Statutes 2016, section 122A.415, subdivision 4, is amended to read:

Subd. 4. **Basic alternative teacher compensation aid.** (a) The basic alternative teacher compensation aid for a school with a plan approved under section 122A.414, subdivision 2b, equals 65 percent of the alternative teacher compensation revenue under subdivision 1. The basic alternative teacher compensation aid for a charter school with a plan approved under section 122A.414, subdivisions 2a and 2b, equals $260 times the number of pupils enrolled in the school on October 1 of the previous year, or on October 1 of the current year for a charter school in the first year of operation, times the ratio of the sum of the alternative teacher compensation aid and alternative teacher compensation levy for all participating school districts to the maximum alternative teacher compensation revenue for those districts under subdivision 1.

(b) Notwithstanding paragraph (a) and subdivision 1, the state total basic alternative teacher compensation aid entitlement must not exceed $75,840,000 for fiscal year 2016 and $88,118,000 for fiscal year 2017 and later. The commissioner must limit the amount of alternative teacher compensation aid approved under this section so as not to exceed these limits by not approving new participants or by prorating the aid among participating districts, intermediate school districts, school sites, and charter schools. The commissioner may also reallocate a portion of the allowable aid for the biennium from the second year to the first year to meet the needs of approved participants.

(c) Basic alternative teacher compensation aid for an intermediate district or other cooperative unit equals $3,000 times the number of licensed teachers employed by the intermediate district or cooperative unit on October 1 of the previous school year.

Sec. 9. **[122A.417] ALTERNATIVE TEACHER COMPENSATION REVENUE FOR ST. CROIX RIVER EDUCATION DISTRICT.**

Notwithstanding section 122A.415, subdivision 4, paragraph (c), the St. Croix River Education District, No. 6009-61, is eligible to receive alternative teacher compensation revenue based on its staffing as of October 1 of the previous fiscal year as reported to the department in a manner determined by the commissioner. To qualify for alternative teacher compensation revenue, the St. Croix River Education District must meet all the requirements of sections 122A.414 and 122A.415 that apply to cooperative units, must report its staffing as of October 1 of each year to the department in a manner determined by the commissioner, and must annually report to the department by November 30 its expenditures for the alternative teacher professional pay system consistent with the uniform financial accounting and reporting standards.

Sec. 10. **[122A.627] POSITIVE BEHAVIORAL INTERVENTIONS AND SUPPORTS.**

"Positive behavioral interventions and supports" or "PBIS" means an evidence-based framework for preventing problem behavior, providing instruction and support for positive and prosocial behaviors, and supporting social, emotional, and behavioral needs for all students. Schoolwide implementation of PBIS requires training, coaching, and evaluation for school staff to consistently implement the key components that make PBIS effective for all students, including:

(1) establishing, defining, teaching, and practicing three to five positively stated schoolwide behavioral expectations that are representative of the local community and cultures;

(2) developing and implementing a consistent system used by all staff to provide positive feedback and acknowledgment for students who display schoolwide behavioral expectations;

(3) developing and implementing a consistent and specialized support system for students who do not display behaviors representative of schoolwide positive expectations;

(4) developing a system to support decisions based on data related to student progress, effective implementation of behavioral practices, and screening for students requiring additional behavior supports;

(5) using a continuum of evidence-based interventions that is integrated and aligned to support academic and behavioral success for all students; and

(6) using a team-based approach to support effective implementation, monitor progress, and evaluate outcomes.

Consistent with section 120B.232, subdivision 1, character education curriculum and programs may be used to support implementation of the key components of PBIS.

Sec. 11. **[136A.1276] ALTERNATIVE TEACHER PREPARATION GRANT PROGRAM.**

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

(b) "Alternative teacher preparation program" means an alternative teacher preparation program under section 122A.245, subdivision 2, or an experimental teacher preparation program under section 122A.09, subdivision 10.

(c) "Commissioner" means the commissioner of the Office of Higher Education.

(d) "Program" means a teacher preparation curriculum leading to specific licensure areas.

(e) "Shortage area" means:

(1) licensure fields and economic development regions reported by the commissioner of education as experiencing a teacher shortage; and

(2) economic development regions where there is a shortage of licensed teachers who reflect the racial or ethnic diversity of students in the region.

(f) "Unit" means an institution or defined subdivision of the institution that has primary responsibility for overseeing and delivering teacher preparation programs.

Subd. 2. **Establishment; eligibility.** (a) The commissioner, in consultation with the Board of Teaching, must establish and administer a program annually awarding grants to eligible alternative teacher preparation programs consistent with this section.

(b) To be eligible to receive a grant, an alternative teacher preparation program must certify that it:

(1) is working to fill Minnesota's teacher shortage areas; and

(2) is a school district, charter school, or nonprofit corporation organized under chapter 317A or under section 501(c)(3) of the Internal Revenue Code of 1986 for an education-related purpose that has been operating continuously for at least three years in Minnesota or any other state.

(c) The commissioner must give priority to applicants based in Minnesota when awarding grants under this section.

Subd. 3. **Use of grants.** (a) An alternative teacher preparation program receiving a grant under this section must use the grant to:

(1) establish initial unit approval to become an alternative teacher preparation program;

(2) expand alternative teacher preparation programs by expanding program approval to other licensure areas identified as shortage areas by the commissioner of education;

(3) recruit, select, and train teachers who reflect the racial or ethnic diversity of students in Minnesota; or

(4) establish professional development programs for teachers who have obtained teaching licenses through alternative teacher preparation programs.

An alternative teacher preparation program may expend grant funds on regional management and operations, development, and central support services, including financial support and support for technology and human services.

(b) An alternative teacher preparation program may use grant funds awarded under this section as a match for nonstate funds, subject to paragraph (a).

(c) Appropriations made to this program do not cancel and are available until expended.

Subd. 4. **Report.** An alternative teacher preparation program receiving a grant under this section must submit a report to the commissioner and the Board of Teaching on the grantee's ability to fill teacher shortage areas and positively impact student achievement where data are available and do not identify individual teachers. A grant recipient must submit the report required under this subdivision by January 31, 2018, and each even-numbered year thereafter. The report must include disaggregated data regarding:

(1) the racial and ethnic diversity of teachers and teacher candidates licensed through the program; and

(2) program participant placement.

EFFECTIVE DATE. This section is effective for revenue in fiscal year 2018 and later.

Sec. 12. Minnesota Statutes 2016, section 136A.1791, subdivision 1, is amended to read:

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

(b) "Qualified educational loan" means a government, commercial, or foundation loan for actual costs paid for tuition and reasonable educational and living expenses related to a teacher's preparation or further education.

(c) "School district" means an independent school district, special school district, intermediate district, education district, special education cooperative, service cooperative, a cooperative center for vocational education, or a charter school located in Minnesota.

(d) "Teacher" means an individual holding a teaching license issued by the licensing division in the Department of Education on behalf of the Board of Teaching who is employed by a school district to provide classroom instruction ~~in a teacher shortage area~~.

(e) "Teacher shortage area" means:

(1) the licensure fields and economic development regions reported by the commissioner of education as experiencing a teacher shortage~~.~~; and

(2) economic development regions where there is a shortage of licensed teachers who reflect the racial or ethnic diversity of students in the region as reported by the commissioner of education.

(f) "Commissioner" means the commissioner of the Office of Higher Education unless indicated otherwise.

EFFECTIVE DATE. This section is effective August 1, 2017.

Sec. 13. Minnesota Statutes 2016, section 136A.1791, subdivision 2, is amended to read:

Subd. 2. **Program established; administration.** The commissioner shall establish and administer a teacher shortage loan forgiveness program. A teacher is eligible for the program if the teacher is teaching in ~~a licensure field and in an economic development region with~~ an identified teacher shortage area under subdivision 3 and complies with the requirements of this section.

EFFECTIVE DATE. This section is effective August 1, 2017.

Sec. 14. Minnesota Statutes 2016, section 136A.1791, subdivision 9, is amended to read:

Subd. 9. **Annual reporting.** By February 1 of each year, the commissioner must report to the chairs of the ~~K-12~~ kindergarten through grade 12 and higher education committees of the legislature on the number of individuals who received loan forgiveness under this section, the race or ethnicity of the teachers participating in the program, the licensure areas and economic development regions in which the teachers taught, the average amount paid to a teacher participating in the program, and other summary data identified by the commissioner as outcome indicators.

EFFECTIVE DATE. This section is effective August 1, 2017.

Sec. 15. Laws 2016, chapter 189, article 25, section 58, is amended to read:

Sec. 58. **~~NORTHWEST REGIONAL PARTNERSHIP~~ STATEWIDE CONCURRENT ENROLLMENT TEACHER TRAINING PROGRAM.**

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

(b) "Northwest Regional Partnership" means a voluntary association of the Lakes Country Service Cooperative, the Northwest Service Cooperative, and Minnesota State University-Moorhead that works together to provide coordinated higher learning opportunities for teachers.

(c) "State Partnership" means a voluntary association of the Northwest Regional Partnership and the Metropolitan Educational Cooperative Service Unit.

(d) "Eligible postsecondary institution" means a public or private postsecondary institution that awards graduate credits.

(e) "Eligible teacher" means a licensed teacher of secondary school courses for postsecondary credit.

Subd. 2. **Establishment.** (a) Lakes Country Service Cooperative, in consultation with the Northwest Service Cooperative, may develop a continuing education program to allow eligible teachers to attain the requisite graduate credits necessary to be qualified to teach secondary school courses for postsecondary credit.

(b) If established, the State Partnership must contract with one or more eligible postsecondary institutions to establish a continuing education credit program to allow eligible teachers to attain sufficient graduate credits to qualify to teach secondary school courses for postsecondary credit. Members of the State Partnership must work to eliminate duplication of service and develop the continuing education credit program efficiently and cost-effectively.

Subd. 3. **Curriculum development.** ~~Minnesota State University Moorhead may develop~~ The continuing education program must use flexible delivery models, such as an online education curriculum ~~to~~, that allow eligible secondary school teachers to attain graduate credit at a reduced credit rate. Information about the curriculum, including course length and course requirements, must be posted on the Web site of the eligible institution offering the course at least two weeks before eligible teachers are required to register for courses in the continuing education program.

Subd. 4. **Funding for course development; scholarships; stipends.** (a) Lakes Country Service Cooperative, in consultation with the other members of the Northwest Regional Partnership, shall:

(1) provide funding for course development for up to 18 credits in applicable postsecondary subject areas;

(2) provide scholarships for eligible teachers to enroll in the continuing education program; and

(3) develop criteria for awarding educator stipends on a per-credit basis to incentivize participation in the continuing education program.

(b) If established, the State Partnership must:

(1) provide funding for course development for up to 18 credits in applicable postsecondary subject areas;

(2) provide scholarships for eligible teachers to enroll in the continuing education program; and

(3) develop criteria for awarding educator stipends on a per-credit basis to incentivize participation in the continuing education program.

~~Subd. 5.~~ ~~**Participant eligibility.**~~ ~~Participation in the continuing education program is reserved for teachers of secondary school courses for postsecondary credit. Priority must be given to teachers employed by a school district that is a member of the Lakes Country Service Cooperative or Northwest Service Cooperative. Teachers employed by a school district that is not a member of the Lakes Country Service Cooperative or Northwest Service Cooperative may participate in the continuing education program as space allows. A teacher participating in this program is ineligible to participate in other concurrent enrollment teacher training grant programs.~~

Subd. 6. **Private funding.** The ~~partnership~~ partnerships may receive private resources to supplement the available public money. All money received in fiscal year 2017 shall be administered by the Lakes Country Service Cooperative. All money received in fiscal year 2018 and later shall be administered by the State Partnership.

Subd. 7. **Report required.** (a) The Northwest Regional Partnership must submit ~~an annual~~ a report by January 15 ~~of each year~~, 2018, on the progress of its activities to the legislature, commissioner of education, and Board of Trustees of the Minnesota State Colleges and Universities. The ~~annual~~ report shall contain a financial report for the preceding year. ~~The first report is due no later than January 15, 2018.~~

(b) If established, the State Partnership must submit an annual joint report to the legislature and the Office of Higher Education by January 15 of each year on the progress of its activities. The report must include the number of teachers participating in the program, the geographic location of the teachers, the number of credits earned, and the subject areas of the courses in which participants earned credit. The report must include a financial report for the preceding year.

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

Sec. 16. **AGRICULTURAL EDUCATOR GRANTS.**

Subdivision 1. **Grant program established.** A grant program is established to support school districts in paying agricultural education teachers for work over the summer with high school students in extended programs.

Subd. 2. **Application.** The commissioner of education shall develop the form and method for applying for the grants. The commissioner shall develop criteria for determining the allocation of the grants, including appropriate goals for the use of the grants.

Subd. 3. **Grant awards.** Grant funding under this section must be matched by funding from the school district for the agricultural education teacher's summer employment. Grant funding for each teacher is limited to the one-half share of 40 working days.

Subd. 4. **Reports.** School districts that receive grant funds shall report to the commissioner of education no later than December 31 of each year regarding the number of teachers funded by the grant program and the outcomes compared to the goals established in the grant application. The Department of Education shall develop the criteria necessary for the reports.

Sec. 17. **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. **Paraprofessional pathway to teacher licensure.** (a) For grants to school districts for Grow Your Own teacher preparation programs:

$1,500,000	. . . . .	2018
$1,500,000	. . . . .	2019

(b) The grants are for school districts with more than 40 percent minority students for a Board of Teaching-approved nonconventional teacher residency pilot program. The program must provide tuition scholarships or stipends to enable school district employees or community members affiliated with a school district who seek an education license to participate in a nonconventional teacher preparation program.

(c) A school district that receives a grant under this subdivision is ineligible to receive a grant for a Grow Your Own program in fiscal year 2020 and fiscal year 2021.

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

Subd. 3. **Alternative teacher preparation grant program.** (a) For transfer to the commissioner of the Office of Higher Education for alternative teacher preparation program grants under Minnesota Statutes, section 136A.1276:

$1,000,000	. . . . .	2018
$0	. . . . .	2019

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

Subd. 4. **Agricultural educator grants.** For agricultural educator grants under section 16:

$250,000	. . . . .	2018
$0	. . . . .	2019

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

Subd. 5. **Collaborative urban educator.** (a) For the collaborative urban educator grant program:

$1,000,000	. . . . .	2018
$1,000,000	. . . . .	2019

(b) Grants shall be awarded in equal amounts: $195,000 each year is for the Southeast Asian Teacher program at Concordia University, St. Paul; $195,000 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.

(c) The commissioner must establish a competitive grant process to award $220,000 each year to Board of Teaching-approved teacher preparation programs, including alternative teacher preparation programs. The competitive process must award grants based on program benchmarks, including licensure rates, participation rates, and on-time graduation rates.

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

(e) 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.

(f) For fiscal year 2020 and later, the commissioner must award all collaborative urban educator grants through the competitive grant program.

Subd. 6. **Minnesota Principals Academy.** (a) For grants to the University of Minnesota College of Education and Human Development for the operation of the Minnesota Principals Academy:

$200,000	. . . . .	2018
$200,000	. . . . .	2019

(b) Of these amounts, $50,000 must be used to pay the costs of attendance for principals from schools designated as priority schools by the commissioner of education. To the extent funds are available, the Department of Education must use up to $200,000 of federal Title II funds to support additional participation in the Principals Academy by principals from priority schools.

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

Subd. 7. **Teacher shortage loan forgiveness.** (a) For transfer to the commissioner of the Office of Higher Education for the loan forgiveness program under Minnesota Statutes, section 136A.1791:

$4,000,000	. . . . .	2018
$0	. . . . .	2019

(b) The commissioner may use no more than three percent of this appropriation to administer the program under this subdivision.

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

Sec. 18. **REPEALER.**

Minnesota Statutes 2016, sections 122A.40, subdivision 11; and 122A.41, subdivision 14, are repealed effective July 1, 2018.

ARTICLE 4
SPECIAL EDUCATION

Section 1. Minnesota Statutes 2016, section 125A.08, is amended to read:

125A.08 INDIVIDUALIZED EDUCATION PROGRAMS.

(a) At the beginning of each school year, each school district shall have in effect, for each child with a disability, an individualized education program.

(b) As defined in this section, every district must ensure the following:

(1) all students with disabilities are provided the special instruction and services which are appropriate to their needs. Where the individualized education program team has determined appropriate goals and objectives based on the student's needs, including the extent to which the student can be included in the least restrictive environment, and where there are essentially equivalent and effective instruction, related services, or assistive technology devices available to meet the student's needs, cost to the district may be among the factors considered by the team in choosing how to provide the appropriate services, instruction, or devices that are to be made part of the student's individualized education program. The individualized education program team shall consider and may authorize services covered by medical assistance according to section 256B.0625, subdivision 26. Before a school district evaluation team makes a determination of other health disability under Minnesota Rules, part 3525.1335, subparts 1 and 2, item A, subitem (1), the evaluation team must seek written documentation of the student's medically diagnosed chronic or acute health condition signed by a licensed physician or a licensed health care provider acting within the scope of the provider's practice. The student's needs and the special education instruction and services to be provided must be agreed upon through the development of an individualized education program. The program must address the student's need to develop skills to live and work as independently as possible within the community. The individualized education program team must consider positive behavioral interventions, strategies, and supports that address behavior needs for children. During grade 9, the program must address the student's needs for transition from secondary services to postsecondary education and training, employment, community participation, recreation, and leisure and home living. In developing the program, districts must inform parents of the full range of transitional goals and related services that should be considered. The program must include a statement of the needed transition services, including a statement of the interagency responsibilities or linkages or both before secondary services are concluded. If the individualized education program meets the plan components in section 120B.125, the individualized education program satisfies the requirement and no additional transition plan is needed;

(2) children with a disability under age five and their families are provided special instruction and services appropriate to the child's level of functioning and needs;

(3) children with a disability and their parents or guardians are guaranteed procedural safeguards and the right to participate in decisions involving identification, assessment including assistive technology assessment, and educational placement of children with a disability;

(4) eligibility and needs of children with a disability are determined by an initial evaluation or reevaluation, which may be completed using existing data under United States Code, title 20, section 33, et seq.;

(5) to the maximum extent appropriate, children with a disability, including those in public or private institutions or other care facilities, are educated with children who are not disabled, and that special classes, separate schooling, or other removal of children with a disability from the regular educational environment occurs only when and to the extent that the nature or severity of the disability is such that education in regular classes with the use of supplementary services cannot be achieved satisfactorily;

(6) in accordance with recognized professional standards, testing and evaluation materials, and procedures used for the purposes of classification and placement of children with a disability are selected and administered so as not to be racially or culturally discriminatory; and

(7) the rights of the child are protected when the parents or guardians are not known or not available, or the child is a ward of the state.

(c) For all paraprofessionals employed to work in programs whose role in part is to provide direct support to students with disabilities, the school board in each district shall ensure that:

(1) before or beginning at the time of employment, each paraprofessional must develop sufficient knowledge and skills in emergency procedures, building orientation, roles and responsibilities, confidentiality, vulnerability, and reportability, among other things, to begin meeting the needs, especially disability-specific and behavioral needs, of the students with whom the paraprofessional works;

(2) annual training opportunities are required to enable the paraprofessional to continue to further develop the knowledge ~~and~~<u>,</u> skills<u>, and cultural competency, consistent with section 120B.30, subdivision 1, paragraph (q),</u> that are specific to the students with whom the paraprofessional works, including understanding disabilities, the unique and individual needs of each student according to the student's disability and how the disability affects the student's education and behavior, following lesson plans, and implementing follow-up instructional procedures and activities; and

(3) a districtwide process obligates each paraprofessional to work under the ongoing direction of a licensed teacher and, where appropriate and possible, the supervision of a school nurse.

<u>(d) The school board must make available annual training opportunities to enable a special education teacher serving on an individualized education program team to further develop the knowledge, skills, and cultural competency necessary to appropriately serve students. For purposes of this section, "cultural competency" means the ability to interact effectively with people of different cultures, native languages, and socioeconomic backgrounds.</u>

<u>**EFFECTIVE DATE.**</u> <u>This section is effective for the 2017-2018 school year and later.</u>

Sec. 2. **[125A.087] DATA REVIEW.**

Subdivision 1. **School district to review data.** At least once each school year, a school district is encouraged to review data for each school site on the number of students that are referred for emotional behavioral disorder evaluation, disaggregated by race, ethnicity, and gender. Nothing in this section requires a school district or public school to report any information to the commissioner of education that is not otherwise required by law.

Subd. 2. **School site to review data.** Teachers and other educational staff at a school site must review at least once each school year the data under subdivision 1 for students at the school site. The district is encouraged to consult with teachers and other educational staff on strategies to reduce any disproportionate representation of students by race, gender, or ethnicity in evaluation referrals.

EFFECTIVE DATE. This section is effective for the 2017-2018 school year and later.

Sec. 3. Minnesota Statutes 2016, section 125A.0941, is amended to read:

125A.0941 DEFINITIONS.

(a) The following terms have the meanings given them.

(b) "Emergency" means a situation where immediate intervention is needed to protect a child or other individual from physical injury. Emergency does not mean circumstances such as: a child who does not respond to a task or request and instead places his or her head on a desk or hides under a desk or table; a child who does not respond to a staff person's request unless failing to respond would result in physical injury to the child or other individual; or an emergency incident has already occurred and no threat of physical injury currently exists.

(c) "Physical holding" means physical intervention intended to hold a child immobile or limit a child's movement, where body contact is the only source of physical restraint, and where immobilization is used to effectively gain control of a child in order to protect a child or other individual from physical injury. The term physical holding does not mean physical contact that:

(1) helps a child respond or complete a task;

(2) assists a child without restricting the child's movement;

(3) is needed to administer an authorized health-related service or procedure; or

(4) is needed to physically escort a child when the child does not resist or the child's resistance is minimal.

(d) "Positive behavioral interventions and supports" means interventions and strategies to improve the school environment and teach children the skills to behave appropriately, including the key components under section 122A.627.

(e) "Prone restraint" means placing a child in a face down position.

(f) "Restrictive procedures" means the use of physical holding or seclusion in an emergency. Restrictive procedures must not be used to punish or otherwise discipline a child.

(g) "Seclusion" means confining a child alone in a room from which egress is barred. Egress may be barred by an adult locking or closing the door in the room or preventing the child from leaving the room. Removing a child from an activity to a location where the child cannot participate in or observe the activity is not seclusion.

Sec. 4. Minnesota Statutes 2016, section 125A.11, subdivision 1, is amended to read:

Subdivision 1. **Nonresident tuition rate; other costs.** (a) For fiscal year 2015 and later, when a school district provides special instruction and services for a pupil with a disability as defined in section 125A.02 outside the district of residence, excluding a pupil for whom an adjustment to special education aid is calculated according to section 127A.47, subdivision 7, paragraphs (b) to (d), special education aid paid to the resident district must be reduced by an amount equal to (1) the actual cost of providing special instruction and services to the pupil, including a proportionate amount for special transportation, plus (2) the amount of general education revenue, excluding local optional revenue, plus local optional aid and referendum equalization aid attributable to that pupil, calculated using the resident district's average general education revenue and referendum equalization aid per adjusted pupil unit excluding basic skills revenue, elementary sparsity revenue and secondary sparsity revenue, minus (3) the amount of special education aid for children with a disability under section 125A.76 received on behalf of that child, minus (4) if the pupil receives special instruction and services outside the regular classroom for more than 60 percent of the school day, the amount of general education revenue and referendum equalization aid, excluding portions attributable to district and school administration, district support services, operations and maintenance, capital expenditures, and pupil transportation, attributable to that pupil for the portion of time the pupil receives special instruction and services outside of the regular classroom, calculated using the resident district's average general education revenue and referendum equalization aid per adjusted pupil unit excluding basic skills revenue, elementary sparsity revenue and secondary sparsity revenue and the serving district's basic skills revenue, elementary sparsity revenue and secondary sparsity revenue per adjusted pupil unit. Notwithstanding clauses (1) and (4), for pupils served by a cooperative unit without a fiscal agent school district, the general education revenue and referendum equalization aid attributable to a pupil must be calculated using the resident district's average general education revenue and referendum equalization aid excluding compensatory revenue, elementary sparsity revenue, and secondary sparsity revenue. Special education aid paid to the district or cooperative providing special instruction and services for the pupil must be increased by the amount of the reduction in the aid paid to the resident district. If the resident district's special education aid is insufficient to make the full adjustment, the remaining adjustment shall be made to other state aid due to the district.

(b) Notwithstanding paragraph (a), when a charter school receiving special education aid under section 124E.21, subdivision 3, provides special instruction and services for a pupil with a disability as defined in section 125A.02, excluding a pupil for whom an adjustment to special education aid is calculated according to section 127A.47, subdivision 7, paragraphs (b) to (e), special education aid paid to the resident district must be reduced by an amount equal to that calculated under paragraph (a) as if the charter school received aid under section 124E.21, subdivision 1. Notwithstanding paragraph (a), special education aid paid to the charter school providing special instruction and services for the pupil must not be increased by the amount of the reduction in the aid paid to the resident district.

(c) Notwithstanding paragraph (a) and section 127A.47, subdivision 7, paragraphs (b) to (d):

(1) an intermediate district or a special education cooperative may recover unreimbursed costs of serving pupils with a disability, including building lease, debt service, and indirect costs necessary for the general operation of the organization, by billing membership fees and nonmember access fees to the resident district;

(2) a charter school where more than 30 percent of enrolled students receive special education and related services, a site approved under section 125A.515, an intermediate district, a site constructed according to Laws 1992, chapter 558, section 7, subdivision 7, to meet the educational needs of court-placed adolescents, or a special education cooperative may apply to the commissioner for authority to charge the resident district an additional amount to recover any remaining unreimbursed costs of serving pupils with a disability;

(3) the billing under clause (1) or application under clause (2) must include a description of the costs and the calculations used to determine the unreimbursed portion to be charged to the resident district. Amounts approved by the commissioner under clause (2) must be included in the aid adjustments under paragraph (a), or section 127A.47, subdivision 7, paragraphs (b) to (d), as applicable.

(d) For purposes of this subdivision and section 127A.47, subdivision 7, paragraph (b), "general education revenue and referendum equalization aid" means the sum of the general education revenue according to section 126C.10, subdivision 1, excluding the local optional levy according to section 126C.10, subdivision 2e, paragraph (c), plus the referendum equalization aid according to section 126C.17, subdivision 7.

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

Sec. 5. Minnesota Statutes 2016, section 125A.21, subdivision 2, is amended to read:

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

(b) For children enrolled in medical assistance under chapter 256B or MinnesotaCare under chapter 256L who have no other health coverage, a district shall provide an initial and annual written notice to the enrolled child's parent or legal representative of its intent to seek reimbursement from medical assistance or MinnesotaCare for:

(1) the evaluations required as part of the individualized education program process or individualized family service plan process; and

(2) health-related services provided by the district according to the individualized education program or individualized family service plan.

The initial notice must give the child's parent or legal representative the right to request a copy of the child's education records on the health-related services that the district provided to the child and disclosed to a third-party payer.

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

(1) the district's intent to seek reimbursement from medical assistance or MinnesotaCare for evaluations required as part of the individualized education program process or individualized family service plan process, and for health-related services provided by the district according to the individualized education program or individualized family service plan;

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

(3) the right of the parent or legal representative to withdraw consent for disclosure of a child's records at any time without consequence.

The written notice shall be provided as part of the written notice required by Code of Federal Regulations, title 34, section 300.504 or 303.520. The district must ensure that the parent of a child with a disability is given notice, in understandable language, of federal and state procedural safeguards available to the parent under this paragraph and paragraph (b).

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

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

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

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

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

EFFECTIVE DATE. This section is effective August 1, 2017.

Sec. 6. Minnesota Statutes 2016, section 125A.515, is amended to read:

125A.515 PLACEMENT OF STUDENTS; APPROVAL OF EDUCATION PROGRAM.

Subdivision 1. **Approval of on-site education programs.** The commissioner shall approve on-site education programs for placement of children and youth in residential facilities including detention centers, before being licensed by the Department of Human Services or the Department of Corrections. Education programs in these facilities shall conform to state and federal education laws including the Individuals with Disabilities Education Act (IDEA). This section applies only to placements in children's residential facilities licensed by the Department of Human Services or the Department of Corrections. For purposes of this section, "on-site education program" means the educational services provided directly on the grounds of the ~~care and treatment~~ children's residential facility to children and youth placed for care and treatment.

Subd. 3. **Responsibilities for providing education.** (a) The district in which the children's residential facility is located must provide education services, including special education if eligible, to all students placed in a facility.

(b) For education programs operated by the Department of Corrections, the providing district shall be the Department of Corrections. For students remanded to the commissioner of corrections, the providing and resident district shall be the Department of Corrections.

Subd. 3a. **Students without a disability from other states.** A school district is not required to provide education services under this section to a student who:

(1) is not a resident of Minnesota;

(2) does not have an individualized education program; and

(3) does not have a tuition arrangement or agreement to pay the cost of education from the placing authority.

Subd. 4. **Education services required.** (a) Education services must be provided to a student beginning within three business days after the student enters the ~~care and treatment~~ children's residential facility. The first four days of the student's placement may be used to screen the student for educational and safety issues.

(b) If the student does not meet the eligibility criteria for special education, regular education services must be provided to that student.

Subd. 5. **Education programs for students placed in children's residential facilities.** (a) When a student is placed in a children's residential facility ~~approved~~ under this section that has an on-site education program, the providing district, upon notice from the ~~care and treatment~~ children's residential facility, must contact the resident district within one business day to determine if a student has been identified as having a disability, and to request at least the student's transcript, and for students with disabilities, the most recent individualized education program (IEP) and evaluation report~~, and to determine if the student has been identified as a student with a disability~~. The resident district must send a facsimile copy to the providing district within two business days of receiving the request.

(b) If a student placed under this section has been identified as having a disability and has an individualized education program in the resident district:

(1) the providing agency must conduct an individualized education program meeting to reach an agreement about continuing or modifying special education services in accordance with the current individualized education program goals and objectives and to determine if additional evaluations are necessary; and

(2) at least the following people shall receive written notice or documented phone call to be followed with written notice to attend the individualized education program meeting:

(i) the person or agency placing the student;

(ii) the resident district;

(iii) the appropriate teachers and related services staff from the providing district;

(iv) appropriate staff from the children's residential facility;

(v) the parents or legal guardians of the student; and

(vi) when appropriate, the student.

(c) For a student who has not been identified as a student with a disability, a screening must be conducted by the providing districts as soon as possible to determine the student's educational and behavioral needs and must include a review of the student's educational records.

Subd. 6. **Exit report summarizing educational progress.** If a student has been placed in a facility under this section for 15 or more business days, the providing district must prepare an exit report summarizing the regular education, special education, evaluation, educational progress, and service information and must send the report to the resident district and the next providing district if different, the parent or legal guardian, and any appropriate social service agency. For students with disabilities, this report must include the student's IEP.

Subd. 7. **Minimum educational services required.** When a student is placed in a children's residential facility ~~approved~~ under this section, at a minimum, the providing district is responsible for:

(1) the education necessary, including summer school services, for a student who is not performing at grade level as indicated in the education record or IEP; and

(2) a school day, of the same length as the school day of the providing district, unless the unique needs of the student, as documented through the IEP or education record in consultation with treatment providers, requires an alteration in the length of the school day.

Subd. 8. **Placement, services, and due process.** When a student's treatment and educational needs allow, education shall be provided in a regular educational setting. The determination of the amount and site of integrated services must be a joint decision between the student's parents or legal guardians and the treatment and education staff. When applicable, educational placement decisions must be made by the IEP team of the providing district. Educational services shall be provided in conformance with the least restrictive environment principle of the Individuals with Disabilities Education Act. The providing district and ~~care and treatment~~ children's residential facility shall cooperatively develop discipline and behavior management procedures to be used in emergency situations that comply with the Minnesota Pupil Fair Dismissal Act and other relevant state and federal laws and regulations.

Subd. 9. **Reimbursement for education services.** (a) Education services provided to students who have been placed under this section are reimbursable in accordance with special education and general education statutes.

(b) Indirect or consultative services provided in conjunction with regular education prereferral interventions and assessment provided to regular education students suspected of being disabled and who have demonstrated learning or behavioral problems in a screening are reimbursable with special education categorical aids.

(c) Regular education, including screening, provided to students with or without disabilities is not reimbursable with special education categorical aids.

Subd. 10. **Students unable to attend school but not covered under this section.** Students who are absent from, or predicted to be absent from, school for 15 consecutive or intermittent days, and placed at home or in facilities not licensed by the Departments of Corrections or Human Services are entitled to regular and special education services consistent with this section or Minnesota Rules, part 3525.2325. These students include students with and without disabilities who are home due to accident or illness, in a hospital or other medical facility, or in a day treatment center.

Sec. 7. Minnesota Statutes 2016, section 125A.74, subdivision 1, is amended to read:

Subdivision 1. **Eligibility.** A district may enroll as a provider in the medical assistance program and receive medical assistance payments for covered evaluations and special education services provided to persons eligible for medical assistance under chapter 256B. To receive medical assistance payments, the district must pay the nonfederal share of medical assistance services provided according to section 256B.0625, subdivision 26, and comply with relevant provisions of state and federal statutes and regulations governing the medical assistance program.

EFFECTIVE DATE. This section is effective August 1, 2017.

Sec. 8. Minnesota Statutes 2016, section 256B.0625, subdivision 26, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective August 1, 2017.

Sec. 9. **SPECIAL EDUCATION ASSISTIVE TECHNOLOGY STUDY.**

Subdivision 1. **Study.** The commissioner of education must examine the use of assistive technology in Minnesota school districts. The commissioner may examine financial data, survey school officials, and use other methods to collect data on the use of assistive technology by Minnesota's students. The commissioner must consult with the Minnesota Assistive Technology Advisory Council and other interested organizations to determine the scope and focus of the study.

Subd. 2. **Data reporting.** The commissioner must examine the federally required uniform financial accounting and reporting standards object codes and, if necessary, recommend changes to better capture school district spending on assistive technology. The commissioner must examine approaches to collecting additional student-level assistive technology data through the electronic data reporting system.

Subd. 3. **Assistive technology manual.** The commissioner must examine the department's assistive technology manual, and determine whether to prepare a revised manual.

Subd. 4. **Report.** The commissioner of education must report to the chairs and ranking minority members of the legislative committees with jurisdiction over kindergarten through grade 12 education by February 15, 2018, on the use of assistive technology by Minnesota's students and recommend statutory changes to encourage individualized education programs and individualized family services plans to incorporate a child-centered assistive technology plan.

Sec. 10. **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:

$1,339,212,000	. . . . .	2018
$1,426,317,000	. . . . .	2019

The 2018 appropriation includes $156,403,000 for 2017 and $1,182,809,000 for 2018.

The 2019 appropriation includes $166,505,000 for 2018 and $1,259,812,000 for 2019.

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

$1,597,000	.....	2018
$1,830,000	.....	2019

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:

$508,000	.....	2018
$532,000	.....	2019

The 2018 appropriation includes $48,000 for 2017 and $460,000 for 2018.

The 2019 appropriation includes $51,000 for 2018 and $481,000 for 2019.

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:

$46,000	.....	2018
$47,000	.....	2019

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

$250,000	.....	2018
$250,000	.....	2019

ARTICLE 5
FACILITIES AND TECHNOLOGY

Section 1. Minnesota Statutes 2016, section 43A.08, subdivision 1, is amended to read:

Subdivision 1. **Unclassified positions.** Unclassified positions are held by employees who are:

(1) chosen by election or appointed to fill an elective office;

(2) heads of agencies required by law to be appointed by the governor or other elective officers, and the executive or administrative heads of departments, bureaus, divisions, and institutions specifically established by law in the unclassified service;

(3) deputy and assistant agency heads and one confidential secretary in the agencies listed in subdivision 1a and in the Office of Strategic and Long-Range Planning;

(4) the confidential secretary to each of the elective officers of this state and, for the secretary of state and state auditor, an additional deputy, clerk, or employee;

(5) intermittent help employed by the commissioner of public safety to assist in the issuance of vehicle licenses;

(6) employees in the offices of the governor and of the lieutenant governor and one confidential employee for the governor in the Office of the Adjutant General;

(7) employees of the Washington, D.C., office of the state of Minnesota;

(8) employees of the legislature and of legislative committees or commissions; provided that employees of the Legislative Audit Commission, except for the legislative auditor, the deputy legislative auditors, and their confidential secretaries, shall be employees in the classified service;

(9) presidents, vice-presidents, deans, other managers and professionals in academic and academic support programs, administrative or service faculty, teachers, research assistants, and student employees eligible under terms of the federal Economic Opportunity Act work study program in the ~~Perpich Center for Arts Education and the~~ Minnesota State Colleges and Universities, but not the custodial, clerical, or maintenance employees, or any professional or managerial employee performing duties in connection with the business administration of these institutions;

(10) officers and enlisted persons in the National Guard;

(11) attorneys, legal assistants, and three confidential employees appointed by the attorney general or employed with the attorney general's authorization;

(12) judges and all employees of the judicial branch, referees, receivers, jurors, and notaries public, except referees and adjusters employed by the Department of Labor and Industry;

(13) members of the State Patrol; provided that selection and appointment of State Patrol troopers must be made in accordance with applicable laws governing the classified service;

(14) examination monitors and intermittent training instructors employed by the Departments of Management and Budget and Commerce and by professional examining boards and intermittent staff employed by the technical colleges for the administration of practical skills tests and for the staging of instructional demonstrations;

(15) student workers;

(16) executive directors or executive secretaries appointed by and reporting to any policy-making board or commission established by statute;

(17) employees unclassified pursuant to other statutory authority;

(18) intermittent help employed by the commissioner of agriculture to perform duties relating to pesticides, fertilizer, and seed regulation;

(19) the administrators and the deputy administrators at the State Academies for the Deaf and the Blind; and

(20) chief executive officers in the Department of Human Services.

EFFECTIVE DATE. This section is effective June 30, 2018.

Sec. 2. Minnesota Statutes 2016, section 43A.08, subdivision 1a, is amended to read:

Subd. 1a. **Additional unclassified positions.** Appointing authorities for the following agencies may designate additional unclassified positions according to this subdivision: the Departments of Administration; Agriculture; Commerce; Corrections; Education; Employment and Economic Development; Explore Minnesota Tourism; Management and Budget; Health; Human Rights; Labor and Industry; Natural Resources; Public Safety; Human Services; Revenue; Transportation; and Veterans Affairs; the Housing Finance and Pollution Control Agencies; the State Lottery; the State Board of Investment; the Office of Administrative Hearings; the Office of MN.IT Services; the Offices of the Attorney General, Secretary of State, and State Auditor; the Minnesota State Colleges and Universities; the Minnesota Office of Higher Education; ~~the Perpich Center for Arts Education;~~ and the Minnesota Zoological Board.

A position designated by an appointing authority according to this subdivision must meet the following standards and criteria:

(1) the designation of the position would not be contrary to other law relating specifically to that agency;

(2) the person occupying the position would report directly to the agency head or deputy agency head and would be designated as part of the agency head's management team;

(3) the duties of the position would involve significant discretion and substantial involvement in the development, interpretation, and implementation of agency policy;

(4) the duties of the position would not require primarily personnel, accounting, or other technical expertise where continuity in the position would be important;

(5) there would be a need for the person occupying the position to be accountable to, loyal to, and compatible with, the governor and the agency head, the employing statutory board or commission, or the employing constitutional officer;

(6) the position would be at the level of division or bureau director or assistant to the agency head; and

(7) the commissioner has approved the designation as being consistent with the standards and criteria in this subdivision.

EFFECTIVE DATE. This section is effective June 30, 2018.

Sec. 3. **[121A.335] LEAD IN SCHOOL DRINKING WATER.**

Subdivision 1. **Model plan.** The commissioners of health and education shall jointly develop a model plan to require school districts to accurately and efficiently test for the presence of lead in water in public school buildings serving students in kindergarten through grade 12. To the extent possible, the commissioners shall base the plan on the standards established by the United States Environmental Protection Agency. The plan may be based on the technical guidance in the Department of Health's document, "Reducing Lead in Drinking Water: A Technical Guidance for Minnesota's School and Child Care Facilities."

Subd. 2. **School plans.** By July 1, 2018, the board of each school district or charter school must adopt the commissioners' model plan or develop and adopt an alternative plan to accurately and efficiently test for the presence of lead in water in school buildings serving prekindergarten students and students in kindergarten through grade 12.

Subd. 3. **Frequency of testing.** The plan must include a testing schedule that requires testing for the presence of lead in water in all buildings serving school districts and charter school students where there is a source of water that may be consumed by students. The testing must be conducted annually in calendar years 2018 and 2019. The testing must be conducted at least once every five years thereafter.

Subd. 4. **Ten-year facilities plan.** A school district may include lead testing and remediation as a part of its ten-year facilities plan under section 123B.595.

Subd. 5. **Report placed on its Web site.** Each school district and charter school must post its most recent test results showing the presence of lead in its drinking water on its Web site.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 4. Minnesota Statutes 2016, section 122A.416, is amended to read:

122A.416 ALTERNATIVE TEACHER COMPENSATION REVENUE FOR ~~PERPICH CENTER FOR ARTS EDUCATION AND~~ MULTIDISTRICT INTEGRATION COLLABORATIVES.

Notwithstanding sections 122A.414, 122A.415, and 126C.10, multidistrict integration collaboratives ~~and the Perpich Center for Arts Education~~ are eligible to receive alternative teacher compensation revenue as if they were intermediate school districts. To qualify for alternative teacher compensation revenue, a multidistrict integration collaborative ~~or the Perpich Center for Arts Education~~ must meet all of the requirements of sections 122A.414 and 122A.415 that apply to intermediate school districts, must report its enrollment as of October 1 of each year to the department, and must annually report its expenditures for the alternative teacher professional pay system consistent with the uniform financial accounting and reporting standards to the department by November 30 of each year.

EFFECTIVE DATE. This section is effective June 30, 2018.

Sec. 5. Minnesota Statutes 2016, section 123A.30, subdivision 6, is amended to read:

Subd. 6. **Severance pay.** A district must pay severance pay to a teacher who is placed on unrequested leave of absence by the district as a result of the agreement. A teacher is eligible under this subdivision if the teacher:

(1) is a teacher, but not a superintendent;

(2) has a continuing contract with the district according to section 122A.40, subdivision 7.

The amount of severance pay must be equal to the teacher's salary for the school year during which the teacher was placed on unrequested leave of absence minus the gross amount the teacher was paid during the 12 months following the teacher's termination of salary, by an entity whose teachers by statute or rule must possess a valid Minnesota teaching license, and minus the amount a teacher receives as severance or other similar pay according to a contract with the district or district policy. These entities requiring a valid Minnesota teaching license include, but are not limited to, the district that placed the teacher on unrequested leave of absence, another district in Minnesota, an education district, an intermediate school district, a service cooperative, a board formed under section 471.59, a state residential academy, ~~the Perpich Center for Arts Education,~~ a vocational center, or a special education cooperative. These entities do not include a district in another state, a Minnesota public postsecondary institution, or a state agency. Only amounts earned by the teacher as a substitute teacher or in a position requiring a valid Minnesota teaching license shall be subtracted. A teacher may decline any offer of employment as a teacher without loss of rights to severance pay.

To determine the amount of severance pay that is due for the first six months following termination of the teacher's salary, the district may require the teacher to provide documented evidence of the teacher's employers and gross earnings during that period. The district must pay the teacher the amount of severance pay it determines to be due from the proceeds of the levy for this purpose. To determine the amount of severance pay that is due for the second six months of the 12 months following the termination of the teacher's salary, the district may require the teacher to provide documented evidence of the teacher's employers and gross earnings during that period. The district must pay the teacher the amount of severance pay it determines to be due from the proceeds of the levy for this purpose.

A teacher who receives severance pay under this subdivision waives all further reinstatement rights under section 122A.40, subdivision 10 or 11. If the teacher receives severance pay, the teacher shall not receive credit for any years of service in the district paying severance pay prior to the year in which the teacher becomes eligible to receive severance pay.

The severance pay is subject to section 465.72. The district may levy annually according to section 126C.43, for the severance pay.

EFFECTIVE DATE. This section is effective June 30, 2018.

Sec. 6. Minnesota Statutes 2016, section 123B.595, subdivision 4, is amended to read:

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 and remediation of lead hazards.

(b) The district must annually update the plan, submit the plan to the commissioner for approval by July 31, and indicate whether the district will issue bonds to finance the plan or levy for the costs.

(c) For school districts issuing bonds to finance the plan, the plan must include a debt service schedule demonstrating that the debt service revenue required to pay the principal and interest on the bonds each year will not exceed the projected long-term facilities revenue for that year.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2018 and later.

Sec. 7. Minnesota Statutes 2016, section 124D.05, subdivision 3, is amended to read:

Subd. 3. **Severance pay.** A district must pay severance pay to a teacher who is placed on unrequested leave of absence by the district as a result of an agreement under this section. A teacher is eligible under this subdivision if the teacher:

(1) is a teacher, as defined in section 122A.40, subdivision 1, but not a superintendent;

(2) has a continuing contract with the district according to section 122A.40, subdivision 7.

The amount of severance pay must be equal to the teacher's salary for the school year during which the teacher was placed on unrequested leave of absence minus the gross amount the teacher was paid during the 12 months following the teacher's termination of salary, by an entity whose teachers by statute or rule must possess a valid Minnesota teaching license, and minus the amount a teacher receives as severance or other similar pay according to a contract with the district or district policy. These entities include, but are not limited to, the district that placed the teacher on unrequested leave of absence, another district in Minnesota, an education district, an intermediate school district, a service cooperative, a board formed under section 471.59, a state residential academy, ~~the Perpich Center for Arts Education,~~ a vocational center, or a special education cooperative. These entities do not include a district in another state, a Minnesota public postsecondary institution, or a state agency. Only amounts earned by the teacher as a substitute teacher or in a position requiring a valid Minnesota teaching license shall be subtracted. A teacher may decline any offer of employment as a teacher without loss of rights to severance pay.

To determine the amount of severance pay that is due for the first six months following termination of the teacher's salary, the district may require the teacher to provide documented evidence of the teacher's employers and gross earnings during that period. The district must pay the teacher the amount of severance pay it determines to be due from the proceeds of the levy for this purpose. To determine the amount of severance pay that is due for the second six months of the 12 months following the termination of the teacher's salary, the district may require the teacher to provide documented evidence of the teacher's employers and gross earnings during that period. The district must pay the teacher the amount of severance pay it determines to be due from the proceeds of the levy for this purpose.

A teacher who receives severance pay under this subdivision waives all further reinstatement rights under section 122A.40, subdivision 10 or 11. If the teacher receives severance pay, the teacher must not receive credit for any years of service in the district paying severance pay prior to the year in which the teacher becomes eligible to receive severance pay.

The severance pay is subject to section 465.72. The district may levy annually according to section 126C.43 for the severance pay.

EFFECTIVE DATE. This section is effective June 30, 2018.

Sec. 8. **[127A.155] LOLA AND RUDY PERPICH ARTS EDUCATION DIVISION.**

Subdivision 1. **Establishment of arts education division.** The department must provide arts support services to school districts throughout Minnesota through the establishment of the Lola and Rudy Perpich arts education and outreach division.

Subd. 2. **Division responsibilities.** (a) The Perpich division must offer resources and outreach services statewide to enhance arts education opportunities for pupils in elementary and secondary school. The Perpich division must work with school districts across Minnesota to:

(1) gather and conduct research in arts education;

(2) develop exemplary curriculum, instructional practices, and assessments;

(3) disseminate information regarding arts education opportunities; and

(4) provide materials, training, and assistance to the arts education committees in school districts.

(b) The Perpich division must collaborate with the commissioner of education to develop arts standards and strengthen state policies related to arts education.

(c) The Perpich division must serve as liaison for the Department of Education to national organizations for arts education.

(d) The commissioner may, on behalf of the Perpich division, apply for funds from public and private sources.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 9. Minnesota Statutes 2016, section 297A.70, subdivision 2, is amended to read:

Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b), to the following governments and political subdivisions, or to the listed agencies or instrumentalities of governments and political subdivisions, are exempt:

(1) the United States and its agencies and instrumentalities;

(2) school districts, local governments, the University of Minnesota, state universities, community colleges, technical colleges, state academies, ~~the Perpich Minnesota Center for Arts Education,~~ and an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools;

(3) hospitals and nursing homes owned and operated by political subdivisions of the state of tangible personal property and taxable services used at or by hospitals and nursing homes;

(4) notwithstanding paragraph (d), the sales and purchases by the Metropolitan Council of vehicles and repair parts to equip operations provided for in section 473.4051 are exempt through December 31, 2016;

(5) other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state; and

(6) public libraries, public library systems, multicounty, multitype library systems as defined in section 134.001, county law libraries under chapter 134A, state agency libraries, the state library under section 480.09, and the Legislative Reference Library.

(b) This exemption does not apply to the sales of the following products and services:

(1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility;

(2) construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

(3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except for leases entered into by the United States or its agencies or instrumentalities;

(4) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except for lodging, prepared food, candy, soft drinks, and alcoholic beverages purchased directly by the United States or its agencies or instrumentalities; or

(5) goods or services purchased by a local government as inputs to a liquor store, gas or electric utility, solid waste hauling service, solid waste recycling service, landfill, golf course, marina, campground, cafe, or laundromat.

(c) As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, and any instrumentality of a school district, as defined in section 471.59.

(d) For purposes of the exemption granted under this subdivision, "local governments" has the following meaning:

(1) for the period prior to January 1, 2017, local governments means statutory or home rule charter cities, counties, and townships; and

(2) beginning January 1, 2017, local governments means statutory or home rule charter cities, counties, and townships; special districts as defined under section 6.465; any instrumentality of a statutory or home rule charter city, county, or township as defined in section 471.59; and any joint powers board or organization created under section 471.59.

EFFECTIVE DATE. This section is effective June 30, 2018.

Sec. 10. **CROSSWINDS SCHOOL CONVEYANCE.**

Notwithstanding the appropriation of state general obligation bond proceeds in Laws 1998, chapter 404, section 5, subdivision 5; Laws 1999, chapter 240, article 1, section 3; Laws 2000, chapter 492, article 1, section 5, subdivision 2; Laws 2001, First Special Session chapter 12, section 2, subdivision 2; and Laws 2005, chapter 20, article 1, section 5, subdivision 3, to acquire and better the Crosswinds school facilities by the Joint Powers District No. 6067, East Metro Integration District, in Woodbury, the Crosswinds school conveyed to the Perpich Center for Arts Education under Laws 2014, chapter 294, article 2, section 20, subdivision 2, may be conveyed for continued use as an east metropolitan area integration magnet school.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 11. **PERPICH CENTER FOR ARTS EDUCATION CLOSURE.**

Subdivision 1. **Perpich Center for Arts Education abolished.** (a) The Perpich Center for Arts Education (Perpich Center) is abolished effective June 30, 2018. Abolishment under this section does not reduce or otherwise limit the powers and authority of the Perpich Center during the concluding duration of its existence.

(b) Notwithstanding any other law, any unexpended and unencumbered appropriations to the Perpich Center lapse to the fund or account from which they were appropriated on June 30, 2018. All money in a dedicated fund or account of the Perpich Center on June 30, 2018, must be transferred to the general fund.

Subd. 2. **Library.** All property in the Perpich Arts Library is transferred to the State Library Services Division of the Department of Education, in accordance with Minnesota Statutes, section 15.039, subdivisions 5 and 8, effective June 1, 2018.

Subd. 3. **Student enrollment.** Students enrolled in the Perpich Arts High School or Crosswinds Arts and Science School (Crosswinds school) during the 2016-2017 school year may continue to enroll in those schools for the 2017-2018 school year. No student may enroll in the Perpich Arts High School or Crosswinds school after the 2017-2018 school year.

Subd. 4. **Education records.** The Perpich Center must transfer the education records of each student of the Perpich Arts High School and Crosswinds school according to Minnesota Statutes, section 120A.22, subdivision 7.

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

Sec. 12. **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. **Debt service equalization aid.** For debt service equalization aid under Minnesota Statutes, section 123B.53, subdivision 6:

$24,908,000	. . . . .	2018
$22,360,000	. . . . .	2019

The 2018 appropriation includes $2,324,000 for 2017 and $22,584,000 for 2018.

The 2019 appropriation includes $2,509,000 for 2018 and $19,851,000 for 2019.

Subd. 3. **Long-term facilities maintenance equalized aid.** For long-term facilities maintenance equalized aid under Minnesota Statutes, section 123B.595, subdivision 9:

$80,121,000	. . . . .	2018
$103,397,000	. . . . .	2019

The 2018 appropriation includes $5,815,000 for 2017 and $74,306,000 for 2018.

The 2019 appropriation includes $8,256,000 for 2018 and $95,141,000 for 2019.

Subd. 4. **Equity in telecommunications access.** For equity in telecommunications access:

$3,750,000	. . . . .	2018
$3,750,000	. . . . .	2019

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 2018 and 2019 shall be prorated.

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

Subd. 5. **Early repayment aid incentive.** (a) For incentive grants for a district that repays the full outstanding original principal on its capital loan by November 30, 2016, under Laws 2011, First Special Session chapter 11, article 4, section 8, as amended by Laws 2016, chapter 189, article 30, section 22:

$2,200,000	. . . . .	2018
$2,200,000	. . . . .	2019

(b) Of this amount, $140,000 is for a grant to Independent School District No. 36, Kelliher; $169,000 is for a grant to Independent School District No. 95, Cromwell; $463,000 is for a grant to Independent School District No. 299, Caledonia; $206,000 is for a grant to Independent School District No. 306, Laporte; $140,000 is for a grant to Independent School District No. 362, Littlefork; $609,000 is for a grant to Independent School District No. 682, Roseau; and $473,000 is for a grant to Independent School District No. 2580, East Central.

(c) The grants may be used for any school-related purpose.

(d) The base appropriation for 2022 is $0.

Sec. 13. **REPEALER.**

Minnesota Statutes 2016, sections 129C.10; 129C.105; 129C.15; 129C.20; 129C.25; 129C.26; and 129C.30, and Minnesota Rules, parts 3600.0010, subparts 1, 2, 2a, 2b, 3, and 6; 3600.0020; 3600.0030, subparts 1, 2, 4, and 6; 3600.0045; 3600.0055; 3600.0065; 3600.0075; and 3600.0085, are repealed effective June 30, 2018.

ARTICLE 6
NUTRITION

Section 1. Minnesota Statutes 2016, section 123B.52, subdivision 1, is amended to read:

Subdivision 1. **Contracts.** A contract for work or labor, or for the purchase of furniture, fixtures, or other property, except books registered under the copyright laws and information systems software, or for the construction or repair of school houses, the estimated cost or value of which shall exceed that specified in section 471.345, subdivision 3, must not be made by the school board without first advertising for bids or proposals by two weeks' published notice in the official newspaper. This notice must state the time and place of receiving bids and contain a brief description of the subject matter.

Additional publication in the official newspaper or elsewhere may be made as the board shall deem necessary.

After taking into consideration conformity with the specifications, terms of delivery, and other conditions imposed in the call for bids, every such contract for which a call for bids has been issued must be awarded to the lowest responsible bidder, be duly executed in writing, and be otherwise conditioned as required by law. The person to whom the contract is awarded shall give a sufficient bond to the board for its faithful performance. Notwithstanding section 574.26 or any other law to the contrary, on a contract limited to the purchase of a finished tangible product, a board may require, at its discretion, a performance bond of a contractor in the amount the board considers necessary. A record must be kept of all bids, with names of bidders and amount of bids, and with the successful bid indicated thereon. A bid containing an alteration or erasure of any price contained in the bid which is used in determining the lowest responsible bid must be rejected unless the alteration or erasure is corrected as provided in this section. An alteration or erasure may be crossed out and the correction thereof printed in ink or typewritten adjacent thereto and initialed in ink by the person signing the bid. In the case of identical low bids from two or more bidders, the board may, at its discretion, utilize negotiated procurement methods with the tied low bidders for that particular transaction, so long as the price paid does not exceed the low tied bid price. In the case where only a single bid is received, the board may, at its discretion, negotiate a mutually agreeable contract with the bidder so long as the price paid does not exceed the original bid. If no satisfactory bid is received, the board may readvertise. Standard requirement price contracts established for supplies or services to be purchased by the district must be established by competitive bids. Such standard requirement price contracts may contain escalation clauses and may provide for a negotiated price increase or decrease based upon a demonstrable industrywide or regional increase or decrease in the vendor's costs. Either party to the contract may request that the other party demonstrate such increase or decrease. The term of such contracts must not exceed two years with an option on the part of the district to renew for an additional two years, except as provided in subdivision 7. Contracts for the purchase of perishable food items, except milk for school lunches and vocational training programs, in any amount may be made by direct negotiation by obtaining two or more written quotations for the purchase or sale, when possible, without advertising for bids or otherwise complying with the requirements of this section or section 471.345, subdivision 3. All quotations obtained shall be kept on file for a period of at least one year after receipt.

Every contract made without compliance with the provisions of this section shall be void. Except in the case of the destruction of buildings or injury thereto, where the public interest would suffer by delay, contracts for repairs may be made without advertising for bids.

EFFECTIVE DATE. This section is effective for contracts entered into on or after July 1, 2017.

Sec. 2. Minnesota Statutes 2016, section 123B.52, is amended by adding a subdivision to read:

Subd. 7. **Food service contracts.** A contract between a school board and a food service management company that complies with Code of Federal Regulations, title 7, section 210.16, may be renewed annually after its initial term for not more than four additional years.

EFFECTIVE DATE. This section is effective for contracts entered into on or after July 1, 2017.

Sec. 3. **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 under Minnesota Statutes, section 124D.111, and Code of Federal Regulations, title 7, section 210.17:

$16,670,000	. . . . .	2018
$17,172,000	. . . . .	2019

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

$10,511,000	. . . . .	2018
$11,269,000	. . . . .	2019

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

$758,000	. . . . .	2018
$758,000	. . . . .	2019

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

$150,000	. . . . .	2018
$150,000	. . . . .	2019

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

ARTICLE 7
LIBRARIES

Section 1. Minnesota Statutes 2016, section 134.31, subdivision 2, is amended to read:

Subd. 2. **Advice and instruction.** The Department of Education shall give advice and instruction to the managers of any public library or to any governing body maintaining a library or empowered to do so by law upon any matter pertaining to the organization, maintenance, or administration of libraries. The department may also give advice and instruction, as requested, to postsecondary educational institutions, school districts or charter schools, state agencies, governmental units, nonprofit organizations, or private entities. It shall assist, to the extent possible, in the establishment and organization of library service in those areas where adequate services do not exist, and may aid in improving previously established library services. The department shall also provide assistance to school districts, regional library systems, and member libraries interested in offering joint library services at a single location.

Sec. 2. **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. **Basic system support.** For basic system support aid under Minnesota Statutes, section 134.355:

$13,570,000	.....	2018
$13,570,000	.....	2019

The 2018 appropriation includes $1,357,000 for 2017 and $12,213,000 for 2018.

The 2019 appropriation includes $1,357,000 for 2018 and $12,213,000 for 2019.

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

$1,300,000	.....	2018
$1,300,000	.....	2019

The 2018 appropriation includes $130,000 for 2017 and $1,170,000 for 2018.

The 2019 appropriation includes $130,000 for 2018 and $1,170,000 for 2019.

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:

$900,000	.....	2018
$900,000	.....	2019

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:

$2,300,000	.....	2018
$2,300,000	.....	2019

The 2018 appropriation includes $230,000 for 2017 and $2,070,000 for 2018.

The 2019 appropriation includes $230,000 for 2018 and $2,070,000 for 2019.

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

ARTICLE 8
EARLY CHILDHOOD AND FAMILY SUPPORT

Section 1. Minnesota Statutes 2016, section 13.321, is amended by adding a subdivision to read:

Subd. 11. **Director of early education and development.** Access by the director of early education and development to private data on individuals is provided under section 119C.03, subdivision 6.

Sec. 2. Minnesota Statutes 2016, section 13.461, is amended by adding a subdivision to read:

Subd. 33. **Director of early education and development.** Access by the director of early education and development to private data on individuals is provided under section 119C.03, subdivision 6.

Sec. 3. **[119C.01] DEFINITIONS.**

Subdivision 1. **Application.** The definitions in this section apply to this chapter.

Subd. 2. **Commissioner.** "Commissioner" means the commissioner of administration.

Subd. 3. **Department.** "Department" means the Department of Administration.

Subd. 4. **Director.** "Director" means the director of early education and development.

Subd. 5. **Early education programs.** "Early education programs" include:

(1) the school readiness program under sections 124D.15 and 124D.16;

(2) the early learning scholarship program under section 124D.165; and

(3) the Head Start program under sections 119A.50 to 119A.545.

Sec. 4. **[119C.02] POLICY AND PURPOSE.**

(a) The purpose of this chapter is to establish an Office of Early Education and Development to coordinate Minnesota's early education and development programs and funding in accordance with state law.

(b) It is in the best interests of Minnesota families that early education and development programs be coordinated to maximize quality, access, accountability, and cost-effectiveness.

Sec. 5. **[119C.03] DIRECTOR OF EARLY EDUCATION AND DEVELOPMENT.**

Subdivision 1. **Appointment.** The governor must appoint the director of early education and development, subject to the advice and consent of the senate. The director must report to the commissioner, who must provide necessary administrative support to the director.

Subd. 2. **Qualifications.** The governor must select the director on the basis of professional qualifications and knowledge of early childhood development, early childhood education, and related public policies. The director serves in the unclassified service for a term of four years. The first term must end on December 31, 2020. The governor may remove the director for cause. If a director resigns or is removed for cause, the governor must appoint a director for the remainder of the term.

Subd. 3. **Compensation.** Compensation of the director shall be established under chapter 15A.

Subd. 4. **Duties; powers.** (a) The director must:

(1) develop early education program policies;

(2) coordinate outreach to eligible families to provide uniform notification about available program options;

(3) streamline the administration of each early education program;

(4) manage data collection to support and evaluate a coordinated system of early child care and education;

(5) coordinate internal and external evaluation of early child care and educational programs to measure and report on their effectiveness and efficiency;

(6) calculate the total aid to each child for the programs listed in section 119C.01, subdivision 5;

(7) establish the aid limit under section 119C.05;

(8) develop data-sharing agreements and memoranda of understanding, as necessary, with the commissioners of administration, education, health, and human services; and

(9) serve as executive director of the Children's Cabinet established in section 4.045.

(b) In carrying out the duties under paragraph (a), the director has the authority to:

(1) direct the commissioner of education to administer early education programs according to the director's plans developed under paragraph (a);

(2) direct the commissioner of human services to administer the quality rating and improvement system according to the director's plans developed under paragraph (a);

(3) direct and control money appropriated to the director; and

(4) enter into agreements with other state agencies to provide appropriate funding to early child care and education programs.

Subd. 5. **Coordination with other agencies.** (a) The commissioner of human services and the commissioner of education must provide the director data on early education and child care assistance program participants under subdivision 6.

(b) The director must coordinate early education program activities, including the quality rating and improvement system, with advice from the commissioner of education and the commissioner of human services.

(c) The director must coordinate with the commissioner of education and the commissioner of human services to develop a form by which the parent or guardian of a child participating in an applicable early child care and education program may consent to share private data with the director. The consent form must specify what data is being shared, what government entities will have access to the shared data, and the purpose for the data sharing. The consenting parent or guardian may withdraw consent, in writing, at any time. The ability of a parent or child to receive services is not affected by a refusal to give consent under this paragraph.

Subd. 6. **Data practices.** (a) Subject to the limitations in paragraphs (b) and (c), the director is authorized to access the following private data on individuals:

(1) educational data as defined in section 13.32, subdivision 1, paragraph (a); and

(2) data collected, maintained, used, or disseminated by the welfare system as defined in section 13.46, subdivision 1, paragraph (c).

(b) The director may only access private data relating to an individual's participation in the following programs:

(1) the school readiness program under sections 124D.15 and 124D.16;

(2) the early learning scholarship program under section 124D.165;

(3) the Head Start program under sections 119A.50 to 119A.545;

(4) a child care assistance program under chapter 119B; and

(5) the kindergarten readiness assessment under section 124D.162.

(c) The director may only access private data on an individual whose parent or guardian has consented to share data with the director under subdivision 5, paragraph (c).

Subd. 7. **Annual report.** The director must submit an annual report to the chairs and ranking minority members of the legislative committees having jurisdiction over education in accordance with section 3.195. The report must include data relating to the number of children participating in each program, the participating families' income levels, aid received per child per program, total aid received per child per family, and the number of waivers to the aid limit granted. The director must submit the report by January 15, 2020, and annually thereafter.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 6. **[119C.04] PROGRAM ADMINISTRATION.**

Subdivision 1. **Other funds.** The director may direct the commissioner of education and commissioner of human services to:

(1) apply for and receive federal funds made available to the state by federal law or rule for any purpose related to the administration of early education funds; and

(2) apply for and receive donations or grants from a public or private entity.

Subd. 2. **Sliding fee.** The director may charge a fee on a sliding scale for a program under this chapter with consideration for program quality, program schedule, or family income.

Subd. 3. **Accountability.** Each child enrolled in a program under this chapter must receive a kindergarten readiness assessment consistent with section 124D.162.

Subd. 4. **Program aid guarantee.** The director must administer program and child eligibility and program aid amounts for each early education program under this chapter consistent with statutory provisions for each early education program under this chapter. An early education program under this chapter must receive aid in fiscal year 2018 and later that is equal to or greater than the aid the program received in fiscal year 2017.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 7. **[119C.05] AID LIMITS.**

Subdivision 1. **Director to establish limits.** (a) Notwithstanding any law to the contrary, the director must establish the maximum annual aid a child three or four years of age may generate from any combination of programs under this chapter based on family income level. The director must establish the aid limits by January 15, 2019, and implement the aid limits by July 1, 2019.

(b) The aid limit under this section must be based on the director's review of the market rate survey under section 119B.02 and information provided by the commissioner of education and commissioner of human services regarding aid generated to a child through multiple programs.

Subd. 2. **Aid limit effect.** If the total aid to a child enrolled in a combination of programs would exceed the aid limit, the director must reduce the aid to the child participating in the programs.

Subd. 3. **Programs included in limit.** For the purposes of the limit under this subdivision, the director must include any federal Head Start aids attributable to a child.

Subd. 4. **Limit waiver.** Notwithstanding subdivision 1, the director may waive the aid limit for children facing extreme hardship or urgent need. The director must waive the aid limit for families: experiencing homelessness, with children in foster care or awaiting foster care placement, or involved with the child protection system. For purposes of this section, the director must find that a family is experiencing homelessness if the family includes "homeless children or youths" as defined in the McKinney-Vento Homeless Assistance Act, United States Code, title 42, section 11434a.

EFFECTIVE DATE. This section is effective January 1, 2019.

Sec. 8. **[119C.06] EARLY EDUCATION RESOURCE HUBS.**

(a) The director may establish early education resource hubs throughout the state. The director shall contract with appropriate organizations to serve as resource hubs.

(b) Early education resource hubs must, in consultation with a regionally representative group of program participant parents, develop strategies to support outreach to families, connection to resources, and program choice.

EFFECTIVE DATE. This section is effective July 1, 2018.

Sec. 9. Minnesota Statutes 2016, section 123B.595, subdivision 1, is amended to read:

Subdivision 1. **Long-term facilities maintenance revenue.** (a) For fiscal year 2017 only, long-term facilities maintenance revenue equals the greater of (1) the sum of (i) $193 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, plus (ii) for a school district with an approved voluntary prekindergarten program under section 124D.151, the cost approved by the commissioner for remodeling existing instructional space to accommodate prekindergarten instruction, or (2) the sum of (i) 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, and (ii) for a school district with an approved voluntary prekindergarten program under section 124D.151, the cost approved by the commissioner for remodeling existing instructional space to accommodate prekindergarten instruction.

(b) For fiscal year 2018 only, long-term facilities maintenance revenue equals the greater of (1) the sum of (i) $292 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 (ii) 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~~, plus (iii) for a school district with an approved voluntary prekindergarten program under section 124D.151, the cost approved by the commissioner for remodeling existing instructional space to accommodate prekindergarten instruction~~, or (2) the ~~sum of (i) 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~~, and~~

~~(ii) for a school district with an approved voluntary prekindergarten program under section 124D.151, the cost approved by the commissioner for remodeling existing instructional space to accommodate prekindergarten instruction~~.

(c) For fiscal year 2019 and later, long-term facilities maintenance revenue equals the greater of (1) the sum of (i) $380 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 (ii) 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~~, plus (iii) for a school district with an approved voluntary prekindergarten program under section 124D.151, the cost approved by the commissioner for remodeling existing instructional space to accommodate prekindergarten instruction~~, or (2) ~~the sum of (i)~~ 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~~, and (ii) for a school district with an approved voluntary prekindergarten program under section 124D.151, the cost approved by the commissioner for remodeling existing instructional space to accommodate prekindergarten instruction~~.

<u>(d) Notwithstanding paragraphs (a), (b), and (c), a school district that qualified for eligibility under Minnesota Statutes 2014, section 123B.59, subdivision 1, paragraph (a), for fiscal year 2010 remains eligible for funding under this section as a district that would have qualified for eligibility under Minnesota Statutes 2014, section 123B.59, subdivision 1, paragraph (a), for fiscal year 2017 and later.</u>

Sec. 10. Minnesota Statutes 2016, 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 1 to 12, and $1.30 for each fully paid breakfast served to a ~~prekindergarten student enrolled in an approved voluntary prekindergarten program under section 124D.151 or a~~ kindergarten student.

Sec. 11. Minnesota Statutes 2016, section 124D.1158, subdivision 4, is amended to read:

Subd. 4. **No fees.** A school that receives school breakfast aid under this section must make breakfast available without charge to all participating students in grades 1 to 12 who qualify for free or reduced-price meals and to all ~~prekindergarten students enrolled in an approved voluntary prekindergarten program under section 124D.151 and all~~ kindergarten students.

Sec. 12. Minnesota Statutes 2016, section 124D.135, subdivision 1, is amended to read:

Subdivision 1. **Revenue.** The revenue for early childhood family education programs for a school district equals ~~$120 for fiscal year 2014 and~~ the formula allowance for the year times 0.023 for <u>fiscal year 2017, $140.77 for</u> fiscal year ~~2015~~ <u>2018, and $141.20 for fiscal year 2019</u> and later, times the greater of:

(1) 150; or

(2) the number of people under five years of age residing in the district on October 1 of the previous school year.

Sec. 13. Minnesota Statutes 2016, section 124D.15, subdivision 1, is amended to read:

Subdivision 1. **Establishment; purpose.** A district<u>, charter school,</u> or a group of districts <u>or charter schools</u> may establish a school readiness program for children age three to kindergarten entrance. The purpose of a school readiness program is to prepare children to enter kindergarten.

Sec. 14. Minnesota Statutes 2016, section 124D.16, subdivision 2, is amended to read:

Subd. 2. **Amount of aid.** (a) A district or charter school is eligible to receive school readiness aid for eligible prekindergarten pupils enrolled in a school readiness program under section 124D.15 if the biennial plan required by section 124D.15, subdivision 3a, has been approved by the commissioner.

(b) A school district or charter school must receive school readiness aid equal to:

(1) the number of four-year-old children in the school district on October 1 for the previous school year and, for a charter school, the number of kindergarten pupils enrolled in the charter school on October 1 for the previous school year, times the ratio of 50 percent of the total school readiness aid for that year to the sum of the total number of four-year-old children for school districts and the total number of kindergarten pupils for charter schools reported to the commissioner for the previous school year; plus

(2) the number of pupils enrolled in the school district or charter school from families eligible for the free or ~~reduced~~ reduced-price school lunch program for the previous school year times the ratio of 50 percent of the total school readiness aid for that year to the total number of pupils in the state from families eligible for the free or ~~reduced~~ reduced-price school lunch program for the previous school year.

(c) The total school readiness aid entitlement equals ~~$23,558,000 for fiscal year 2016 and~~ $33,683,000 for fiscal year 2017, $37,683,000 for fiscal year 2018, and $38,683,000 for fiscal year 2019 and later.

Sec. 15. Minnesota Statutes 2016, section 124D.165, subdivision 1, is amended to read:

Subdivision 1. **Establishment; purpose.** There is established an early learning scholarships program in order to ~~increase~~ close the opportunity gap by increasing access to high-quality early childhood programs ~~for children ages three to five~~.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 16. Minnesota Statutes 2016, 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~~ an eligible child ~~three or four years of age on September 1 of the current school year, who has not yet started kindergarten~~; 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~~ (b) An "eligible child" means a child who has not yet enrolled in kindergarten and is:

(1) between the ages of three and five;

(2) a sibling from birth to age 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;

(3) the child of a parent under age 21 who is pursuing a high school degree or a course of study for a high school equivalency test; or

(4) homeless, in foster care, or in need of child protective services.

~~(d)~~ (c) 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)~~ (d) 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.

~~(f)~~ (e) A child from an adjoining state whose family resides at a Minnesota address as assigned by the United States Postal Service, who has received developmental screening under sections 121A.16 to 121A.19, who intends to enroll in a Minnesota school district, and whose family meets the criteria of paragraph (a) is eligible for an early learning scholarship under this section.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 17. Minnesota Statutes 2016, section 124D.165, subdivision 3, is amended to read:

Subd. 3. **Administration.** (a) The commissioner shall establish application timelines and determine the schedule for awarding scholarships that meets operational needs of eligible families and programs. The commissioner shall not designate scholarships for use in predetermined qualifying programs. The commissioner must give highest priority to applications from children who:

(1) have a parent under age 21 who is pursuing a high school diploma or a course of study for a high school equivalency test;

(2) are in foster care or otherwise in need of protection or services; or

(3) have experienced homelessness in the last 24 months, as defined under the federal McKinney-Vento Homeless Assistance Act, United States Code, title 42, section 11434a.

The commissioner may prioritize applications on additional factors including family income, geographic location, and whether the child's family is on a waiting list for a publicly funded program providing early education or child care services.

(b) ~~For fiscal years 2014 and 2015 only, scholarships may not exceed $5,000 per year for each eligible child. For fiscal year 2016 and later,~~ The commissioner shall establish a target for the average scholarship amount per child based on the results of the rate survey conducted under section 119B.02.

(c) ~~A four-star rated program that has children eligible for a scholarship enrolled in or on a waiting list for a program beginning in July, August, or September may notify the commissioner, in the form and manner prescribed by the commissioner, each year of the program's desire to enhance program services or to serve more children than current funding provides. The commissioner may designate a predetermined number of scholarship slots for that program and notify the program of that number.~~ Beginning July 1, 2016, a school district or Head Start program qualifying under ~~this paragraph~~ subdivision 4 may use its established registration process to enroll scholarship recipients and may verify a scholarship recipient's family income in the same manner as for other program participants.

(d) A scholarship is awarded for a 12-month period. If the scholarship recipient has not been accepted and subsequently enrolled in a rated program within ten months of the awarding of the scholarship, the scholarship cancels and the recipient must reapply in order to be eligible for another scholarship. A child may not be awarded more than one scholarship in a 12-month period.

(e) A child who receives a scholarship who has not completed development screening under sections 121A.16 to 121A.19 must complete that screening within 90 days of first attending an eligible program.

(f) For fiscal year 2017 and later, a school district or Head Start program enrolling scholarship recipients under paragraph (c) may apply to the commissioner, in the form and manner prescribed by the commissioner, for direct payment of state aid. Upon receipt of the application, the commissioner must pay each program directly for each approved scholarship recipient enrolled under paragraph (c) according to the metered payment system or another schedule established by the commissioner.

Sec. 18. Minnesota Statutes 2016, section 124D.165, subdivision 4, is amended to read:

Subd. 4. **Early childhood program eligibility.** (a) In order to be eligible to accept an early learning scholarship, a program must:

(1) participate in the quality rating and improvement system under section 124D.142; and

(2) beginning July 1, ~~2016~~ 2022, have a three- or four-star rating in the quality rating and improvement system.

(b) Any program accepting scholarships must use the revenue to supplement and not supplant federal funding.

(c) Notwithstanding paragraph (a), all Minnesota early learning foundation scholarship program pilot sites are eligible to accept an early learning scholarship under this section.

Sec. 19. Minnesota Statutes 2016, section 124D.59, subdivision 2, is amended to read:

Subd. 2. **English learner.** (a) "English learner" means a pupil in kindergarten through grade 12 ~~or a prekindergarten student enrolled in an approved voluntary prekindergarten program under section 124D.151~~ 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 prekindergarten under section 124D.151, 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 seven or more years of average daily membership in Minnesota public schools since July 1, 1996.~~

Sec. 20. **[124D.99] EDUCATION PARTNERSHIPS COALITION FUND.**

Subdivision 1. **Program establishment.** The commissioner of education shall establish a program supporting a coalition of coordinated, aligned education partnerships as specified in this section, for a comprehensive network of evidence-based support services designed to close opportunity gaps by improving educational and developmental outcomes of children and their families within communities experiencing poverty and impediments to economic viability.

Subd. 2. **Definitions.** (a) For purposes of this section the terms defined in this subdivision have the meanings given them.

(b) "Tier 1 grant" means a sustaining grant for the ongoing operation, stability, and expansion of existing education partnership program locations.

(c) "Tier 2 grant" means an implementation grant for expanding activity in education partnership program locations.

Subd. 3. **Administration; design.** (a) The commissioner shall establish program requirements, an application process and timeline for each tier of grants specified in subdivision 4, criteria for evaluation of applications, and a grant awards process. The commissioner's process must minimize administrative costs, minimize burdens for applicants and grant recipients, and provide a framework that permits flexibility in program design and implementation among grant recipients.

(b) To the extent practicable, the commissioner shall design the program to align with programs implemented or proposed by organizations in Minnesota that:

(1) identify and increase the capacity of organizations that are focused on achieving data-driven, locally controlled positive outcomes for children and youth throughout an entire neighborhood or geographic area through programs such as Strive Together, Promise Neighborhood, and the Education Partnerships Coalition members;

(2) build a continuum of educational family and community supports with academically rigorous schools at the center;

(3) maximize program efficiencies by integrating programmatic activities and eliminating administrative barriers;

(4) develop local infrastructure needed to sustain and scale up proven and effective solutions beyond the initial neighborhood or geographic area; and

(5) utilize appropriate outcome measures based on unique community needs and interests and apply rigorous evaluation on a periodic basis to be used to both monitor outcomes and allow for continuous improvements to systems.

(c) The commissioner, in consultation with grant recipients, must:

(1) develop and revise core indicators of progress toward outcomes specifying impacts for each tier identified under subdivision 4;

(2) establish a reporting system for grant recipients to measure program outcomes using data sources and program goals; and

(3) evaluate effectiveness based on the core indicators established by each partnership for each tier.

Subd. 4. **Requirements.** (a) A grant recipient's program in the planning, development, or implementation phase must include:

(1) integrated supportive services programming, as specified in paragraph (b), within a specific community or geographic area for all ages of children and youth and their families within that area, provided that services may be phased in to all ages over time; and

(2) a system for evaluating goals and outcomes as provided under subdivision 3, paragraph (c).

(b) A grant recipient's supportive services programming must address:

(1) kindergarten readiness and youth development;

(2) grade 3 reading proficiency;

(3) high school graduation;

(4) postsecondary educational attainment;

(5) physical and mental health;

(6) development of career skills and readiness;

(7) parental engagement and development;

(8) community engagement and programmatic alignment; and

(9) reduction of remedial education.

Subd. 5. **Grants.** The commissioner shall award Tier 1 and Tier 2 grants to qualifying recipients that can demonstrate a nonstate source of funds, including in-kind contributions.

Subd. 6. **Legislative report.** By December 15 of each odd-numbered year, the commissioner shall submit a report on the education partnership program to the chairs and ranking minority members of the legislative committees having jurisdiction over kindergarten through grade 12 education, early childhood education, economic development, and human services. At a minimum, the report must summarize grantee activities, identify grant recipients and awards, analyze program performance measures and outcomes, and make any recommendations for legislative changes.

EFFECTIVE DATE. This section is effective July 1, 2017, and subdivision 6 applies to reports due starting in calendar year 2019.

Sec. 21. Minnesota Statutes 2016, 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 chapter 124E; 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) and is enrolled in an approved voluntary prekindergarten program under section 124D.151 is counted as the ratio of the number of hours of instruction to 850 times 1.0, but not more than 0.6 pupil units.~~

~~(e)~~ (d) 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.

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

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

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

Sec. 22. **REPORT REQUIRED.**

No later than January 15, 2018, the commissioner of human services and the commissioner of education must deliver a report to the chairs and ranking minority members of the legislative committees having jurisdiction over early childhood education and human services. At a minimum, the report must:

(1) make recommendations relating to:

(i) coordinating state resources for child care assistance provided through the basic sliding fee program under Minnesota Statutes, section 119B.03, and the Minnesota family investment program under Minnesota Statutes, chapter 256J;

(ii) aligning family income eligibility requirements for programs under Minnesota Statutes, chapters 119B, 119C, and 256J;

(iii) reducing duplicative paperwork and administrative burden and increasing the stability of funding for families of children eligible for both an early learning scholarship and support from the child care assistance program;

(iv) maximizing child care assistance program integrity and payment mechanisms to increase accountability and efficiency;

(v) integrating the data collection systems of the child care assistance program and other early education and development programs currently administered by the Department of Education, the Department of Human Services, and the Department of Health;

(vi) selecting appropriate organizations to serve as early education resource hubs under Minnesota Statutes, section 119C.06, and supporting outreach to families through the resource hubs;

(vii) transferring powers and duties related to other early education and development programs currently administered by the Department of Education, the Department of Human Services, or the Department of Health; and

(viii) developing a universal application form for child care assistance under Minnesota Statutes, chapter 119B, and early education programs under Minnesota Statutes, chapter 119C;

(2) provide data, to the extent practicable, on the number of children participating in more than one child care or early education program administered by the Department of Human Services or the Department of Education, including the aid received by the participants under each program; and

(3) identify any barriers to tracking the total amount of aid each child receives from a combination of programs. The report must be submitted in accordance with Minnesota Statutes, section 3.195.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 23. **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:

$37,283,000	. . . . .	2018
$38,583,000	. . . . .	2019

The 2018 appropriation includes $3,368,000 for 2017 and $33,915,000 for 2018.

The 2019 appropriation includes $3,768,000 for 2018 and $34,815,000 for 2019.

Subd. 3. **Early learning scholarships.** For the early learning scholarship program under Minnesota Statutes, section 124D.165:

$72,184,000	.....	2018
$72,184,000	.....	2019

Up to $750,000 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. 4. **Head Start program.** For Head Start programs under Minnesota Statutes, section 119A.52:

$25,100,000	.....	2018
$25,100,000	.....	2019

Subd. 5. **Early childhood family education aid.** For early childhood family education aid under Minnesota Statutes, section 124D.135:

$29,892,000	.....	2018
$30,571,000	.....	2019

The 2018 appropriation includes $2,904,000 for 2017 and $26,988,000 for 2018.

The 2019 appropriation includes $2,998,000 for 2018 and $27,573,000 for 2019.

Subd. 6. **Developmental screening aid.** For developmental screening aid under Minnesota Statutes, sections 121A.17 and 121A.19:

$3,606,000	.....	2018
$3,629,000	.....	2019

The 2018 appropriation includes $358,000 for 2017 and $3,248,000 for 2018.

The 2019 appropriation includes $360,000 for 2018 and $3,269,000 for 2019.

Subd. 7. **Parent-child home program.** For a grant to the parent-child home program:

$850,000	.....	2018
$850,000	.....	2019

The grant must be used for an evidence-based and research-validated early childhood literacy and school readiness program for children ages 16 months to four years at its existing suburban program location. The program must include urban and rural program locations for fiscal years 2018 and 2019.

The base appropriation for this program for fiscal year 2020 and later is $850,000.

Subd. 8. **Kindergarten entrance assessment initiative and intervention program.** For the kindergarten entrance assessment initiative and intervention program under Minnesota Statutes, section 124D.162:

$281,000	.....	2018
$281,000	.....	2019

Subd. 9. **Quality rating and improvement system.** (a) For transfer to the commissioner of human services for the purposes of expanding the quality rating and improvement system under Minnesota Statutes, section 124D.142, in greater Minnesota and increasing supports for providers participating in the quality rating and improvement system:

$1,750,000	. . . . .	2018
$1,750,000	. . . . .	2019

(b) The amounts in paragraph (a) must be in addition to any federal funding under the child care and development block grant authorized under Public Law 101-508 in that year for the system under Minnesota Statutes, section 124D.142.

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

(d) The base for this program in fiscal year 2020 and later is $1,750,000.

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:

$68,000	. . . . .	2018
$68,000	. . . . .	2019

Subd. 11. **Educate parents partnership.** For the educate parents partnership under Minnesota Statutes, section 124D.129:

$49,000	. . . . .	2018
$49,000	. . . . .	2019

Subd. 12. **Home visiting aid.** For home visiting aid under Minnesota Statutes, section 124D.135:

$527,000	. . . . .	2018
$571,000	. . . . .	2019

The 2018 appropriation includes $0 for 2017 and $527,000 for 2018.

The 2019 appropriation includes $58,000 for 2018 and $513,000 for 2019.

Subd. 13. **Tier 1 grants.** (a) For education partnership program Tier 1 sustaining grants under Minnesota Statutes, section 124D.99:

$2,600,000	. . . . .	2018
$2,600,000	. . . . .	2019

(b) Of the amounts in paragraph (a), $1,300,000 each year is for the Northside Achievement Zone and $1,300,000 each year is for the St. Paul Promise Neighborhood.

(c) The base funding for Tier 1 sustaining grants is $2,600,000.

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

Subd. 14. **Tier 2 implementing grants.** (a) For Tier 2 implementing grants under Minnesota Statutes, section 124D.99:

$480,000	. . . . .	2018
$480,000	. . . . .	2019

(b) Of the amounts in paragraph (a), $160,000 each year is for the Northfield Healthy Community Initiative in Northfield; $160,000 is for the Jones Family Foundation for the Every Hand Joined program in Red Wing; and $160,000 is for the United Way of Central Minnesota for the Partners for Student Success program.

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

Sec. 24. **APPROPRIATIONS; OFFICE OF EARLY EDUCATION AND DEVELOPMENT.**

Subdivision 1. **Office of early education and development.** The sums indicated in this section are appropriated from the general fund to the office of early education and development for the fiscal years designated.

Subd. 2. **Director.** (a) For the office of early education and development, including personnel costs:

$200,000	. . . . .	2018
$200,000	. . . . .	2019

Sec. 25. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall revise, as necessary, and recodify in Minnesota Statutes, chapter 119C, the early education programs defined in section 119C.01, subdivision 5.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 26. **REPEALER.**

Minnesota Statutes 2016, section 124D.151, is repealed.

ARTICLE 9
COMMUNITY EDUCATION AND PREVENTION

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

$483,000	. . . . .	2018
$393,000	. . . . .	2019

The 2018 appropriation includes $53,000 for 2017 and $430,000 for 2018.

The 2019 appropriation includes $47,000 for 2018 and $346,000 for 2019.

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

$710,000	.....	2018
$710,000	.....	2019

The 2018 appropriation includes $71,000 for 2017 and $639,000 for 2018.

The 2019 appropriation includes $71,000 for 2018 and $639,000 for 2019.

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

$70,000	.....	2018
$70,000	.....	2019

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

$1,000	.....	2018
$1,000	.....	2019

The 2018 appropriation includes $0 for 2017 and $1,000 for 2018.

The 2019 appropriation includes $0 for 2018 and $1,000 for 2019.

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

ARTICLE 10
SELF-SUFFICIENCY AND LIFELONG LEARNING

Section 1. Minnesota Statutes 2016, section 124D.531, subdivision 1, is amended to read:

Subdivision 1. **State total adult basic education aid.** (a) The state total adult basic education aid for fiscal year 2011 equals $44,419,000, plus any amount that is not paid during the previous fiscal year as a result of adjustments under subdivision 4, paragraph (a), or section 124D.52, subdivision 3. The state total adult basic education aid for later fiscal years equals:

(1) the state total adult basic education aid for the preceding fiscal year plus any amount that is not paid for during the previous fiscal year, as a result of adjustments under subdivision 4, paragraph (a), or section 124D.52, subdivision 3; times

(2) the lesser of:

(i) ~~1.03~~ 1.01; or

(ii) the average growth in state total contact hours over the prior ten program years.

Three percent of the state total adult basic education aid must be set aside for adult basic education supplemental service grants under section 124D.522.

(b) The state total adult basic education aid, excluding basic population aid, equals the difference between the amount computed in paragraph (a), and the state total basic population aid under subdivision 2.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2018 and later.

Sec. 2. Minnesota Statutes 2016, section 124D.549, is amended to read:

124D.549 ~~GENERAL EDUCATION DEVELOPMENT (GED) TESTS RULES; COMMISSIONER~~ COMMISSIONER-SELECTED HIGH SCHOOL EQUIVALENCY TEST.

The commissioner ~~may amend rules to reflect changes in the national minimum standard score for passing the general education development (GED) tests~~, in consultation with adult basic education stakeholders, must select a high school equivalency test. The commissioner may issue a high school equivalency diploma to a Minnesota resident 19 years of age or older who has not earned a high school diploma, who has not previously been issued a general education development (GED) test, and who has exceeded or achieved a minimum passing score on the equivalency test established by the publisher. The commissioner of education may waive the minimum age requirement if supportive evidence is provided by an employer or a recognized education or rehabilitation provider.

Sec. 3. Minnesota Statutes 2016, section 124D.55, is amended to read:

124D.55 ~~GENERAL EDUCATION DEVELOPMENT (GED)~~ COMMISSIONER-SELECTED HIGH SCHOOL EQUIVALENCY TEST FEES.

The commissioner shall pay 60 percent of the fee that is charged to an eligible individual for the full battery of ~~general education development (GED)~~ the commissioner-selected high school equivalency tests, but not more than $40 for an eligible individual.

For fiscal year 2017 only, the commissioner shall pay 100 percent of the fee charged to an eligible individual for the full battery of general education development (GED) tests, but not more than the cost of one full battery of tests per year for any individual.

Sec. 4. Minnesota Statutes 2016, section 256J.08, subdivision 38, is amended to read:

Subd. 38. **Full-time student.** "Full-time student" means a person who is enrolled in a graded or ungraded primary, intermediate, secondary, ~~GED~~ commissioner of education-selected high school equivalency preparatory, trade, technical, vocational, or postsecondary school, and who meets the school's standard for full-time attendance.

Sec. 5. Minnesota Statutes 2016, section 256J.08, subdivision 39, is amended to read:

Subd. 39. **~~General educational development or GED~~ Commissioner of education-selected high school equivalency.** ~~"General educational development" or "GED"~~ "Commissioner of education-selected high school equivalency" means the ~~general educational development~~ high school equivalency certification issued by the commissioner of education as an equivalent to a secondary school diploma under ~~Minnesota Rules, part 3500.3100, subpart 4~~ section 124D.549.

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

$49,133,000	.....	2018
$49,735,000	.....	2019

The 2018 appropriation includes $4,881,000 for 2017 and $44,252,000 for 2018.

The 2019 appropriation includes $4,917,000 for 2018 and $44,818,000 for 2019.

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

$125,000	.....	2018
$125,000	.....	2019

Sec. 7. **REVISOR'S INSTRUCTION.**

In Minnesota Statutes and Minnesota Rules, the revisor of statutes shall substitute the term "commissioner-selected high school equivalency" or similar term for "general education development," "GED," or similar terms for wherever the term refers to the tests or programs leading to a certification issued by the commissioner of education as an equivalency to a secondary diploma.

Sec. 8. **REPEALER.**

Minnesota Rules, part 3500.3100, subpart 4, is repealed.

ARTICLE 11
STATE AGENCIES

Section 1. Minnesota Statutes 2016, section 122A.14, subdivision 9, is amended to read:

Subd. 9. **Fee.** Each person licensed by the Board of School Administrators shall pay the board a fee of $75, collected each fiscal year. When transmitting notice of the license fee, the board also must notify the licensee of the penalty for failing to pay the fee within the time specified by the board. The board may provide a lower fee for persons on retired or inactive status. After receiving notice from the board, any licensed school administrator who does not pay the fee in the given fiscal year shall have all administrative licenses held by the person automatically suspended, without the right to a hearing, until the fee has been paid to the board. If the board suspends a licensed school administrator for failing to pay the fee, it must immediately notify the district currently employing the school administrator of the school administrator's suspension. The executive secretary shall deposit the fees in the educator licensure account in the special revenue fund in the state treasury.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 2. **[122A.175] SPECIAL REVENUE FUND ACCOUNTS; EDUCATOR LICENSURE AND BACKGROUND CHECKS.**

Subdivision 1. **Educator licensure account.** An educator licensure account is created in the special revenue fund. Applicant licensure fees received by the Department of Education, the Board of Teaching, or the Board of School Administrators must be deposited in the educator licensure account. Any funds appropriated from this account that remain unexpended at the end of the biennium cancel to the educator licensure account in the special revenue fund.

Subd. 2. **Background check account.** An educator licensure background check account is created in the special revenue fund. The Department of Education, the Board of Teaching, and the Board of School Administrators must deposit all payments submitted by license applicants for criminal background checks conducted by the Bureau of Criminal Apprehension in the educator licensure background check account. Amounts in the account are annually appropriated to the commissioner of education for payment to the superintendent of the Bureau of Criminal Apprehension for the costs of background checks on applicants for licensure.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 122A.18, subdivision 7c, is amended to read:

Subd. 7c. **Temporary military license.** The Board of Teaching shall establish a temporary license in accordance with section 197.4552 for teaching. The fee for a temporary license under this subdivision shall be $87.90 for an online application or $86.40 for a paper application. The board must deposit the fees received from applicants in the educator licensure account in the special revenue fund.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 4. Minnesota Statutes 2016, 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 first-time teaching applicants for licenses under their jurisdiction. Applicants must include with their licensure applications:

(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~~ payment to conduct the criminal history background check. The Board of Teaching and the commissioner of education must deposit payments received under this subdivision in the educator licensure background check account in the special revenue fund.

(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.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 5. Minnesota Statutes 2016, section 122A.21, subdivision 1, is amended to read:

Subdivision 1. **Licensure applications.** Each applicant submitting an application ~~for the issuance, renewal, or extension of~~ to the Board of Teaching to issue, renew, or extend a teaching license ~~to teach~~, including applications for licensure via portfolio under subdivision 2, must ~~be accompanied by~~ include a processing fee of $57. The processing fee for a teacher's license and for the licenses of supervisory personnel must be paid to the executive secretary of the appropriate board and deposited in the educator licensure account in the special revenue fund. ~~The executive secretary of the board shall deposit the fees with the commissioner of management and budget.~~ The fees as set by the board are nonrefundable for applicants not qualifying for a license. However, ~~a fee must be refunded by~~ the commissioner of management and budget must refund a fee in any case in which the applicant already holds a valid unexpired license. The board may waive or reduce fees for applicants who apply at the same time for more than one license.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 6. Minnesota Statutes 2016, section 122A.21, subdivision 2, is amended to read:

Subd. 2. **Licensure via portfolio.** (a) An eligible candidate may use licensure via portfolio to obtain a professional five-year teaching license or to add a licensure field, consistent with applicable Board of Teaching licensure rules.

(b) A candidate for a professional five-year teaching license must submit to the Educator Licensing Division at the department one portfolio demonstrating pedagogical competence and one portfolio demonstrating content competence.

(c) A candidate seeking to add a licensure field must submit to the Educator Licensing Division at the department one portfolio demonstrating content competence.

(d) The Board of Teaching must notify a candidate who submits a portfolio under paragraph (b) or (c) within 90 calendar days after the portfolio is received whether or not the portfolio was approved. If the portfolio was not approved, the board must immediately inform the candidate how to revise the portfolio to successfully demonstrate the requisite competence. The candidate may resubmit a revised portfolio at any time and the Educator Licensing Division at the department must approve or disapprove the portfolio within 60 calendar days of receiving it.

(e) A candidate must pay to the executive secretary of the Board of Teaching a $300 fee for the first portfolio submitted for review and a $200 fee for any portfolio submitted subsequently. The ~~revenue generated from~~ Board of Teaching executive secretary must deposit the fee ~~must be deposited~~ in ~~an education~~ the educator licensure ~~portfolio~~ account in the special revenue fund. The fees set by the Board of Teaching are nonrefundable for applicants not qualifying for a license. The Board of Teaching may waive or reduce fees for candidates based on financial need.

EFFECTIVE DATE. This section is effective July 1, 2018.

Sec. 7. Minnesota Statutes 2016, section 122A.21, is amended by adding a subdivision to read:

Subd. 3. **Annual appropriations.** (a) The amounts collected under subdivision 2 and deposited in the educator licensure account in the special revenue fund are annually appropriated to the Board of Teaching.

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

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 8. **TRANSFERS.**

Subdivision 1. **Portfolio account.** On July 1, 2017, the commissioner of management and budget shall transfer any balances in the educator licensure portfolio account in the special revenue fund to the educator licensure account in the special revenue fund.

Subd. 2. **Background check.** Any balance in an account that holds fees collected under Minnesota Statutes, section 122A.18, subdivision 8, is transferred to the educator licensure background check account in the special revenue fund under Minnesota Statutes, section 122A.175, subdivision 2. On July 2, 2017, $80,000 is transferred from the educator licensure background check account in the special revenue fund to the educator licensure account in the special revenue fund.

Sec. 9. **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:

$18,094,000	. . . . .	2018
$18,060,000	. . . . .	2019

Of these amounts:

(1) $720,000 each year is for:

(i) a dyslexia specialist;

(ii) a language arts specialist who must provide support to school districts on the implementation of language arts standards under Minnesota Statutes, section 120B.021, subdivision 1; and

(iii) implementing Minnesota's Learning for English Academic Proficiency and Success Act under Laws 2014, chapter 272, article 1, as amended; and

(2) $200,000 each year is for the Lola and Rudy Perpich arts education and outreach division.

(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) The agency's base budget in fiscal year 2020 and later is $18,471,000.

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

Sec. 10. **APPROPRIATIONS; BOARD OF TEACHING.**

(a) The sums indicated in this section are appropriated from the educator licensure account in the special revenue fund or, if the amount in the educator licensure account is insufficient, from the general fund to the Board of Teaching or any successor organization for the fiscal years designated:

$2,568,000	. . . . .	2018
$2,595,000	. . . . .	2019

(b) This appropriation includes funds for information technology project services and support subject to Minnesota Statutes, section 16E.0466. Any ongoing information technology costs will be incorporated into an interagency agreement and will be paid to the Office of MN.IT Services by the Board of Teaching under the mechanism specified in that agreement.

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

(d) The board's base budget for fiscal year 2020 and later is $2,590,000.

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

Sec. 11. **APPROPRIATION; BOARD OF SCHOOL ADMINISTRATORS.**

The sums indicated in this section are appropriated from the educator licensure account in the special revenue fund to the Board of School Administrators for the fiscal years designated:

$231,000	. . . . .	2018
$231,000	. . . . .	2019

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

Sec. 12. **APPROPRIATIONS; MINNESOTA STATE ACADEMIES.**

(a) The sums indicated in this section are appropriated from the general fund to the Minnesota State Academies for the Deaf and Blind for the fiscal years designated:

$12,804,000	. . . . .	2018
$12,786,000	. . . . .	2019

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

Sec. 13. **APPROPRIATIONS; PERPICH CENTER FOR ARTS EDUCATION.**

(a) The sums in this section are appropriated from the general fund to the Perpich Center for Arts Education and to its successor fiscal agent for the fiscal years designated:

$5,212,000	. . . . .	2018
$2,786,000	. . . . .	2019

(b) Of the amounts appropriated in paragraph (a), $162,000 in fiscal year 2018 and $361,000 in fiscal year 2019 are for transfer to the Department of Administration.

(c) The base for fiscal year 2020 and later is $0.

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

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

ARTICLE 12
FORECAST ADJUSTMENTS

A. GENERAL EDUCATION

Section 1. Laws 2015, First Special Session chapter 3, article 1, section 27, subdivision 2, as amended by Laws 2016, chapter 189, article 27, section 17, is amended to read:

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

$6,649,435,000	. . . . .	2016
$ ~~6,815,372,000~~ 6,848,521,000	. . . . .	2017

The 2016 appropriation includes $622,908,000 for 2015 and 6,026,524,000 for 2016.

The 2017 appropriation includes $641,412,000 for 2016 and ~~$6,173,962,000~~ $6,207,109,000 for 2017.

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

Sec. 2. Laws 2015, First Special Session chapter 3, article 1, section 27, subdivision 3, is amended to read:

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

$39,000	. . . . .	2016
$ ~~42,000~~ 26,000	. . . . .	2017

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

Sec. 3. Laws 2015, First Special Session chapter 3, article 1, section 27, subdivision 4, as amended by Laws 2016, chapter 189, article 34, section 1, is amended to read:

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

$3,051,000	. . . . .	2016
$ ~~3,425,000~~ 2,666,000	. . . . .	2017

The 2016 appropriation includes $278,000 for 2015 and $2,773,000 for 2016.

The 2017 appropriation includes $308,000 for 2016 and ~~$3,117,000~~ $2,358,000 for 2017.

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

Sec. 4. Laws 2015, First Special Session chapter 3, article 1, section 27, subdivision 6, as amended by Laws 2016, chapter 189, article 34, section 3, is amended to read:

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

$16,759,000	.....	2016
$ ~~17,235,000~~ 16,879,000	.....	2017

The 2016 appropriation includes $1,575,000 for 2015 and $15,184,000 for 2016.

The 2017 appropriation includes $1,687,000 for 2016 and ~~$15,548,000~~ $15,192,000 for 2017.

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

Sec. 5. Laws 2015, First Special Session chapter 3, article 1, section 27, subdivision 7, as amended by Laws 2016, chapter 189, article 34, section 4, is amended to read:

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

$17,673,000	.....	2016
$ ~~18,103,000~~ 18,278,000	.....	2017

The 2016 appropriation includes $1,816,000 for 2015 and $15,857,000 for 2016.

The 2017 appropriation includes $1,761,000 for 2016 and ~~$16,342,000~~ $16,517,000 for 2017.

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

Sec. 6. Laws 2015, First Special Session chapter 3, article 1, section 27, subdivision 9, as amended by Laws 2016, chapter 189, article 34, section 5, is amended to read:

Subd. 9. **Career and technical aid.** For career and technical aid under Minnesota Statutes, section 124D.4531, subdivision 1b:

$5,922,000	.....	2016
$ ~~4,262,000~~ 4,806,000	.....	2017

The 2016 appropriation includes $574,000 for 2015 and $5,348,000 for 2016.

The 2017 appropriation includes $517,000 for 2016 and ~~$3,745,000~~ $4,289,000 for 2017.

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

B. EDUCATION EXCELLENCE

Sec. 7. Laws 2015, First Special Session chapter 3, article 2, section 70, subdivision 2, as amended by Laws 2016, chapter 189, article 25, section 44, is amended to read:

Subd. 2. **Alternative compensation.** For alternative teacher compensation aid under Minnesota Statutes, section 122A.415, subdivision 4:

$78,907,000	. . . . .	2016
$ ~~89,049,000~~ 88,137,000	. . . . .	2017

The 2016 appropriation includes $7,766,000 for 2015 and $71,141,000 for 2016.

The 2017 appropriation includes $7,876,000 for 2016 and ~~$81,173,000~~ $80,261,000 for 2017.

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

Sec. 8. Laws 2015, First Special Session chapter 3, article 2, section 70, subdivision 3, as amended by Laws 2016, chapter 189, article 25, section 45, is amended to read:

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

$65,439,000	. . . . .	2016
$ ~~69,372,000~~ 67,091,000	. . . . .	2017

The 2016 appropriation includes $6,382,000 for 2015 and $59,057,000 for 2016.

The 2017 appropriation includes $6,561,000 for 2016 and ~~$62,811,000~~ $60,530,000 for 2017.

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

Sec. 9. Laws 2015, First Special Session chapter 3, article 2, section 70, subdivision 4, as amended by Laws 2016, chapter 189, article 34, section 6, is amended to read:

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

$44,538,000	. . . . .	2016
$ ~~45,855,000~~ 45,803,000	. . . . .	2017

The 2016 appropriation includes $4,683,000 for 2015 and $39,855,000 for 2016.

The 2017 appropriation includes $4,428,000 for 2016 and ~~$41,427,000~~ $41,375,000 for 2017.

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

Sec. 10. Laws 2015, First Special Session chapter 3, article 2, section 70, subdivision 5, as amended by Laws 2016, chapter 189, article 34, section 7, is amended to read:

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

$14,423,000	. . . . .	2016
$ ~~15,193,000~~ 13,496,000	. . . . .	2017

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

Sec. 11. Laws 2015, First Special Session chapter 3, article 2, section 70, subdivision 7, as amended by Laws 2016, chapter 189, article 34, section 8, is amended to read:

Subd. 7. **Tribal contract schools.** For tribal contract school aid under Minnesota Statutes, section 124D.83:

$3,539,000	.....	2016
$ ~~3,715,000~~ 3,278,000	.....	2017

The 2016 appropriation includes $204,000 for 2015 and $3,335,000 for 2016.

The 2017 appropriation includes $370,000 for 2016 and ~~$3,345,000~~ $2,908,000 for 2017.

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

Sec. 12. Laws 2015, First Special Session chapter 3, article 2, section 70, subdivision 11, as amended by Laws 2016, chapter 189, article 34, section 9, is amended to read:

Subd. 11. **American Indian education aid.** For American Indian education aid under Minnesota Statutes, section 124D.81, subdivision 2a:

$7,740,000	.....	2016
$ ~~8,878,000~~ 8,838,000	.....	2017

The 2016 appropriation includes $0 for 2015 and $7,740,000 for 2016.

The 2017 appropriation includes $860,000 for 2016 and ~~$8,018,000~~ $7,978,000 for 2017.

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

Sec. 13. Laws 2015, First Special Session chapter 3, article 4, section 9, subdivision 2, as amended by Laws 2016, chapter 189, article 28, section 10, is amended to read:

Subd. 2. **Charter school building lease aid.** For building lease aid under Minnesota Statutes, section 124E.22:

$63,540,000	.....	2016
$ ~~70,132,000~~ 68,046,000	.....	2017

The 2016 appropriation includes $6,032,000 for 2015 and $57,508,000 for 2016.

The 2017 appropriation includes $6,389,000 for 2016 and ~~$63,743,000~~ $61,657,000 for 2017.

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

C. SPECIAL EDUCATION

Sec. 14. Laws 2015, First Special Session chapter 3, article 5, section 30, subdivision 2, as amended by Laws 2016, chapter 189, article 29, section 15, is amended to read:

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

$1,183,619,000	.....	2016
$ ~~1,247,107,000~~ 1,258,250,000	.....	2017

The 2016 appropriation includes $137,932,000 for 2015 and $1,045,687,000 for 2016.

The 2017 appropriation includes $147,202,000 for 2016 and ~~$1,099,905,000~~ $1,111,048,000 for 2017.

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

Sec. 15. Laws 2015, First Special Session chapter 3, article 5, section 30, subdivision 3, as amended by Laws 2016, chapter 189, article 34, section 10, is amended to read:

Subd. 3. **Travel for home-based services.** For aid for teacher travel for home-based services under Minnesota Statutes, section 125A.75, subdivision 1:

$416,000	.....	2016
$ ~~435,000~~ 482,000	.....	2017

The 2016 appropriation includes $35,000 for 2015 and $381,000 for 2016.

The 2017 appropriation includes $42,000 for 2016 and ~~$393,000~~ $440,000 for 2017.

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

Sec. 16. Laws 2015, First Special Session chapter 3, article 5, section 30, subdivision 5, as amended by Laws 2016, chapter 189, article 34, section 11, is amended to read:

Subd. 5. **Aid for children with disabilities.** For aid under Minnesota Statutes, section 125A.75, subdivision 3, for children with disabilities placed in residential facilities within the district boundaries for whom no district of residence can be determined:

$1,307,000	.....	2016
$ ~~1,516,000~~ 1,390,000	.....	2017

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

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

Sec. 17. Laws 2015, First Special Session chapter 3, article 5, section 30, subdivision 6, is amended to read:

Subd. 6. **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:

$56,000	.....	2016
$ ~~57,000~~ 45,000	.....	2017

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

D. FACILITIES AND TECHNOLOGY

Sec. 18. Laws 2015, First Special Session chapter 3, article 6, section 13, subdivision 2, as amended by Laws 2016, chapter 189, article 30, section 23, is amended to read:

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

$0	. . . . .	2016
$ ~~52,844,000~~ 50,571,000	. . . . .	2017

The 2017 appropriation includes $0 for 2016 and ~~$52,844,000~~ $50,571,000 for 2017.

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

Sec. 19. Laws 2015, First Special Session chapter 3, article 6, section 13, subdivision 3, as amended by Laws 2016, chapter 189, article 34, section 12, is amended to read:

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

$20,349,000	. . . . .	2016
$ ~~22,926,000~~ 20,406,000	. . . . .	2017

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 ~~$20,921,000~~ $18,401,000 for 2017.

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

E. NUTRITION

Sec. 20. Laws 2015, First Special Session chapter 3, article 7, section 7, subdivision 2, as amended by Laws 2016, chapter 189, article 27, section 18, is amended to read:

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

$16,251,000	. . . . .	2016
$ ~~16,775,000~~ 16,234,000	. . . . .	2017

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

Sec. 21. Laws 2015, First Special Session chapter 3, article 7, section 7, subdivision 3, as amended by Laws 2016, chapter 189, article 27, section 19, is amended to read:

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

$9,457,000	. . . . .	2016
$ ~~10,365,000~~ 9,869,000	. . . . .	2017

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

Sec. 22. Laws 2015, First Special Session chapter 3, article 7, section 7, subdivision 4, as amended by Laws 2016, chapter 189, article 34, section 15, is amended to read:

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

$788,000	.....	2016
$ ~~788,000~~ 758,000	.....	2017

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

F. EARLY CHILDHOOD EDUCATION

Sec. 23. Laws 2015, First Special Session chapter 3, article 9, section 8, subdivision 5, as amended by Laws 2016, chapter 189, article 34, section 16, is amended to read:

Subd. 5. **Early childhood family education aid.** For early childhood family education aid under Minnesota Statutes, section 124D.135:

$27,948,000	.....	2016
$ ~~29,336,000~~ 28,944,000	.....	2017

The 2016 appropriation includes $2,713,000 for 2015 and $25,235,000 for 2016.

The 2017 appropriation includes $2,803,000 for 2016 and ~~$26,533,000~~ $26,141,000 for 2017.

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

Sec. 24. Laws 2015, First Special Session chapter 3, article 9, section 8, subdivision 6, as amended by Laws 2016, chapter 189, article 34, section 17, is amended to read:

Subd. 6. **Developmental screening aid.** For developmental screening aid under Minnesota Statutes, sections 121A.17 and 121A.19:

$3,477,000	.....	2016
$ ~~3,488,000~~ 3,573,000	.....	2017

The 2016 appropriation includes $338,000 for 2015 and $3,139,000 for 2016.

The 2017 appropriation includes $348,000 for 2016 and ~~$3,140,000~~ $3,225,000 for 2017.

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

Sec. 25. Laws 2015, First Special Session chapter 3, article 10, section 3, subdivision 2, as amended by Laws 2016, chapter 189, article 34, section 18, is amended to read:

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

$790,000	.....	2016
$ ~~553,000~~ 555,000	.....	2017

The 2016 appropriation includes $107,000 for 2015 and $683,000 for 2016.

The 2017 appropriation includes $75,000 for 2016 and ~~$478,000~~ $480,000 for 2017.

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

G. SELF-SUFFICIENCY AND LIFELONG LEARNING

Sec. 26. Laws 2015, First Special Session chapter 3, article 11, section 3, subdivision 2, as amended by Laws 2016, chapter 189, article 34, section 19, is amended to read:

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

$48,231,000	.....	2016
$ ~~49,683,000~~ 48,762,000	.....	2017

The 2016 appropriation includes $4,782,000 for 2015 and $43,449,000 for 2016.

The 2017 appropriation includes $4,827,000 for 2016 and ~~$44,856,000~~ $43,935,000 for 2017.

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

Delete the title and insert:

"A bill for an act relating to education finance; providing funding in early childhood, kindergarten through grade 12, and adult education, including general education, education excellence, teachers, special education, facilities and technology, nutrition, libraries, early childhood and family support, community education and prevention, self-sufficiency and lifelong learning, and state agencies; making forecast adjustments; requiring a report; appropriating money; amending Minnesota Statutes 2016, sections 13.321, by adding a subdivision; 13.461, by adding a subdivision; 43A.08, subdivisions 1, 1a; 120A.22, subdivision 9; 120A.41; 120B.021, subdivisions 1, 3; 120B.022, subdivision 1b; 120B.12, subdivision 2; 120B.22, subdivision 2; 120B.23, subdivision 3; 120B.232, subdivision 1; 120B.30, subdivision 1; 120B.31, subdivision 4, by adding a subdivision; 120B.35, subdivision 3; 120B.36, subdivision 1; 121A.22, subdivision 2; 121A.221; 122A.09, subdivision 4a; 122A.14, subdivision 9; 122A.18, subdivisions 7c, 8; 122A.21, subdivisions 1, 2, by adding a subdivision; 122A.245, subdivisions 1, 2, 3, 10; 122A.40, subdivision 10; 122A.41, by adding a subdivision; 122A.415, subdivision 4; 122A.416; 123A.30, subdivision 6; 123B.41, subdivisions 2, 5a; 123B.42, subdivision 3; 123B.52, subdivision 1, by adding a subdivision; 123B.595, subdivisions 1, 4; 123B.92, subdivisions 1, 9; 124D.03, subdivision 5a; 124D.05, subdivision 3; 124D.09, subdivisions 3, 5, 9, 12, 13, by adding subdivisions; 124D.095, subdivision 3; 124D.1158, subdivisions 3, 4; 124D.135, subdivision 1; 124D.15, subdivision 1; 124D.16, subdivision 2; 124D.165, subdivisions 1, 2, 3, 4; 124D.531, subdivision 1; 124D.549; 124D.55; 124D.59, subdivision 2; 124D.68, subdivision 2; 124E.03, subdivision 2; 124E.11; 125A.08; 125A.0941; 125A.11, subdivision 1; 125A.21, subdivision 2; 125A.515; 125A.56, subdivision 1; 125A.74, subdivision 1; 126C.05, subdivisions 1, 8; 126C.10, subdivisions 2, 2a, 3, 13a; 127A.41, subdivision 3; 127A.45, subdivision 10; 134.31, subdivision 2; 136A.1791, subdivisions 1, 2, 9; 256B.0625, subdivision 26; 256J.08, subdivisions 38, 39; 297A.70, subdivision 2; Laws 2015, First Special Session chapter 3, article 1, section 27, subdivisions 2, as amended, 3, 4, as amended, 6, as amended, 7, as amended, 9, as amended; article 2, section 70, subdivisions 2, as amended, 3, as amended, 4, as amended, 5, as amended, 7, as amended, 11, as amended; article 4, section 9, subdivision 2, as amended; article 5, section 30, subdivisions 2, as amended, 3, as amended, 5, as amended, 6; article 6, section 13, subdivisions 2, as amended, 3, as amended; article 7, section 7, subdivisions 2, as amended, 3, as amended, 4, as amended; article 9, section 8, subdivisions 5, as amended, 6, as amended; article 10, section 3, subdivision 2, as amended; article 11, section 3, subdivision 2, as amended; Laws 2016, chapter 189, article 25, sections 58; 62, subdivisions 7, 17; proposing coding for new law in Minnesota Statutes, chapters 120A; 120B; 121A; 122A; 124D; 125A; 126C; 127A; 136A; proposing coding for new law as Minnesota Statutes, chapter 119C; repealing Minnesota Statutes 2016, sections 122A.40, subdivision 11; 122A.41, subdivision 14; 124D.151; 124D.73, subdivision 2; 129C.10; 129C.105; 129C.15; 129C.20; 129C.25; 129C.26; 129C.30; Minnesota Rules, parts 3500.3100, subpart 4; 3600.0010, subparts 1, 2, 2a, 2b, 3, 6; 3600.0020; 3600.0030, subparts 1, 2, 4, 6; 3600.0045; 3600.0055; 3600.0065; 3600.0075; 3600.0085."

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

The report was adopted.

Hamilton from the Committee on Agriculture Finance to which was referred:

H. F. No. 895, A bill for an act relating to agriculture; appropriating money for agriculture; making policy changes; modifying fees; amending Minnesota Statutes 2016, sections 18B.01, by adding a subdivision; 18B.05; 18B.065, subdivisions 8, 9; 18B.26, subdivision 3; 28A.081; proposing coding for new law in Minnesota Statutes, chapter 18B.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1
AGRICULTURE APPROPRIATIONS

Section 1. **AGRICULTURE APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2018" and "2019" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2018, or June 30, 2019, respectively. "The first year" is fiscal year 2018. "The second year" is fiscal year 2019. "The biennium" is fiscal years 2018 and 2019.

	APPROPRIATIONS Available for the Year Ending June 30	
	2018	**2019**

Sec. 2. **DEPARTMENT OF AGRICULTURE**

Subdivision 1. **Total Appropriation**	**$48,056,000**	**$47,910,000**

Appropriations by Fund

	2018	2019
General	47,663,000	47,513,000
Remediation	393,000	397,000

The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. **Protection Services**			17,471,000	17,475,000

Appropriations by Fund

	2018	2019
General	17,078,000	17,078,000
Remediation	393,000	397,000

$250,000 the first year and $250,000 the second year are for transfer to the pollinator habitat and research account in the agricultural fund. These are onetime transfers.

$300,000 the first year and $300,000 the second year are for transfer to the noxious weed and invasive plant species assistance account in the agricultural fund to award grants to local units of government under Minnesota Statutes, section 18.90, with preference given to local units of government responding to Palmer amaranth or other weeds on the eradicate list. These are onetime transfers.

$125,000 the first year and $125,000 the second year are for the industrial hemp pilot program under Minnesota Statutes, section 18K.09. These are onetime appropriations.

$250,000 the first year and $250,000 the second year are to expand current capabilities for rapid detection, identification, containment, control, and management of high priority plant pests and pathogens. These are onetime appropriations.

$25,000 the first year and $25,000 the second year are to develop and maintain cottage food license exemption outreach and training materials.

$75,000 the first year and $75,000 the second year are to coordinate the correctional facility vocational training pilot program and to assist entities that have explored the feasibility of establishing a USDA-certified or state "equal to" food processing facility within 30 miles of the Northeast Regional Corrections Center.

$393,000 the first year and $397,000 the second year are from the remediation fund for administrative funding for the voluntary cleanup program.

$175,000 the first year and $175,000 the second year are for compensation for destroyed or crippled livestock under Minnesota Statutes, section 3.737. This appropriation may be spent to compensate for livestock that were destroyed or crippled during fiscal year 2017. If the amount in the first year is insufficient, the amount in the second year is available in the first year.

$125,000 the first year and $125,000 the second year are for compensation for crop damage under Minnesota Statutes, section 3.7371. If the amount in the first year is insufficient, the amount in the second year is available in the first year. The commissioner may use up to $30,000 of the appropriation each year to reimburse expenses incurred by the commissioner or the commissioner's approved agent to investigate and resolve claims.

If the commissioner determines that claims made under Minnesota Statutes, section 3.737 or 3.7371, are unusually high, amounts appropriated for either program may be transferred to the appropriation for the other program.

$70,000 the first year and $70,000 the second year are for additional cannery inspections.

$100,000 the first year and $100,000 the second year are for increased oversight of delegated local health boards.

$100,000 the first year and $100,000 the second year are to decrease the turnaround time for retail food handler plan reviews.

$1,024,000 the first year and $1,024,000 the second year are to streamline the retail food safety regulatory and licensing experience for regulated businesses and to decrease the inspection delinquency rate.

Subd. 3. **Agricultural Marketing and Development**	3,996,000	3,996,000

The commissioner must provide outreach to urban farmers regarding the department's financial and technical assistance programs and must assist urban farmers in applying for assistance.

$186,000 the first year and $186,000 the second year are for transfer to the Minnesota grown account and may be used as grants for Minnesota grown promotion under Minnesota Statutes, section 17.102. Grants may be made for one year. Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered under contract on or before June 30, 2019, for Minnesota grown grants in this paragraph are available until June 30, 2021.

$634,000 the first year and $634,000 the second year are for continuation of the dairy development and profitability enhancement and dairy business planning grant programs established under Laws 1997, chapter 216, section 7, subdivision 2, and Laws 2001, First Special Session chapter 2, section 9, subdivision 2. The commissioner may allocate the available sums among permissible activities, including efforts to improve the quality of milk produced in the state, in the proportions that the commissioner deems most beneficial to Minnesota's dairy farmers.

The commissioner must submit a detailed accomplishment report and a work plan detailing future plans for, and anticipated accomplishments from, expenditures under this program to the chairs and ranking minority members of the legislative committees with jurisdiction over agriculture policy and finance on or before the start of each fiscal year. If significant changes are made to the plans in the course of the year, the commissioner must notify the chairs and ranking minority members.

The commissioner may use funds appropriated in this subdivision for annual cost-share payments to resident farmers or entities that sell, process, or package agricultural products in this state for the costs of organic certification. The commissioner may allocate these funds for assistance for persons transitioning from conventional to organic agriculture.

Subd. 4. **Agriculture, Bioenergy, and Bioproduct Advancement**	18,989,000	18,989,000

$9,300,000 the first year and $9,300,000 the second year are for transfer to the agriculture research, education, extension, and technology transfer account under Minnesota Statutes, section 41A.14, subdivision 3. Of these amounts: at least $600,000 the first year and $600,000 the second year are for the Minnesota Agricultural Experiment Station's agriculture rapid response fund under Minnesota Statutes, section 41A.14, subdivision 1, clause (2); $2,000,000 the first year and $2,000,000 the second year are for grants to the Minnesota Agriculture Education Leadership Council to enhance agricultural education with priority given to Farm Business Management challenge grants; up to $350,000 the first year and up to $350,000 the second year are for potato breeding; and up to $350,000 the first year and up to $350,000 the second year are for the cultivated wild rice breeding project at the North Central Research and Outreach Center to include a tenure track/research associate plant breeder. The commissioner shall transfer the remaining funds in this appropriation each year to the Board of Regents of the University of Minnesota for purposes of Minnesota Statutes, section 41A.14. Of the amount transferred to the Board of Regents, up to $1,000,000 the first year and up to $1,000,000 the second year are for research to determine:

(1) what is causing avian influenza;

(2) why some fowl are more susceptible; and

(3) prevention measures that can be taken.

To the extent practicable, funds expended under Minnesota Statutes, section 41A.14, subdivision 1, clauses (1) and (2), must supplement and not supplant existing sources and levels of funding. The commissioner may use up to one percent of this appropriation for costs incurred to administer the program.

$9,664,000 the first year and $9,664,000 the second year are for the agricultural growth, research, and innovation program in Minnesota Statutes, section 41A.12. Except as provided below, the commissioner may allocate the appropriation each year among the following areas: facilitating the start-up, modernization, or expansion of livestock operations including beginning and transitioning livestock operations; developing new markets for Minnesota farmers by providing more fruits, vegetables, meat, grain, and dairy for Minnesota school children; assisting value-added agricultural businesses to begin or expand, access new markets, or diversify; urban youth agricultural education; urban agriculture community development; facilitating the start-up, modernization, or expansion of other beginning and transitioning farms including by providing loans under Minnesota Statutes, section 41B.056; sustainable agriculture on-farm research and demonstration; development or expansion of food hubs and other alternative community-based food distribution systems; enhancing renewable energy infrastructure and use; crop research; Farm Business Management tuition assistance; good agricultural practices/good handling practices certification assistance; establishing and supporting farmer-led water management councils; and implementing farmer-led water quality improvement practices. The commissioner may use up to 4.5 percent of this appropriation for costs incurred to administer the program. Any unencumbered balance does not cancel at the end of the first year and is available for the second year. Notwithstanding Minnesota Statutes, section 16A.28, appropriations encumbered under contract on or before June 30, 2019, for agricultural growth, research, and innovation grants are available until June 30, 2022. The base for fiscal year 2020 is $10,068,000 and the base for fiscal year 2021 is $10,068,000.

Of the amount appropriated for the agricultural growth, research, and innovation program in this subdivision, $1,000,000 the first year and $1,000,000 the second year are for distribution in equal amounts to each of the state's county fairs to preserve and promote Minnesota agriculture.

Of the amount appropriated for the agricultural growth, research, and innovation program in this subdivision, $1,500,000 the first year and $1,500,000 the second year are for incentive payments under Minnesota Statutes, sections 41A.16, 41A.17, and 41A.18. Notwithstanding Minnesota Statutes, section 16A.28, the first year appropriation is available until June 30, 2019, and the second year appropriation is available until June 30, 2020.

Of the amount appropriated for the agricultural growth, research, and innovation program in this subdivision, $500,000 the first year is for a grant to the Board of Trustees of the Minnesota State Colleges and Universities to renovate the GROW-IT Center at Metropolitan State University.

Of the amount appropriated for the agricultural growth, research, and innovation program in this subdivision, up to $500,000 the first year and up to $500,000 the second year are for urban youth agricultural education and urban agriculture community development.

Of the amount appropriated for the agricultural growth, research, and innovation program in this subdivision, up to $250,000 the first year and up to $250,000 the second year are for transfer to the good food access account in the agricultural fund for the good food access program.

Of the amount appropriated for the agricultural growth, research, and innovation program in this subdivision, up to $40,000 the first year and up to $40,000 the second year are to increase compensation for farm advocates and expand the farm advocates program by supplementing the base farm advocates program appropriation in subdivision 5.

$25,000 the first year and $25,000 the second year are for grants to the Southern Minnesota Initiative Foundation to promote local foods through an annual event that raises public awareness of local foods and connects local food producers and processors with potential buyers.

Subd. 5. **Administration and Financial Assistance**	7,600,000	7,450,000

$150,000 the first year is for the tractor rollover protection pilot program under Minnesota Statutes, section 17.119, and is available until June 30, 2019.

$180,000 the first year and $180,000 the second year are for the farm advocates program.

$474,000 the first year and $474,000 the second year are for payments to county and district agricultural societies and associations under Minnesota Statutes, section 38.02, subdivision 1. Aid payments to county and district agricultural societies and associations shall be disbursed no later than July 15 of each year. These payments are the amount of aid from the state for an annual fair held in the previous calendar year.

$1,000 the first year and $1,000 the second year are for grants to the Minnesota State Poultry Association.

$18,000 the first year and $18,000 the second year are for grants to the Minnesota Livestock Breeders Association.

$47,000 the first year and $47,000 the second year are for the Northern Crops Institute. These appropriations may be spent to purchase equipment.

$17,000 the first year and $17,000 the second year are for grants to the Minnesota Horticultural Society.

$108,000 the first year and $108,000 the second year are for annual grants to the Minnesota Turf Seed Council for basic and applied research on: (1) the improved production of forage and turf seed related to new and improved varieties; and (2) native plants, including plant breeding, nutrient management, pest management, disease management, yield, and viability. The grant recipient may subcontract with a qualified third party for some or all of the basic or applied research. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

$113,000 the first year and $113,000 the second year are for transfer to the Board of Trustees of the Minnesota State Colleges and Universities for statewide mental health counseling support to farm families and business operators. South Central College shall serve as the fiscal agent.

$550,000 the first year and $550,000 the second year are for grants to Second Harvest Heartland on behalf of Minnesota's six Feeding America food banks for the purchase of milk for distribution to Minnesota's food shelves and other charitable organizations that are eligible to receive food from the food banks. Milk purchased under the grants must be acquired from Minnesota milk processors and based on low-cost bids. The milk must be allocated to each Feeding America food bank serving Minnesota according to the formula used in the distribution of United States Department of Agriculture commodities under The Emergency Food Assistance Program (TEFAP). Second Harvest Heartland must submit quarterly reports to the commissioner on forms prescribed by the commissioner. The reports must include but are not limited to information on the expenditure of funds, the amount of milk purchased, and the organizations to which the milk was distributed. Second Harvest Heartland may enter into contracts or agreements with food banks for shared funding or reimbursement of the direct purchase of milk. Each food bank receiving money from this appropriation may use up to two percent of the grant for administrative expenses. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

$1,100,000 the first year and $1,100,000 the second year are for grants to Second Harvest Heartland on behalf of the six Feeding America food banks that serve Minnesota to compensate agricultural producers and processors for costs incurred to harvest and package for transfer surplus fruits, vegetables, and other agricultural commodities that would otherwise go unharvested, be discarded, or sold in a secondary market. Surplus commodities must be distributed statewide to food shelves and other charitable organizations that are eligible to receive food from the food banks.

Surplus food acquired under this appropriation must be from Minnesota producers and processors. Second Harvest Heartland must report in the form prescribed by the commissioner. Second Harvest Heartland may use up to 15 percent of each grant for matching administrative and transportation expenses. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

$150,000 the first year and $150,000 the second year are for grants to the Center for Rural Policy and Development.

$235,000 the first year and $235,000 the second year are for grants to the Minnesota Agricultural Education and Leadership Council for programs of the council under Minnesota Statutes, chapter 41D.

$600,000 the first year and $600,000 the second year are for grants to the Board of Regents of the University of Minnesota to develop, in consultation with the commissioner of agriculture and the Board of Animal Health, a software tool or application through the Veterinary Diagnostic Laboratory that empowers veterinarians and producers to understand the movement of unique pathogen strains in livestock and poultry production systems, monitor antibiotic resistance, and implement effective biosecurity measures that promote animal health and limit production losses. The base for fiscal year 2020 is $0.

Sec. 3. **BOARD OF ANIMAL HEALTH**	**$5,443,000**	**$5,491,000**
Sec. 4. **AGRICULTURAL UTILIZATION RESEARCH INSTITUTE**	**$3,643,000**	**$3,643,000**

Sec. 5. Laws 2015, First Special Session chapter 4, article 1, section 2, subdivision 4, as amended by Laws 2016, chapter 184, section 11, and Laws 2016, chapter 189, article 2, section 26, is amended to read:

Subd. 4. **Agriculture, Bioenergy, and Bioproduct Advancement**	14,993,000	~~19,010,000~~ 18,316,000

$4,483,000 the first year and $8,500,000 the second year are for transfer to the agriculture research, education, extension, and technology transfer account under Minnesota Statutes, section 41A.14, subdivision 3. The transfer in this paragraph includes money for plant breeders at the University of Minnesota for wild rice, potatoes, and grapes. Of these amounts, at least $600,000 each year is for the Minnesota Agricultural Experiment Station's Agriculture Rapid Response Fund under Minnesota Statutes, section 41A.14, subdivision 1, clause (2). Of the amount appropriated in this paragraph, $1,000,000 each year is for transfer to the Board of Regents of the University of Minnesota for research to determine (1) what is causing avian influenza, (2) why some fowl are more susceptible, and (3) prevention measures that can be taken. Of the amount appropriated in this paragraph,

$2,000,000 each year is for grants to the Minnesota Agriculture Education Leadership Council to enhance agricultural education with priority given to Farm Business Management challenge grants. The commissioner shall transfer the remaining grant funds in this appropriation each year to the Board of Regents of the University of Minnesota for purposes of Minnesota Statutes, section 41A.14.

To the extent practicable, funds expended under Minnesota Statutes, section 41A.14, subdivision 1, clauses (1) and (2), must supplement and not supplant existing sources and levels of funding. The commissioner may use up to 4.5 percent of this appropriation for costs incurred to administer the program. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

$10,235,000 the first year and ~~$10,235,000~~ $9,541,000 the second year are for the agricultural growth, research, and innovation program in Minnesota Statutes, section 41A.12. No later than February 1, 2016, and February 1, 2017, the commissioner must report to the legislative committees with jurisdiction over agriculture policy and finance regarding the commissioner's accomplishments and anticipated accomplishments in the following areas: facilitating the start-up, modernization, or expansion of livestock operations including beginning and transitioning livestock operations; developing new markets for Minnesota farmers by providing more fruits, vegetables, meat, grain, and dairy for Minnesota school children; assisting value-added agricultural businesses to begin or expand, access new markets, or diversify products; developing urban agriculture; facilitating the start-up, modernization, or expansion of other beginning and transitioning farms including loans under Minnesota Statutes, section 41B.056; sustainable agriculture on farm research and demonstration; development or expansion of food hubs and other alternative community-based food distribution systems; incentive payments under Minnesota Statutes, sections 41A.16, 41A.17, and 41A.18; and research on bioenergy, biobased content, or biobased formulated products and other renewable energy development. The commissioner may use up to 4.5 percent of this appropriation for costs incurred to administer the program. Any unencumbered balance does not cancel at the end of the first year and is available for the second year. Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered under contract on or before June 30, 2017, for agricultural growth, research, and innovation grants are available until June 30, 2019.

The commissioner may use funds appropriated for the agricultural growth, research, and innovation program as provided in this paragraph. The commissioner may award grants to owners of Minnesota facilities producing bioenergy, biobased content, or a biobased formulated product; to organizations that provide for on-station, on-farm field scale research and outreach to develop and test the agronomic and economic requirements of diverse strands of prairie plants and other perennials for bioenergy systems; or to certain nongovernmental entities. For the purposes of this paragraph, "bioenergy" includes transportation fuels derived from cellulosic material, as well as the generation of energy for commercial heat, industrial process heat, or electrical power from cellulosic materials via gasification or other processes. Grants are limited to 50 percent of the cost of research, technical assistance, or equipment related to bioenergy, biobased content, or biobased formulated product production or $500,000, whichever is less. Grants to nongovernmental entities for the development of business plans and structures related to community ownership of eligible bioenergy facilities together may not exceed $150,000. The commissioner shall make a good-faith effort to select projects that have merit and, when taken together, represent a variety of bioenergy technologies, biomass feedstocks, and geographic regions of the state. Projects must have a qualified engineer provide certification on the technology and fuel source. Grantees must provide reports at the request of the commissioner.

Of the amount appropriated for the agricultural growth, research, and innovation program in this subdivision, $1,000,000 the first year and $1,000,000 the second year are for distribution in equal amounts to each of the state's county fairs to preserve and promote Minnesota agriculture.

Of the amount appropriated for the agricultural growth, research, and innovation program in this subdivision, $500,000 in fiscal year 2016 and ~~$1,500,000~~ <u>$806,000</u> in fiscal year 2017 are for incentive payments under Minnesota Statutes, sections 41A.16, 41A.17, and 41A.18. If the appropriation exceeds the total amount for which all producers are eligible in a fiscal year, the balance of the appropriation is available to the commissioner for the agricultural growth, research, and innovation program. Notwithstanding Minnesota Statutes, section 16A.28, the first year appropriation is available until June 30, 2017, and the second year appropriation is available until June 30, 2018. The commissioner may use up to 4.5 percent of the appropriation for administration of the incentive payment programs.

Of the amount appropriated for the agricultural growth, research, and innovation program in this subdivision, $250,000 the first year is for grants to communities to develop or expand food hubs and other alternative community-based food distribution systems. Of this amount, $50,000 is for the commissioner to consult with existing food hubs, alternative community-based food distribution systems, and University of Minnesota Extension to identify best practices for use by other Minnesota communities. No later than December 15, 2015, the commissioner must report to the legislative committees with jurisdiction over agriculture and health regarding the status of emerging alternative community-based food distribution systems in the state along with recommendations to eliminate any barriers to success. Any unencumbered balance does not cancel at the end of the first year and is available for the second year. This is a onetime appropriation.

$250,000 the first year and $250,000 the second year are for grants that enable retail petroleum dispensers to dispense biofuels to the public in accordance with the biofuel replacement goals established under Minnesota Statutes, section 239.7911. A retail petroleum dispenser selling petroleum for use in spark ignition engines for vehicle model years after 2000 is eligible for grant money under this paragraph if the retail petroleum dispenser has no more than 15 retail petroleum dispensing sites and each site is located in Minnesota. The grant money received under this paragraph must be used for the installation of appropriate technology that uses fuel dispensing equipment appropriate for at least one fuel dispensing site to dispense gasoline that is blended with 15 percent of agriculturally derived, denatured ethanol, by volume, and appropriate technical assistance related to the installation. A grant award must not exceed 85 percent of the cost of the technical assistance and appropriate technology, including remetering of and retrofits for retail petroleum dispensers and replacement of petroleum dispenser projects. The commissioner may use up to $35,000 of this appropriation for administrative expenses. The commissioner shall cooperate with biofuel stakeholders in the implementation of the grant program. The commissioner must report to the legislative committees with jurisdiction over agriculture policy and finance by February 1 each year, detailing the number of grants awarded under this paragraph and the projected effect of the grant program on meeting the biofuel replacement goals under Minnesota Statutes, section 239.7911. These are onetime appropriations.

$25,000 the first year and $25,000 the second year are for grants to the Southern Minnesota Initiative Foundation to promote local foods through an annual event that raises public awareness of local foods and connects local food producers and processors with potential buyers.

Sec. 6. **BASE BUDGET REPORT REQUIRED.**

No later than October 15, 2018, the commissioner of agriculture must submit a report detailing the agency's base budget, including any prior appropriation riders, to the chairs and ranking minority members of the legislative committees with jurisdiction over agriculture finance.

Sec. 7. **TRANSFER REQUIRED.**

Of the amount appropriated from the general fund for transfer to the agricultural emergency account in Laws 2016, chapter 189, article 2, section 2, the commissioner of management and budget must transfer $450,000 back to the general fund on July 1, 2017. This is a onetime transfer.

Sec. 8. **APPROPRIATION CANCELLATION.**

All unspent funds, estimated to be $694,000, appropriated for the agricultural growth, research, and innovation program and designated for bioeconomy incentive payments under Laws 2015, First Special Session chapter 4, article 1, section 2, subdivision 4, as amended by Laws 2016, chapter 184, section 11, and Laws 2016, chapter 189, article 2, section 26, are canceled to the general fund.

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

ARTICLE 2
AGRICULTURAL POLICY

Section 1. Minnesota Statutes 2016, section 3.7371, is amended to read:

3.7371 COMPENSATION FOR CROP OR FENCE DAMAGE CAUSED BY ELK.

Subdivision 1. **Authorization.** Notwithstanding section 3.736, subdivision 3, paragraph (e), or any other law, a person who owns an agricultural crop or pasture shall be compensated by the commissioner of agriculture for an agricultural crop, or fence surrounding the crop or pasture, that is damaged or destroyed by elk as provided in this section.

Subd. 2. **Claim form.** The ~~crop or pasture~~ owner must prepare a claim on forms provided by the commissioner and available ~~at~~ on the ~~county extension agent's office~~ Department of Agriculture's Web site or by request from the commissioner. The claim form must be filed with the commissioner.

Subd. 3. **Compensation.** (a) The crop owner is entitled to the target price or the market price, whichever is greater, of the damaged or destroyed crop plus adjustments for yield loss determined according to agricultural stabilization and conservation service programs for individual farms, adjusted annually, as determined by the commissioner, upon recommendation of the ~~county extension~~ commissioner's approved agent for the owner's county. Verification of fence damage or destruction by elk may be provided by submitting photographs or other evidence and documentation together with a statement from an independent witness using forms prescribed by the commissioner. The commissioner, upon recommendation of the commissioner's approved agent, shall determine whether the crop damage or destruction or damage to or destruction of a fence surrounding a crop or pasture is caused by elk and, if so, the amount of the crop or fence that is damaged or destroyed. In any fiscal year, an owner may not be compensated for a damaged or destroyed crop or fence surrounding a crop or pasture that is less than $100 in value and may be compensated up to $20,000, as determined under this section, if normal harvest procedures for the area are followed.

(b) In any fiscal year, the commissioner may provide compensation for claims filed under this section up to the amount expressly appropriated for this purpose.

Subd. 4. **Insurance deduction.** Payments authorized by this section must be reduced by amounts received by the owner as proceeds from an insurance policy covering crop losses or damage to or destruction of a fence surrounding a crop or pasture, or from any other source for the same purpose including, but not limited to, a federal program.

Subd. 5. **Decision on claims; opening land to hunting.** If the commissioner finds that the ~~crop or pasture~~ owner has shown that the damage or destruction of the owner's crop or damage to or destruction of a fence surrounding a crop or pasture was caused more probably than not by elk, the commissioner shall pay compensation as provided in this section and the rules of the commissioner. ~~A crop~~ An owner who receives compensation under this section may, by written permission, permit hunting on the land at the landowner's discretion.

Subd. 6. **Denial of claim; appeal.** (a) If the commissioner denies compensation claimed by ~~a crop or pasture~~ an owner under this section, the commissioner shall issue a written decision based upon the available evidence including a statement of the facts upon which the decision is based and the conclusions on the material issues of the claim. A copy of the decision must be mailed to the ~~crop or pasture~~ owner.

(b) A decision denying compensation claimed under this section is not subject to the contested case review procedures of chapter 14, but ~~a crop or pasture~~ an owner may have the claim reviewed in a trial de novo in a court in the county where the loss occurred. The decision of the court may be appealed as in other civil cases. Review in court may be obtained by filing a petition for review with the administrator of the court within 60 days following receipt of a decision under this section. Upon the filing of a petition, the administrator shall mail a copy to the commissioner and set a time for hearing within 90 days after the filing.

Subd. 7. **Rules.** The commissioner shall adopt rules and may amend rules to carry out this section. The commissioner may use the expedited rulemaking process in section 14.389 to adopt and amend rules authorized in this section. The rules must include:

(1) methods of valuation of crops damaged or destroyed;

(2) criteria for determination of the cause of the crop damage or destruction;

(3) notice requirements by the owner of the damaged or destroyed crop;

(4) compensation rates for fence damage or destruction that ~~shall include a minimum claim of $75.00 per incident and a maximum of~~ must not exceed $1,800 per claimant per fiscal year; and

(5) any other matters determined necessary by the commissioner to carry out this section.

Subd. 8. **Report.** The commissioner must submit a report to the chairs of the house of representatives and senate committees and divisions with jurisdiction over agriculture and environment and natural resources by December 15 each year that details the total amount of damages paid, by elk herd, in the previous two fiscal years.

Sec. 2. **[17.112] FARM SAFETY WORKING GROUP.**

Subdivision 1. **Establishment.** The Farm Safety Working Group is established to advise the commissioner and the legislature on farm safety issues and to perform the other duties specified in this section.

Subd. 2. **Membership; appointments; compensation.** (a) The Farm Safety Working Group consists of:

(1) the commissioner of agriculture or the commissioner's designee, who must serve as the chair;

(2) the commissioner of health or the commissioner's designee;

(3) the commissioner of labor and industry or the commissioner's designee;

(4) a representative of the Minnesota State Colleges and Universities;

(5) a representative of University of Minnesota Extension;

(6) a representative of the University of Minnesota's Upper Midwest Agricultural Safety and Health Center;

(7) a representative of the Minnesota Farm Bureau;

(8) a representative of the Minnesota Farmers Union;

(9) a representative of the Minnesota Safety Council;

(10) a representative of the Minnesota-South Dakota Equipment Dealers Association;

(11) a representative of the Minnesota Agriculture Education Leadership Council;

(12) a representative of the Minnesota Council on Latino Affairs;

(13) a representative of the Latino Economic Development Center; and

(14) three citizen members appointed by the commissioner.

(b) Members in paragraph (a), clauses (4) to (13), must be appointed by the specified organization and serve at the pleasure of the organization. Members appointed by the commissioner serve two-year terms.

(c) Members must serve without compensation.

Subd. 3. **Meetings; staff.** The commissioner must convene meetings as appropriate and provide staff to support the working group.

Subd. 4. **Duties.** The working group must serve as a forum to discuss farm safety issues and organize a collective effort to improve farm safety in this state. The working group also must:

(1) coordinate the work and resources of member organizations;

(2) monitor the impact of farm safety initiatives in Minnesota;

(3) explore the feasibility and desirability of creating a farm safety certification program to recognize farmers who participate in safety programs and meet safety standards, and identify appropriate financial incentives for participating farmers; and

(4) increase farmer awareness of the state's workplace safety consultation program.

Subd. 5. **Expiration.** This section expires June 30, 2021.

Sec. 3. Minnesota Statutes 2016, section 17.119, subdivision 1, is amended to read:

Subdivision 1. **Grants; eligibility.** (a) The commissioner must award ~~cost-share~~ grants to Minnesota farmers who retrofit eligible tractors and Minnesota schools that retrofit eligible tractors with eligible rollover protective structures.

(b) Grants for farmers are limited to 70 percent of the farmer's ~~or school's~~ documented cost to purchase, ship, and install an eligible rollover protective structure. The commissioner must increase ~~the~~ a farmer's grant award amount over the 70 percent grant limitation requirement if necessary to limit a farmer's ~~or school's~~ cost per tractor to no more than $500.

(c) Schools are eligible for grants that cover the full amount of a school's documented cost to purchase, ship, and install an eligible rollover protective structure.

~~(b)~~ (d) A rollover protective structure is eligible if it ~~meets or exceeds SAE International standard J2194~~ is certified to appropriate national or international rollover protection structure standards with a seat belt.

~~(c)~~ (e) A tractor is eligible if the tractor was built before 1987.

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

Sec. 4. Minnesota Statutes 2016, section 17.119, subdivision 2, is amended to read:

Subd. 2. **Promotion; administration.** The commissioner may spend up to ~~20~~ six percent of total program dollars each fiscal year to promote and administer the program to Minnesota farmers and schools.

Sec. 5. Minnesota Statutes 2016, section 18.79, subdivision 18, is amended to read:

Subd. 18. **Noxious weed education and notification.** (a) The commissioner shall disseminate information and conduct educational campaigns with respect to control of noxious weeds or invasive plants to enhance regulatory compliance and voluntary efforts to eliminate or manage these plants. The commissioner shall call and attend meetings and conferences dealing with the subject of noxious weeds. The commissioner shall maintain on the department's Web site noxious weed management information including but not limited to the roles and responsibilities of citizens and government entities under sections 18.76 to 18.91 and specific guidance as to whom a person should contact to report a noxious weed issue.

(b) The commissioner shall post notice on the Department of Agriculture's Web site and alert appropriate media outlets when a weed on the eradicate list is confirmed for the first time in a county.

Sec. 6. **[18B.051] POLLINATOR HABITAT AND RESEARCH ACCOUNT.**

A pollinator habitat and research account is established in the agricultural fund. Money in the account, including interest, is appropriated to the Board of Regents of the University of Minnesota for pollinator research and outreach including, but not limited to, science-based best practices and the identification and establishment of habitat beneficial to pollinators.

Sec. 7. Minnesota Statutes 2016, section 28A.081, is amended to read:

28A.081 CERTIFICATE FEES.

Subdivision 1. **Fee.** A fee of ~~$75~~ $125 for each certificate shall be charged to ~~all food establishments that request certificates~~ any person who requests a certificate issued by the Minnesota Department of Agriculture to facilitate the movement of Minnesota processed and manufactured foods destined for export from the state of Minnesota. Certificates include, but are not limited to, a certificate of free sale, certificate of export, certificate of sanitation, sanitary certificate, certificate of origin and/or free sale, certificate of health and/or free sale, sanitation, and purity, certificate of free trade, certificate of free sale, sanitation, purity, and origin, certificate of health, sanitation, purity, and free sale, and letter of plant certification.

The commissioner shall bill ~~a food establishment~~ the requesting person within seven days after issuing a certificate to the ~~establishment~~ person. The ~~operator of the food establishment~~ requesting person must submit payment for a certificate within ten days of the billing date. If a certificate fee payment is not received within 15 days of the billing date, the commissioner may not issue any future certificates to the requesting person until previous fees due are paid in full. Fees paid under this section must be deposited in the food certificate account established under subdivision 2 or another account in the agricultural fund if the expenses for the certificate will be paid from that other account.

Subd. 2. **Food certificate account; appropriation.** A food certificate account is established in the agricultural fund. Money in the account, including interest, is appropriated to the commissioner for expenses relating to certifying Minnesota processed and manufactured foods under chapters 28 to 34A or rules adopted under one of those chapters.

Sec. 8. Minnesota Statutes 2016, section 41A.12, subdivision 3, is amended to read:

Subd. 3. **Oversight.** The commissioner~~, in consultation with the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over agriculture finance,~~ must allocate ~~available~~ appropriated funds ~~among eligible uses~~ as provided by law, develop competitive eligibility criteria, and award funds on a needs basis. By February 1 each year, the commissioner shall report to the legislature ~~on the allocation among eligible uses and any financial assistance provided~~ the outcomes achieved under this section."

Delete the title and insert:

"A bill for an act relating to agriculture; appropriating money for agriculture-related purposes; making policy and technical changes to agriculture-related provisions; authorizing a transfer, a working group, and accounts; modifying certificate fees; requiring reports; amending Minnesota Statutes 2016, sections 3.7371; 17.119, subdivisions 1, 2; 18.79, subdivision 18; 28A.081; 41A.12, subdivision 3; Laws 2015, First Special Session chapter 4, article 1, section 2, subdivision 4, as amended; proposing coding for new law in Minnesota Statutes, chapters 17; 18B."

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

The report was adopted.

Scott from the Committee on Civil Law and Data Practices Policy to which was referred:

H. F. No. 990, A bill for an act relating to public safety; prohibiting the application of the DWI Forfeiture Law to motor vehicles operated by persons who enter the ignition interlock program; amending Minnesota Statutes 2016, section 169A.63, by adding a subdivision.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1
FREE ELECTRONIC FILING SYSTEM FOR INDIVIDUAL INCOME
TAX RETURNS

Section 1. **[270C.303] FREE ELECTRONIC FILING OF INDIVIDUAL INCOME TAX RETURNS.**

(a) The commissioner must develop and implement a system for the secure electronic filing of individual income tax returns and payment of individual income tax liabilities on the department's Web site at no cost. The system must allow for filing of individual returns by individuals and also by tax preparers.

(b) The system must automatically populate returns with taxpayer data available to the commissioner including but not limited to wage data received from one or more employers, state income tax withheld by one or more employers, and additional taxes owed to the state or refund owed to the taxpayer.

(c) The system must be available:

(1) by January 15, 2019, for the filing and payment of tax year 2018 individual income taxes of filers with income only from wages, fewer than five dependents, and federal adjusted gross income less than $200,000 for married couples filing joint returns, and less than $100,000 for all other filers; and

(2) by January 15, 2020, for the filing and payment of tax year 2019 individual income taxes of filers with income only from wages, Social Security benefits, interest, dividends, individual retirement account distributions and pensions, fewer than five dependents, and federal adjusted gross income less than $200,000 for married couples filing joint returns, and less than $100,000 for all other filers.

(d) For purposes of this section, "federal adjusted gross income" has the meaning given in section 62 of the Internal Revenue Code. Other terms have the meanings given in chapter 290.

(e) By September 15 of each year, beginning in 2019, the commissioner must provide a report to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes, in compliance with sections 3.195 and 3.197. The report must include statistics on usage of the free electronic filing system required in this section; ways in which the commissioner could expand the system, including draft legislation if needed for system expansion; and any other information the commissioner considers relevant.

Sec. 2. **FREE ELECTRONIC FILING OF INDIVIDUAL INCOME TAX RETURNS; PILOT PROGRAM.**

(a) The commissioner must conduct a pilot program to test the free electronic filing requirement in Minnesota Statutes, section 270C.303. The pilot program must operate at least three taxpayer assistance sites that receive grants under Minnesota Statutes, section 270C.21. At least one of the pilot program sites must be in the seven-county metropolitan area, and at least one must be in greater Minnesota. The pilot program system must be available by January 15, 2018, for the filing and payment of tax year 2017 individual income taxes of filers with income only from wages, fewer than five dependents, and federal adjusted gross income less than $200,000 for married couples filing joint returns, and less than $100,000 for all other filers.

(b) The system must automatically populate returns with taxpayer data available to the commissioner including but not limited to W-2 data on wages and state income tax withholding.

(c) For purposes of this section, "federal adjusted gross income" has the meaning given in section 62 of the Internal Revenue Code. Other terms have the meanings given in Minnesota Statutes, chapter 290.

(d) By August 15, 2018, the commissioner must report final statistics on usage of the pilot program and on plans to implement tax year 2018 electronic filing as required in Minnesota Statutes, section 270C.303. The report must comply with the requirements of Minnesota Statutes, sections 3.195 and 3.197.

ARTICLE 2
DIRECTOR OF EARLY EDUCATION AND DEVELOPMENT

Section 1. Minnesota Statutes 2016, section 13.321, is amended by adding a subdivision to read:

Subd. 11. **Director of early education and development.** Access by the director of early education and development to private data on individuals is provided under section 119C.03, subdivision 6.

Sec. 2. Minnesota Statutes 2016, section 13.461, is amended by adding a subdivision to read:

Subd. 33. **Director of early education and development.** Access by the director of early education and development to private data on individuals is provided under section 119C.03, subdivision 6.

Sec. 3. **[119C.03] DIRECTOR OF EARLY EDUCATION AND DEVELOPMENT.**

Subdivision 1. **Appointment.** The governor must appoint the director of early education and development, subject to the advice and consent of the senate. The director must report to the commissioner, who must provide necessary administrative support to the director.

Subd. 2. **Qualifications.** The governor must select the director on the basis of professional qualifications and knowledge of early childhood development, early childhood education, and related public policies. The director serves in the unclassified service for a term of four years. The first term must end on December 31, 2020. The governor may remove the director for cause. If a director resigns or is removed for cause, the governor must appoint a director for the remainder of the term.

Subd. 3. **Compensation.** Compensation of the director shall be established under chapter 15A.

Subd. 4. **Duties; powers.** (a) The director must:

(1) develop early education program policies;

(2) coordinate outreach to eligible families to provide uniform notification about available program options;

(3) streamline the administration of each early education program;

(4) manage data collection to support and evaluate a coordinated system of early child care and education;

(5) coordinate internal and external evaluation of early child care and educational programs to measure and report on their effectiveness and efficiency;

(6) calculate the total aid to each child for the programs listed in section 119C.01, subdivision 5;

(7) establish the aid limit under section 119C.05;

(8) develop data-sharing agreements and memoranda of understanding, as necessary, with the commissioners of administration, education, health, and human services; and

(9) serve as executive director of the Children's Cabinet established in section 4.045.

(b) In carrying out the duties under paragraph (a), the director has the authority to:

(1) direct the commissioner of education to administer early education programs according to the director's plans developed under paragraph (a);

(2) direct the commissioner of human services to administer the quality rating and improvement system according to the director's plans developed under paragraph (a);

(3) direct and control money appropriated to the director; and

(4) enter into agreements with other state agencies to provide appropriate funding to early child care and education programs.

Subd. 5. **Coordination with other agencies.** (a) The commissioner of human services and the commissioner of education must provide the director data on early education and child care assistance program participants under subdivision 6.

(b) The director must coordinate early education program activities, including the quality rating and improvement system, with advice from the commissioner of education and the commissioner of human services.

(c) The director must coordinate with the commissioner of education and the commissioner of human services to develop a form by which the parent or guardian of a child participating in an applicable early child care and education program may consent to share private data with the director. The consent form must specify what data is being shared, what government entities will have access to the shared data, and the purpose for the data sharing. The consenting parent or guardian may withdraw consent, in writing, at any time. The ability of a parent or child to receive services is not affected by a refusal to give consent under this paragraph.

Subd. 6. **Data practices.** (a) Subject to the limitations in paragraphs (b) and (c), the director is authorized to access the following private data on individuals:

(1) educational data as defined in section 13.32, subdivision 1, paragraph (a); and

(2) data collected, maintained, used, or disseminated by the welfare system as defined in section 13.46, subdivision 1, paragraph (c).

(b) The director may only access private data relating to an individual's participation in the following programs:

(1) the school readiness program under sections 124D.15 and 124D.16;

(2) the voluntary prekindergarten program under section 124D.151;

(3) the early learning scholarship program under section 124D.165;

(4) the Head Start program under sections 119A.50 to 119A.545;

(5) a child care assistance program under chapter 119B; and

(6) the kindergarten readiness assessment under section 124D.162.

(c) The director may only access private data on an individual whose parent or guardian has consented to share data with the director under subdivision 5, paragraph (c).

Subd. 7. **Annual report.** The director must submit an annual report to the chairs and ranking minority members of the legislative committees having jurisdiction over education under section 3.195. The report must include data relating to the number of children participating in each program, the participating families' income level, aid received per child per program, total aid received per child per family, and the number of waivers to the aid limit granted. The director must submit the report by January 15, 2020, and annually thereafter.

EFFECTIVE DATE. This section is effective July 1, 2017."

Delete the title and insert:

"A bill for an act relating to state government; providing for a free electronic filing system for individual income tax returns; establishing the appointment of the director of early education and development; amending Minnesota Statutes 2016, sections 13.321, by adding a subdivision; 13.461, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 270C; proposing coding for new law as Minnesota Statutes, chapter 119C."

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. 990 was re-referred to the Committee on Rules and Legislative Administration.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House Files were introduced:

Haley, Garofalo and Lucero introduced:

H. F. No. 2513, A resolution memorializing Congress to revive the Yucca Mountain nuclear waste repository licensing review process.

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance.

Sandstede introduced:

H. F. No. 2514, A bill for an act relating to capital investment; appropriating money to construct an additional lane on marked U.S. Highway 169 in the city of Calumet; authorizing the sale and issuance of trunk highway bonds.

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

Becker-Finn; Omar; Kunesh-Podein; Maye Quade; Dehn, R.; Davnie; Lien; Rosenthal; Bernardy; Bly; Nelson; Koegel; Mahoney; Clark; Moran; Carlson, L.; Hilstrom; Lee; Loeffler; Schultz and Fischer introduced:

H. F. No. 2515, A bill for an act relating to public safety; requiring probation and parole agents to consider and recommend local options to address technical violations by nonviolent controlled substance offenders; appropriating money to facilitate access to local programs; amending Minnesota Statutes 2016, sections 243.05, subdivision 1; 244.05, subdivision 3; 244.198, by adding a subdivision; 609.14, by adding a subdivision.

The bill was read for the first time and referred to the Committee on Public Safety and Security Policy and Finance.

Maye Quade; Dehn, R.; Flanagan; Kunesh-Podein; Rosenthal; Davnie; Lien; Bernardy; Bly; Nelson; Youakim; Carlson, A.; Mahoney; Clark; Moran and Hortman introduced:

H. F. No. 2516, A bill for an act relating to economic development; appropriating money to the Minnesota investment fund and the Minnesota job creation fund.

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance.

Maye Quade; Kunesh-Podein; Dehn, R.; Rosenthal; Bernardy; Davnie; Bly; Nelson; Liebling; Mahoney; Clark; Moran; Freiberg and Omar introduced:

H. F. No. 2517, A bill for an act relating to economic development; appropriating money for a nonprofit infrastructure, workforce development, and partnerships program.

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance.

Lee, Moran, Kunesh-Podein, Maye Quade, Becker-Finn, Olson, Davnie, Rosenthal, Bernardy, Bly, Nelson, Youakim and Liebling introduced:

H. F. No. 2518, A bill for an act relating to public safety; requiring peace officers to receive training in crisis response, conflict management, and cultural diversity; reforming and increasing funding for peace officer training reimbursement; providing reimbursement grants for pathway to policing programs; authorizing the Peace Officer Standards and Training Board to collect peace officer race data for a limited purpose; appropriating money; amending Minnesota Statutes 2016, sections 171.20, subdivision 4; 357.021, subdivision 7; 363A.08, subdivision 4; 626.8432, subdivision 1; 626.845, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 626.

The bill was read for the first time and referred to the Committee on Public Safety and Security Policy and Finance.

Kunesh-Podein; Moran; Omar; Becker-Finn; Dehn, R.; Davnie; Rosenthal; Bernardy; Bly; Nelson; Hausman; Mahoney; Carlson, L.; Hilstrom; Lee and Loeffler introduced:

H. F. No. 2519, A bill for an act relating to education finance; appropriating money for the collaborative urban educator program; requiring a report.

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

Kunesh-Podein; Omar; Maye Quade; Becker-Finn; Davnie; Lien; Dehn, R.; Rosenthal; Bernardy; Bly; Nelson; Youakim; Liebling; Mahoney; Clark; Carlson, L.; Moran; Pinto; Hilstrom; Lee; Loeffler and Schultz introduced:

H. F. No. 2520, A bill for an act relating to housing; modifying housing trust fund and family homeless prevention and assistance program requirements; establishing a rental assistance program for homeless highly mobile students; appropriating money; amending Minnesota Statutes 2016, sections 462A.201, subdivision 2; 462A.204, subdivision 8.

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance.

Omar; Kunesh-Podein; Maye Quade; Becker-Finn; Olson; Freiberg; Murphy, E., and Moran introduced:

H. F. No. 2521, A bill for an act relating to higher education; appropriating funds to support programs of college admission and graduation for low-income students.

The bill was read for the first time and referred to the Committee on Higher Education and Career Readiness Policy and Finance.

Moran; Clark; Pinto; Flanagan; Omar; Carlson, L.; Murphy, E., and Hortman introduced:

H. F. No. 2522, A bill for an act relating to economic development; appropriating money for pathways to prosperity.

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance.

Moran; Clark; Pinto; Flanagan; Omar; Carlson, L., and Murphy, E., introduced:

H. F. No. 2523, A bill for an act relating to housing; modifying housing trust fund and family homeless prevention and assistance program requirements; establishing a rental assistance program for homeless and highly mobile students; appropriating money; amending Minnesota Statutes 2016, sections 462A.201, subdivision 2; 462A.204, subdivision 8.

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance.

Omar; Kunesh-Podein; Maye Quade; Rosenthal; Davnie; Lien; Dehn, R.; Bly; Nelson; Bernardy; Liebling; Hausman; Mahoney; Clark; Moran; Pinto; Johnson, C.; Freiberg and Hortman introduced:

H. F. No. 2524, A bill for an act relating to higher education; providing financial aid for teacher candidates of color; appropriating money; amending Minnesota Statutes 2016, section 136A.1275; proposing coding for new law in Minnesota Statutes, chapter 136A.

The bill was read for the first time and referred to the Committee on Higher Education and Career Readiness Policy and Finance.

Uglem introduced:

H. F. No. 2525, A bill for an act relating to state government; determining what notice must be given for a capital improvement project; amending Minnesota Statutes 2016, section 16B.335, subdivision 1.

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

Freiberg, Lee, Wagenius, Liebling, Applebaum, Omar and Rosenthal introduced:

H. F. No. 2526, A bill for an act relating to lobbyists; requiring disclosure of potential conflicts of interest; amending Minnesota Statutes 2016, section 10A.04, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 10A.

The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy.

Johnson, S.; Kunesh-Podein; Flanagan; Lillie; Olson and Ward introduced:

H. F. No. 2527, A bill for an act relating to state government; appropriating money to the commissioner of administration for the State Demographer's Office.

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

Theis introduced:

H. F. No. 2528, A bill for an act relating to health; appropriating money for identifying patients at risk for colon cancer and providing screening.

The bill was read for the first time and referred to the Committee on Health and Human Services Reform.

Kunesh-Podein; Lee; Sandstede; Bly; Davnie; Ecklund; Pryor; Carlson, A.; Bernardy; Maye Quade and Moran introduced:

H. F. No. 2529, A bill for an act relating to education; appropriating money for the Minnesota reading corps program.

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

Bernardy; Kunesh-Podein; Maye Quade; Becker-Finn; Davnie; Slocum; Sundin; Carlson, A., and Bly introduced:

H. F. No. 2530, A bill for an act relating to education finance; fully funding the concurrent enrollment formula; appropriating money; amending Minnesota Statutes 2016, section 124D.091.

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

Lee, Kunesh-Podein, Maye Quade, Bernardy, Davnie, Rosenthal and Bly introduced:

H. F. No. 2531, A bill for an act relating to education; enhancing education partnerships; promoting youth development; establishing an education partnerships coalition fund; requiring a report; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 124D.

The bill was read for the first time and referred to the Committee on Education Innovation Policy.

Ward, Omar, Pryor, Poppe, Davnie, Loeffler, Fischer, Mariani, Thissen, Maye Quade, Kunesh-Podein and Moran introduced:

H. F. No. 2532, A bill for an act relating to education; enhancing education partnerships; promoting youth development; establishing an education partnerships coalition fund; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 124D.

The bill was read for the first time and referred to the Committee on Education Innovation Policy.

Pryor, Hausman, Lee, Kunesh-Podein, Davnie, Mariani, Maye Quade, Masin, Youakim, Rosenthal, Halverson and Bernardy introduced:

H. F. No. 2533, A bill for an act relating to education finance; appropriating money for the support our students grant program; codifying the support our students grant program.

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

Lien; Thissen; Sandstede; Johnson, C., and Youakim introduced:

H. F. No. 2534, A bill for an act relating to economic development; appropriating money for small business development center services.

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance.

Johnson, S., and Moran introduced:

H. F. No. 2535, A bill for an act relating to public safety; appropriating money for a grant to St. Paul to develop patrol stewards.

The bill was read for the first time and referred to the Committee on Public Safety and Security Policy and Finance.

Rosenthal introduced:

H. F. No. 2536, A bill for an act relating to occupations and professions; regulating locksmiths and locksmith services; proposing coding for new law as Minnesota Statutes, chapter 330A.

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform.

Sandstede; Lee; Omar; Kunesh-Podein; Davnie; Murphy, M., and Carlson, A., introduced:

H. F. No. 2537, A bill for an act relating to education finance; creating an additional component of general education revenue to mitigate the postsecondary enrollment options program's impact on high schools; amending Minnesota Statutes 2016, sections 124E.20, subdivision 1; 126C.05, by adding a subdivision; 126C.10, subdivision 1, by adding a subdivision.

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

Considine introduced:

H. F. No. 2538, A bill for an act relating to housing; appropriating money for workforce housing.

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance.

Clark; Hausman; Moran; Mahoney; Carlson, L.; Bernardy; Liebling and Omar introduced:

H. F. No. 2539, A bill for an act relating to health; modifying provisions of the cancer surveillance system; amending Minnesota Statutes 2016, sections 13.3806, subdivision 14; 144.671.

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

Lee, Koegel, Youakim, Sandstede, Davnie and Bly introduced:

H. F. No. 2540, A bill for an act relating to education; appropriating money for the Minnesota math corps program.

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

Franke introduced:

H. F. No. 2541, A bill for an act relating to state government; expanding the Minnesota GI Bill program; amending Minnesota Statutes 2016, section 197.791, subdivisions 2, 3, 4, 5, 5a.

The bill was read for the first time and referred to the Committee on Higher Education and Career Readiness Policy and Finance.

Lesch; Omar; Nelson; Masin; Bly; Dehn, R.; Rosenthal; Maye Quade; Kunesh-Podein; Flanagan; Murphy, E.; Clark; Mahoney; Carlson, L.; Lee; Hansen; Hornstein; Schultz; Loeffler; Ward and Hilstrom introduced:

H. F. No. 2542, A bill for an act relating to elections; amending requirements for participating in a program that crosschecks voter registration data with data from other states; amending Minnesota Statutes 2016, section 201.13, subdivision 3, by adding a subdivision.

The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy.

Torkelson introduced:

H. F. No. 2543, A bill for an act relating to state government; providing for administrative review of certain agency actions; providing a limitation on interpretive statements; amending Minnesota Statutes 2016, section 116.07, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 115.

The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy.

Hansen introduced:

H. F. No. 2544, A bill for an act relating to taxation; local government aid; providing a onetime adjustment for a city; amending Minnesota Statutes 2016, section 477A.013, subdivision 13.

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

Hertaus; Dean, M.; Runbeck; Fabian and Dettmer introduced:

H. F. No. 2545, A bill for an act relating to family law; modifying parenting presumptions; amending Minnesota Statutes 2016, sections 518.17, subdivision 1; 518.175, subdivision 1.

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

Dean, M., introduced:

H. F. No. 2546, A bill for an act relating to human services; requiring the commissioner of human services to develop and implement a health care delivery system demonstration project; proposing coding for new law in Minnesota Statutes, chapter 256B.

The bill was read for the first time and referred to the Committee on Health and Human Services Reform.

Moran introduced:

H. F. No. 2547, A bill for an act relating to housing; allowing expungement for an eviction that was the result of a life event when the defendant completed financial counseling; appropriating money to the commissioner of human services for housing support services; amending Minnesota Statutes 2016, section 484.014.

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

Koznick introduced:

H. F. No. 2548, A bill for an act relating to capital investment; appropriating money for phase 2 of the Orange Line bus rapid transit project; authorizing the sale and issuance of state bonds.

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

MOTIONS AND RESOLUTIONS

Dettmer moved that the name of Heintzeman be added as an author on H. F. No. 119. The motion prevailed.

Hansen moved that the name of Schultz be added as an author on H. F. No. 170. The motion prevailed.

Zerwas moved that the name of Heintzeman be added as an author on H. F. No. 322. The motion prevailed.

Moran moved that the name of Johnson, C., be added as an author on H. F. No. 356. The motion prevailed.

Bliss moved that the name of Heintzeman be added as an author on H. F. No. 368. The motion prevailed.

Zerwas moved that the name of Dettmer be added as an author on H. F. No. 660. The motion prevailed.

Pierson moved that the name of Heintzeman be added as an author on H. F. No. 774. The motion prevailed.

Fabian moved that the name of Heintzeman be added as an author on H. F. No. 888. The motion prevailed.

Urdahl moved that the name of Heintzeman be added as an author on H. F. No. 892. The motion prevailed.

Lohmer moved that the name of Heintzeman be added as an author on H. F. No. 1066. The motion prevailed.

Swedzinski moved that the name of Metsa be added as an author on H. F. No. 1120. The motion prevailed.

Cornish moved that the name of Heintzeman be added as an author on H. F. No. 1209. The motion prevailed.

Zerwas moved that the name of Dean, M., be added as an author on H. F. No. 1430. The motion prevailed.

Quam moved that the name of Heintzeman be added as an author on H. F. No. 1586. The motion prevailed.

Hoppe moved that the name of Knoblach be added as an author on H. F. No. 1612. The motion prevailed.

Dean, M., moved that the name of Loeffler be added as an author on H. F. No. 1730. The motion prevailed.

Rosenthal moved that the name of Heintzeman be added as an author on H. F. No. 1799. The motion prevailed.

Albright moved that the name of Loeffler be added as an author on H. F. No. 1804. The motion prevailed.

Thissen moved that the name of Masin be added as an author on H. F. No. 1846. The motion prevailed.

Davids moved that his name be stricken as an author on H. F. No. 1923. The motion prevailed.

Baker moved that the name of Loeffler be added as an author on H. F. No. 1938. The motion prevailed.

Nornes moved that the name of Heintzeman be added as an author on H. F. No. 2151. The motion prevailed.

Rosenthal moved that the name of Schomacker be added as an author on H. F. No. 2339. The motion prevailed.

Hornstein moved that the name of Bly be added as an author on H. F. No. 2479. The motion prevailed.

Slocum moved that the name of Lee be added as an author on H. F. No. 2481. The motion prevailed.

Slocum moved that the name of Bly be added as an author on H. F. No. 2483. The motion prevailed.

Olson moved that the name of Lee be added as an author on H. F. No. 2491. The motion prevailed.

Lee moved that the names of Maye Quade; Dehn, R.; Ward and Bly be added as authors on H. F. No. 2503. The motion prevailed.

Halverson moved that the name of Lee be added as an author on H. F. No. 2506. The motion prevailed.

Freiberg moved that the name of Bly be added as an author on H. F. No. 2507. The motion prevailed.

Hornstein moved that the names of Lee; Dehn, R., and Bly be added as authors on H. F. No. 2510. The motion prevailed.

Poston moved that his name be stricken as an author on H. F. No. 2512. The motion prevailed.

Flanagan moved that the names of Lee and Bly be added as authors on H. F. No. 2512. The motion prevailed.

ADJOURNMENT

Peppin moved that when the House adjourns today it adjourn until 10:00 a.m., Tuesday, March 28, 2017. The motion prevailed.

Peppin moved that the House adjourn. The motion prevailed, and Speaker pro tempore Albright declared the House stands adjourned until 10:00 a.m., Tuesday, March 28, 2017.

PATRICK D. MURPHY, Chief Clerk, House of Representatives