

STATE OF MINNESOTA

EIGHTY-SECOND SESSION — 2002

 ONE HUNDRED TWELFTH DAY

SAINT PAUL, MINNESOTA, WEDNESDAY, MAY 15, 2002

The House of Representatives convened at 8:00 a.m. and was called to order by Speaker pro tempore Boudreau.

Prayer was offered by Pastor Lowell Lundstrom, Celebration Church, Burnsville, 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:

Abeler	Dorman	Holberg	Leighton	Otremba	Stanek
Abrams	Dorn	Holsten	Lenczewski	Ozment	Stang
Anderson, I.	Eastlund	Howes	Leppik	Paulsen	Swapinski
Bakk	Erhardt	Huntley	Lieder	Pawlenty	Sykora
Bernardy	Erickson	Jacobson	Lindner	Paymar	Thompson
Biernat	Evans	Jaros	Lipman	Pelowski	Tingelstad
Bishop	Finseth	Jennings	Mares	Penas	Tuma
Blaine	Folliard	Johnson, J.	Mariani	Peterson	Vandever
Boudreau	Fuller	Johnson, R.	Marko	Pugh	Wagenius
Bradley	Gerlach	Johnson, S.	Marquart	Rhodes	Walker
Buesgens	Gleason	Jordan	McElroy	Rifenberg	Walz
Carlson	Goodno	Juhnke	McGuire	Rukavina	Wasiluk
Cassell	Goodwin	Kahn	Milbert	Ruth	Westerberg
Clark, J.	Gray	Kalis	Molnau	Schumacher	Westrom
Clark, K.	Greiling	Kelliher	Mulder	Seagren	Wilkin
Daggett	Gunther	Kielkucki	Mullery	Seifert	Winter
Davids	Haas	Knoblach	Murphy	Sertich	Wolf
Davnie	Hackbarth	Koskinen	Ness	Skoe	Workman
Dawkins	Harder	Krinkie	Nornes	Skoglund	
Dehler	Hausman	Kubly	Olson	Slawik	
Dempsey	Hilstrom	Kuisle	Opatz	Smith	
Dibble	Hilty	Larson	Osskopp	Solberg	

A quorum was present.

Anderson, B., was excused.

Mahoney was excused until 9:15 a.m. Sviggum and Swenson were excused until 10:20 a.m. Entenza was excused until 10:30 a.m. Osthoff was excused until 10:35 a.m.

Bishop was excused between the hours of 8:30 a.m. and 3:20 p.m.

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

REPORTS OF STANDING COMMITTEES

Pawlenty from the Committee on Rules and Legislative Administration to which was referred:

S. F. No. 3154, A bill for an act relating to occupational safety and health; eliminating certain responsibilities of the commissioner of health; increasing penalty limits for certain violations; amending Minnesota Statutes 2000, sections 182.65, subdivision 2; 182.656, subdivision 1; 182.666, subdivision 2.

Reported the same back with the following amendments to the unofficial engrossment:

Page 1, after line 8, insert:

"Section 1. Minnesota Statutes 2000, section 48.24, subdivision 5, is amended to read:

Subd. 5. Loans or obligations shall not be subject under this section to any limitation based upon such capital and surplus to the extent that they are secured or covered by guarantees, or by commitments or agreements to take over or to purchase the same, made by:

- (1) the commissioner of agriculture on the purchase of agricultural land;
 - (2) any Federal Reserve bank;
 - (3) the United States or any department, bureau, board, commission, or establishment of the United States, including any corporation wholly owned directly or indirectly by the United States;
 - (4) the Minnesota energy and economic development authority; or
 - (5) ~~the Minnesota export finance authority; or~~
- ~~(6)~~ a municipality or political subdivision within Minnesota to the extent that the guarantee or collateral is a valid and enforceable general obligation of that political body.

Sec. 2. Minnesota Statutes 2000, section 116J.58, subdivision 1, is amended to read:

Subdivision 1. [ENUMERATION.] The commissioner shall:

- (1) investigate, study, and undertake ways and means of promoting and encouraging the prosperous development and protection of the legitimate interest and welfare of Minnesota business, industry, and commerce, within and outside the state;
- (2) locate markets for manufacturers and processors and aid merchants in locating and contacting markets;
- (3) investigate and study conditions affecting Minnesota business, industry, and commerce and collect and disseminate information, and engage in technical studies, scientific investigations, and statistical research and educational activities necessary or useful for the proper execution of the powers and duties of the commissioner in promoting and developing Minnesota business, industry, and commerce, both within and outside the state;
- (4) plan and develop an effective business information service both for the direct assistance of business and industry of the state and for the encouragement of business and industry outside the state to use economic facilities within the state;
- (5) compile, collect, and develop periodically, or otherwise make available, information relating to current business conditions;

(6) conduct or encourage research designed to further new and more extensive uses of the natural and other resources of the state and designed to develop new products and industrial processes;

(7) study trends and developments in the industries of the state and analyze the reasons underlying the trends; study costs and other factors affecting successful operation of businesses within the state; and make recommendations regarding circumstances promoting or hampering business and industrial development;

(8) serve as a clearing house for business and industrial problems of the state; and advise small business enterprises regarding improved methods of accounting and bookkeeping;

(9) cooperate with interstate commissions engaged in formulating and promoting the adoption of interstate compacts and agreements helpful to business, industry, and commerce;

(10) cooperate with other state departments, and with boards, commissions, and other state agencies, in the preparation and coordination of plans and policies for the development of the state and for the use and conservation of its resources insofar as the use, conservation, and development may be appropriately directed or influenced by a state agency;

(11) assemble and coordinate information relative to the status, scope, cost, and employment possibilities and the availability of materials, equipment, and labor in connection with public works projects, state, county, and municipal; recommend limitations on the public works; gather current progress information with reference to public and private works projects of the state and its political subdivisions with reference to conditions of employment; inquire into and report to the governor, when requested by the governor, with respect to any program of public state improvements and the financing thereof; and request and obtain information from other state departments or agencies as may be needed properly to report thereon;

(12) study changes in population and current trends and prepare plans and suggest policies for the development and conservation of the resources of the state;

(13) confer and cooperate with the executive, legislative, or planning authorities of the United States and neighboring states and provinces and of the counties and municipalities of such neighboring states, for the purpose of bringing about a coordination between the development of such neighboring provinces, states, counties, and municipalities and the development of this state;

(14) generally, gather, compile, and make available statistical information relating to business, trade, commerce, industry, transportation, communication, natural resources, and other like subjects in this state, with authority to call upon other departments of the state for statistical data and results obtained by them and to arrange and compile that statistical information in a manner that seems wise;

~~(15) prepare an annual report to the legislature estimating and, to the extent possible, describing the number of Minnesota companies which have left the state or moved to surrounding states or other countries. The report should include an estimate of the number of jobs lost by these moves, an estimate of the total employment payroll, average hourly wage of those jobs lost and those created in the new location, and to the extent possible, the reasons for each company moving out of state, if known;~~

~~(16)~~ publish documents and annually convene regional meetings to inform businesses, local government units, assistance providers, and other interested persons of changes in state and federal law related to economic development;

~~(17)~~ (16) annually convene conferences of providers of economic development related financial and technical assistance for the purposes of exchanging information on economic development assistance, coordinating economic development activities, and formulating economic development strategies;

~~(18)~~ (17) provide business with information on the economic benefits of energy conservation and on the availability of energy conservation assistance; and

~~(19)~~ (18) prepare, as part of biennial budget process, performance measures for each business loan or grant program within the jurisdiction of the commissioner. Measures would include source of funds for each program, numbers of jobs proposed or promised at the time of application and the number of jobs created, estimated number of jobs retained, the average salary and benefits for the jobs resulting from the program, and the number of projects approved.

Sec. 3. Minnesota Statutes 2000, section 116J.9665, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given them:

~~(1) "Conference and service center" means the approximately 20,000 square feet of space on the third and fourth floors of the Minnesota world trade center that the state of Minnesota has the right to possess, occupy, and use subject to the terms and conditions of the development agreement.~~

~~(2) "Development agreement" means the agreement entered into by and between the world trade center board, as agent of the state of Minnesota, and Oxford Development Minnesota, Inc. dated July 27, 1984, and the amendments to that agreement, for development and construction of a world trade center at a designated site in Minnesota.~~

~~(3) (2) "Minnesota world trade center" means the facility constructed in accordance with the development agreement or other facilities meeting the membership requirements of the World Trade Centers Association.~~

Sec. 4. Minnesota Statutes 2000, section 116J.9665, subdivision 4, is amended to read:

Subd. 4. [DUTIES.] The commissioner shall:

(1) promote and market the Minnesota world trade center and membership in the World Trade Centers Association;

~~(2) sponsor conferences or other promotional events in the conference and service center;~~

~~(3)~~ sponsor, develop, and conduct educational programs related to international trade;

~~(4)~~ (3) establish and maintain an office in the Minnesota world trade center; and

~~(5)~~ (4) not duplicate programs or services provided by the commissioner of agriculture.

Sec. 5. Minnesota Statutes 2000, section 116J.9665, subdivision 6, is amended to read:

Subd. 6. [WORLD TRADE CENTER ACCOUNT.] The world trade center account is in the special revenue fund. All money ~~received from the use of the conference and service center or~~ appropriated under this section must be deposited in the account. Money in the account including interest earned is appropriated to the commissioner and must be used exclusively for the purposes of this section.

Sec. 6. Minnesota Statutes 2000, section 116M.14, subdivision 4, is amended to read:

Subd. 4. [LOW-INCOME AREA.] "Low-income area" means Minneapolis, St. Paul, and ~~inner ring suburbs as defined by the metropolitan council that had a median household income below \$31,000 as reported in the 1990 census those cities in the metropolitan area as defined in section 473.121, subdivision 2, that have an average income that is below 60 percent of the median income for a four-person family as of the latest report by the United States Census Bureau.~~

Sec. 7. Minnesota Statutes 2000, section 116M.18, subdivision 2, is amended to read:

Subd. 2. [CHALLENGE GRANT ELIGIBILITY; NONPROFIT CORPORATION.] The board may enter into agreements with nonprofit corporations to fund and guarantee loans the nonprofit corporation makes in low-income areas under subdivision 4. A corporation must demonstrate that:

- (1) its board of directors includes citizens experienced in development, minority business enterprises, and creating jobs in low-income areas;
- (2) it has the technical skills to analyze projects;
- (3) it is familiar with other available public and private funding sources and economic development programs;
- (4) it can initiate and implement economic development projects;
- (5) it can establish and administer a revolving loan account; and
- (6) it can work with job referral networks which assist minority and other persons in low-income areas.

Sec. 8. Minnesota Statutes 2000, section 116M.18, subdivision 3, is amended to read:

Subd. 3. [REVOLVING LOAN FUND.] (a) The board shall establish a revolving loan fund to make grants to nonprofit corporations for the purpose of making loans and loan guarantees to new and expanding businesses in a low-income area to promote minority business enterprises and job creation for minority and other persons in low-income areas.

(b) Eligible business enterprises include, but are not limited to, technologically innovative industries, value-added manufacturing, and information industries. Loan applications given preliminary approval by the nonprofit corporation must be forwarded to the board for approval. The commissioner must give final approval for each loan or loan guarantee made by the nonprofit corporation. The amount of ~~a grant~~ the state funds contributed to any loan or loan guarantee may not exceed 50 percent of each loan. ~~The amount of nonstate money must equal at least 50 percent for each loan.~~

Sec. 9. Minnesota Statutes 2000, section 116M.18, subdivision 4, is amended to read:

Subd. 4. [BUSINESS LOAN CRITERIA.] (a) The criteria in this subdivision apply to loans made or guaranteed by nonprofit corporations under the urban challenge grant program.

(b) Loans or guarantees must be made to businesses that are not likely to undertake a project for which loans are sought without assistance from the urban challenge grant program.

(c) A loan or guarantee must be used for a project designed to benefit persons in low-income areas through the creation of job or business opportunities for them. Priority must be given for loans to the lowest income areas.

(d) The minimum state contribution to a loan or guarantee is \$5,000 and the maximum is \$150,000.

(e) ~~A loan~~ The state contribution must be matched by at least an equal amount of new private investment.

(f) A loan may not be used for a retail development project.

(g) The business must agree to work with job referral networks that focus on minority applicants from low-income areas.

Sec. 10. Minnesota Statutes 2000, section 116M.18, subdivision 5, is amended to read:

Subd. 5. [REVOLVING FUND ADMINISTRATION; RULES.] (a) The board shall establish a minimum interest rate for loans or guarantees to ensure that necessary loan administration costs are covered.

(b) Loan repayment amounts equal to one-half of the principal and interest must be deposited in a revolving fund created by the board for challenge grants. The remaining amount of the loan repayment may be deposited in a revolving loan fund created by the nonprofit corporation originating the loan being repaid for further distribution, consistent with the loan criteria specified in subdivision 4.

(c) Administrative expenses of the board and nonprofit corporations with whom the board enters into agreements under subdivision 2, including expenses incurred by a nonprofit corporation in providing financial, technical, managerial, and marketing assistance to a business enterprise receiving a loan under subdivision 4, may be paid out of the interest earned on loans and out of interest earned on money invested by the state board of investment under section 116M.16, subdivision 2, as may be provided by the board.

Sec. 11. Minnesota Statutes 2000, section 116M.18, is amended by adding a subdivision to read:

Subd. 6a. [NONPROFIT CORPORATION LOANS.] The board may make loans to a nonprofit corporation with which it has entered into an agreement under subdivision 1. These loans must be used to support a new or expanding business. This support may include such forms of financing as the sale of goods to the business on installment or deferred payments, lease purchase agreements, or royalty investments in the business. The nonprofit corporation must provide at least an equal match to the loan received by the board. The maximum loan available to the nonprofit corporation under this subdivision is \$50,000. Loans made to the nonprofit corporation under this subdivision may be made without interest. Repayments made by the nonprofit corporation must be deposited in the revolving fund created for urban initiative grants.

Sec. 12. Minnesota Statutes 2000, section 116M.18, subdivision 8, is amended to read:

Subd. 8. [REPORTING REQUIREMENTS.] A nonprofit corporation that receives a challenge grant shall:

(1) submit an annual report to the board by September 30 of each year that includes a description of projects supported by the urban challenge grant program, an account of loans made during the calendar year, the program's impact on minority business enterprises and job creation for minority persons and persons in low-income areas, the source and amount of money collected and distributed by the urban challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses; and

(2) provide for an independent annual audit to be performed in accordance with generally accepted accounting practices and auditing standards and submit a copy of each annual audit report to the board."

Page 4, line 4, delete "the employer" and insert "an employer with 26 or more employees"

Page 4, line 5, delete everything after the period

Page 4, delete line 6 and insert:

"Sec. 16. Minnesota Statutes 2000, section 268.051, subdivision 8, is amended to read:

Subd. 8. [SOLVENCY SPECIAL ASSESSMENT FOR INTEREST ON FEDERAL LOAN.] (a) ~~If the fund balance is less than \$150,000,000 on June 30~~ October 31 of any year, the commissioner, in consultation with the commissioner of finance, determines that an interest payment will be due during the following calendar year on any loan from the federal unemployment trust fund under section 268.194, subdivision 6, a solvency special assessment on taxpaying employers will be in effect for the following calendar year. The taxpaying employer shall pay quarterly

~~a solvency~~ The legislature authorizes the commissioner, in consultation with the commissioner of finance, to determine the appropriate level of the assessment, of ten from two percent to eight percent of the quarterly unemployment taxes due, that will be necessary to pay the interest due on the loan.

(b) ~~The solvency special~~ assessment shall be placed into a special account from which the commissioner shall pay any interest accruing that has accrued on any loan from the federal unemployment trust fund provided for under section 268.194, subdivision 6. If, at the end of each calendar quarter, the commissioner, in consultation with the commissioner of finance, determines that the balance in this special account, including interest earned on the special account, is more than is necessary to pay the interest which has accrued on any loan as of that date, or will accrue over the following calendar quarter, the commissioner shall immediately pay to the fund the amount in excess of that necessary to pay the interest on any loan.

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

Sec. 17. Laws 2001, First Special Session chapter 4, article 1, section 2, subdivision 5, is amended to read:

Subd. 5. Office of Tourism

10,219,000	10,111,000
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To develop maximum private sector involvement in tourism, \$3,500,000 the first year and \$3,500,000 the second year of the amounts appropriated for marketing activities are contingent on receipt of an equal contribution from nonstate sources that have been certified by the commissioner. Up to one-half of the match may be given in in-kind contributions.

In order to maximize marketing grant benefits, the commissioner must give priority for joint venture marketing grants to organizations with year-round sustained tourism activities. For programs and projects submitted, the commissioner must give priority to those that encompass two or more areas or that attract nonresident travelers to the state.

If an appropriation for either year for grants is not sufficient, the appropriation for the other year is available for it.

The commissioner may use grant dollars or the value of in-kind services to provide the state contribution for the partnership program.

Any unexpended money from general fund appropriations made under this subdivision does not cancel but must be placed in a special advertising account for use by the office of tourism to purchase additional media.

Of this amount, \$50,000 the first year is for a one-time grant to the Mississippi River parkway commission to support the increased promotion of tourism along the Great River Road.

\$829,000 the first year and \$829,000 the second year are for the Minnesota film board. \$329,000 of this appropriation in each year is available only upon receipt by the board of \$1 in matching contributions of money or in-kind from nonstate sources for every

\$3 provided by this appropriation. Of this amount, \$500,000 the first year and \$500,000 the second year are for grants to the Minnesota film board for a film production jobs fund to stimulate film production in Minnesota. This appropriation is to reimburse film and television producers for up to ten percent of the documented wages and cost of services that they paid to Minnesotans for film and television production after January 1, 2001.

\$150,000 the first year is for partnerships with local tourism interests to operate travel information centers. This is a one-time appropriation. This appropriation is available until spent.

Sec. 18. [REINSTATEMENT OF LAW.]

Notwithstanding its repeal by Laws 2001, First Special Session chapter 4, article 2, section 41, Minnesota Statutes 2000, section 268.976, as amended by Laws 2001, chapter 175, section 50, is revived.

Sec. 19. [2003 UNEMPLOYMENT INSURANCE BASE TAX RATE.]

Notwithstanding Minnesota Statutes, section 268.051, subdivision 2, and Laws 2001, First Special Session chapter 2, article 2, section 32, subdivision 2, the unemployment insurance base tax rate for employers is 0.38 percent for calendar year 2003.

Sec. 20. [REED ACT FEDERAL FUNDS APPROPRIATION.]

\$12,000,000 of the approximately \$163,000,000 of federal "Reed Act" money transferred to the state of Minnesota on March 13, 2002, pursuant to section 209 of the Temporary Extended Unemployment Compensation Act of 2002, is appropriated from the unemployment insurance program trust fund to the commissioner of economic security for unemployment insurance program administration. The amount appropriated must be transferred to the appropriate account used to pay unemployment insurance program administration costs.

[EFFECTIVE DATE.] This section is effective July 1, 2002.

Sec. 21. [WORKFORCE DEVELOPMENT FUND TRANSFERS.]

Notwithstanding Laws 2001, First Special Session chapter 4, article 2, sections 31 and 32, the amount actually collected in calendar years 2002 and 2003, to a maximum of \$12,000,000, net of collections costs, and otherwise required to be deposited in the unemployment insurance technology initiative account by those sections shall be deposited into the workforce development fund created by Minnesota Statutes, section 268.022.

[EFFECTIVE DATE.] This section is effective the day following final enactment and retroactive to January 1, 2002.

Sec. 22. [REPEALER.]

Minnesota Statutes 2000, sections 116J.9672 and 116J.9673, are repealed."

Renumber the sections in sequence

Correct internal references

Amend the title as follows:

Page 1, line 2, delete "occupational safety and health;" and insert "state government; modifying provisions relating to jobs and economic development; modifying various loan provisions; providing for a special assessment for interest on a federal loan; extending an appropriation; reinstating a repealed law; setting the unemployment insurance base tax rate; appropriating certain federal funds; transferring funds;"

Page 1, line 5, after "certain" insert "occupational safety and health"

Page 1, line 6, after "sections" insert "48.24, subdivision 5; 116J.58, subdivision 1; 116J.9665, subdivisions 1, 4, 6; 116M.14, subdivision 4; 116M.18, subdivisions 2, 3, 4, 5, 8, by adding a subdivision;"

Page 1, line 7, before the period, insert "; 268.051, subdivision 8; Laws 2001, First Special Session chapter 4, article 1, section 2, subdivision 5; repealing Minnesota Statutes 2000, sections 116J.9672; 116J.9673"

With the recommendation that when so amended the bill pass.

The report was adopted.

SECOND READING OF SENATE BILLS

S. F. No. 3154 was read for the second time.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House Files were introduced:

Seifert, Gerlach, Pawlenty, Olson, Erickson, Kielkucki, Davids, Dempsey, Ness, Sviggum, Walz, Ruth, Penas, Hackbarth, Howes and Wilkin introduced:

H. F. No. 3732, A bill for an act relating to higher education; reducing appropriations to the University of Minnesota; amending Laws 2002, chapter 220, article 5, section 4.

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

Clark, K.; Davids; Sykora; Osskopp; Rukavina; Gray; Mariani; Otremba; Walker; Hausman; Kalis; Dibble; Entenza; Peterson; Kubly; Winter and Leighton introduced:

H. F. No. 3733, A resolution memorializing the President, Congress, and the Governor to ensure that international trade agreements respect the traditional authority of state and local governments to protect the public interest.

The bill was read for the first time and referred to the Committee on Commerce, Jobs and Economic Development.

Seifert, by request, introduced:

H. F. No. 3734, A bill for an act relating to state government; limiting circumstances under which the department of administration may provide printing services to state agencies; proposing coding for new law in Minnesota Statutes, chapter 16B.

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

MESSAGES FROM THE SENATE

The following messages were received from the Senate:

Mr. Speaker:

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

H. F. No. 3183, A bill for an act relating to agriculture; clarifying and updating certain terms; changing certain requirements and procedures; limiting certain fees and payments; authorizing agreements; prohibiting tampering with farm tractor clock-hour meters; prescribing civil and criminal penalties; authorizing the northern counties land use coordinating board to initiate a land use management pilot project; amending Minnesota Statutes 2000, sections 17.90, subdivision 1a, by adding a subdivision; 17B.03, subdivision 1; 18B.315, subdivision 3; 18B.37, subdivisions 2, 5; 18E.02, by adding a subdivision; 18E.03, subdivision 4; 18E.04, subdivision 3; 18E.06; 21.111, by adding a subdivision; 31.101, as amended; 31.102, subdivision 1; 31.103, subdivision 1; 31.104; 38.331, subdivision 2; 41B.03, subdivisions 1, 3; 223.16, subdivision 5; Minnesota Statutes 2001 Supplement, sections 17.9442; 18B.36, subdivision 1; 18E.04, subdivisions 2, 4; 41B.046, subdivision 2; Laws 2001, chapter 206, section 14; proposing coding for new law in Minnesota Statutes, chapter 325E.

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

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate accedes to the request of the House for the appointment of a Conference Committee on the amendments adopted by the Senate to the following House File:

H. F. No. 3350, A bill for an act relating to health; modifying current protocols for nurses; modifying prior authorization requirements for prescription drugs; clarifying responsibilities for administering the Ryan White act; clarifying providers continuation of family community support services; amending Minnesota Statutes 2000, sections 148.235, by adding subdivisions; 151.37, subdivision 2; 256.01, by adding a subdivision; Minnesota Statutes 2001 Supplement, sections 148.284; 256B.0625, subdivisions 13, 35.

The Senate has appointed as such committee:

Senators Kiscaden, Hottinger and Cohen.

Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate refuses to concur in the House amendments to the following Senate File:

S. F. No. 2572, A bill for an act relating to local government; authorizing the establishment of a specific nonprofit corporation in development region nine for certain specified purposes.

The Senate respectfully requests that a Conference Committee be appointed thereon. The Senate has appointed as such committee:

Senators Hottinger, Fowler and Frederickson.

Said Senate File is herewith transmitted to the House with the request that the House appoint a like committee.

PATRICK E. FLAHAVEN, Secretary of the Senate

Abrams moved that the House accede to the request of the Senate and that the Speaker appoint a Conference Committee of 3 members of the House to meet with a like committee appointed by the Senate on the disagreeing votes of the two houses on S. F. No. 2572. The motion prevailed.

Mr. Speaker:

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

H. F. No. 3127, A bill for an act relating to retirement; various retirement plans; clarifying the laws applicable to the remaining local police and paid firefighter pension plans; repealing obsolete local police and paid firefighter pension plan laws; authorizing service credit purchase for certain strike periods; providing public employee pension coverage for certain foreign citizens; clarifying membership eligibility and allowable service credit for the public employees retirement association; requiring membership for charter school teachers in the teachers retirement association; providing for the payment of unpaid closed charter school retirement contributions from charter school lease aid; eliminating contribution rate increases in the local government correctional service retirement plan; establishing provisions relating to employees of the Kanabec hospital if the hospital is privatized; extending the expiration date for certain prior service credit purchase authorizations; recodifying social security coverage provisions; implementing recommended changes in salary actuarial assumptions; clarifying the restrictions on supplemental and local pension plans for plans funded from accumulated sick and vacation leave; reorganizing the revising various general retirement provisions; instructing the revisor of statutes; authorizing the commissioner of administration to lease pension fund facilities to deferred compensation service providers; authorizing certain volunteer firefighters to receive service pensions or disability benefits without terminating active service; creating the coordinated program of the legislators retirement plan; providing a second social security referendum for legislators; modifying Minneapolis police optional annuity provision; modifying voluntary unpaid leave of absence provision for state employees; providing for an extension of the rule of 90 benefit tier for the teachers retirement association and the Duluth teachers retirement fund association; changing the effective date for certain modifications to the judges retirement plan; amending Minnesota Statutes 2000, sections 69.77; 69.80; 353.01, by adding a subdivision; 353.64, subdivision 7a; 353A.08, subdivision 6a; 353E.02, subdivision 1, by adding a subdivision; 353E.03; 353F.02, subdivision 4; 354.05, subdivision 38; 354.44, subdivision 6; 354A.011, subdivisions 15A, 27; 354A.31, subdivisions 4a, 5, 6, 7; 355.01, subdivisions 1, 3, 6, 8, by adding subdivisions; 355.02; 355.03; 355.05; 355.07; 355.08; 356.001; 356.20, subdivisions 1, 2, 3, 4, 4a; 356.215, as amended; 356.216; 356.217; 356.219; 356.22; 356.23; 356.24, subdivisions 1b, 1c, 2; 356.245; 356.25; 356.30; 356.302; 356.303; 356.32; 356.40; 356.41; 356.50; 356.55, as amended; 356.551; 356.611; 356.65, subdivision 2; 356.87; 356.89, subdivision 3; 423A.17;

423A.171; 423B.09, subdivision 6; 424A.02, subdivision 1; 424A.09; Minnesota Statutes 2001 Supplement, sections 352.01, subdivision 11; 353.01, subdivisions 2a, 2b, 11b, 16; 353.27, subdivisions 4, 11; 354.05, subdivisions 2, 13; 356.24, subdivision 1; 356.555; 356.62; 356.65, subdivision 1; Laws 1997, chapter 202, article 2, section 61, as amended; Laws 1999, chapter 222, article 16, section 16; Laws 2000, chapter 461, article 10, section 3, as amended; Laws 2000, chapter 461, article 12, section 20; Laws 2000, chapter 461, article 18, section 10; Laws 2001, First Special Session chapter 10, article 6, section 21; proposing coding for new law in Minnesota Statutes, chapters 3A; 355; 356; proposing coding for new law as Minnesota Statutes, chapter 356B; repealing Minnesota Statutes 2000, sections 69.25; 69.26; 69.27; 69.28; 69.29; 69.30; 69.32; 69.361; 69.37; 69.38; 69.39; 69.40; 69.41; 69.42; 69.43; 69.44; 69.45; 69.46; 69.47; 69.48; 69.49; 69.50; 69.51; 69.52; 69.53; 69.62; 69.78; 297L.10, subdivision 2; 355.01, subdivisions 2, 4, 5, 9, 10; 355.11; 355.12; 355.13; 355.14; 355.15; 355.16; 355.17; 355.201; 355.202; 355.203; 355.204; 355.205; 355.206; 355.207; 355.208; 355.209; 355.21; 355.22; 355.23; 355.24; 355.25; 355.26; 355.27; 355.28; 355.281; 355.282; 355.283; 355.284; 355.285; 355.286; 355.287; 355.288; 355.29; 355.291; 355.292; 355.293; 355.294; 355.295; 355.296; 355.297; 355.298; 355.299; 355.30; 355.311; 355.391; 355.392; 355.393; 355.41; 355.42; 355.43; 355.44; 355.45; 355.46; 355.48; 355.49; 355.50; 355.51; 355.52; 355.54; 355.55; 355.56; 355.57; 355.58; 355.59; 355.60; 355.61; 355.621; 355.622; 355.623; 355.624; 355.625; 355.626; 355.627; 355.628; 355.71; 355.72; 355.73; 355.74; 355.75; 355.76; 355.77; 355.78; 355.79; 355.80; 355.81; 355.90; 356.19; 356.305; 356.306; 356.31; 356.325; 356.35; 356.36; 356.37; 356.371, subdivisions 2, 3; 356.372; 356.38; 356.39; 356.45; 356.451; 356.452; 356.453; 356.454; 356.455; 356.615; 356.71; 356.80; 356.81; 356.86; 356.865; 356.88; 356.89; 423.37; 423.371; 423.372; 423.373; 423.374; 423.375; 423.377; 423.378; 423.379; 423.38; 423.381; 423.382; 423.383; 423.384; 423.385; 423.386; 423.387; 423.388; 423.389; 423.39; 423.391; 423.392; 423.801; 423.802; 423.803; 423.804; 423.805; 423.806; 423.808; 423.809; 423.810; 423.812; 423.813; 423.814; 423.90; 423A.03; 424.01; 424.02; 424.03; 424.04; 424.05; 424.06; 424.08; 424.14; 424.15; 424.16; 424.165; 424.17; 424.18; 424.19; 424.20; 424.21; 424.22; 424.23; 424.24; 424.25; 424.27; 424.28; 424.29; Minnesota Statutes 2001 Supplement, sections 353.01, subdivision 39; 356.371, subdivision 1; 356.866; Special Session Laws 1889, chapter 425; Special Session Laws 1891, chapter 11; Laws 1897, chapters 389; 390; Laws 1915, chapter 68; Laws 1917, chapter 196; Laws 1919, chapters 68, 515; Laws 1921, chapter 118; Laws 1923, chapter 54; Laws 1925, chapter 197; Laws 1931, chapter 48; Laws 1933, chapter 122; Laws 1935, chapters 92; 192; 208; 259; Laws 1937, chapters 132; 197; 253; Laws 1939, chapters 124; 304; Laws 1941, chapters 74; 182; 196; Laws 1943, chapters 170; 267; 397; 413; 432; Laws 1945, chapters 74; 182; 277; 300; Laws 1947, chapters 40; 43; 101; 274; 329; Laws 1949, chapters 87; 144; 153; 154; 164; 191; 235; 281; 378; Laws 1951, chapters 43; 45; 48; 144; 233; 243; 420; 435; 499; Laws 1953, chapters 37; 44; 91; 235; 253; 348; 391; 401; 406; Laws 1955, chapters 42; 49; 75; 151; 187; 188; 293; 294; 348; 375; 827; Laws 1957, chapters 10; 16; 36; 127; 144; 164; 256; 257; 455; 630; 793; Laws 1959, chapters 108; 131; 191; 207; 208; 211; 437; Laws 1961, chapters 186; 290; 295; 300; 343; 376; 399; 434; 435, section 2; 443; 620; 631; 747; Extra Session Laws 1961, chapters 28; 80; Laws 1963, chapters 36; 208; 221; 271; 443; 453; 454; 464; 619; 636; 643; 670; 715; Laws 1965, chapters 174; 179; 190; 418; 457; 458; 465; 498; 536; 540; 594; 604; 605; 636; 790; Laws 1967, chapters 644; 678; 702; 708; 730; 732; 736; 751; 775; 783; 798; 807; 816; 848; Laws 1969, chapters 138; 442; 443; 552; 576; 594; 614; 641; 668; 669; 670; 671; 672; 686; 694; 716; 849; 1087; Laws 1971, chapters 51; 178; 407; 549; 614; 807; 809; 810; Extra Session Laws 1971, chapter 41; Laws 1973, chapters 286; 287; 346; 359; 432; 433; 587; Laws 1974, chapters 251; 382; Laws 1975, chapters 120; 121; 127; 254, sections 1, 2, 3, 4, 5, 6; 368, section 54; 389; 408; 423; 424; 425; Laws 1976, chapters 36; 78; 85; 99; 247; Laws 1977, chapters 83; 164, sections 1, 3; 169; 270; 275; 374, sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60; 429, section 62; Laws 1978, chapters 563, sections 12, 13, 14, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30; 579; 648; 690, sections 9, 10; 793, section 96; Laws 1979, chapters 131, section 3; 216, sections 27, 28, 29, 30, 31, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44; Laws 1980, chapters 341, sections 2, 3, 4, 5, 6, 9, 10; 600, sections 11, 12, 13, 14, 15, 16, 17, 18, 22; 607, article XV, section 23; Laws 1981, chapter 68, sections 31, 32, 33, 34, 35, 36, 37, 41, 42, 43; Laws 1981, chapter 224, sections 236, 237, 239, 240, 243, 244, 247, 248, 252, 253, 258, 259, 260, 261, 263, 264, 265, 266, 267, 268, 270, 272, 273; Laws 1981, chapter 297, sections 1, 2; Laws 1982, chapters 402; 443; 574, sections 3, 4, 5, 6, 8; 578, article II, section 1, subdivision 8, article III, section 18; 610, sections 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20; Laws 1983, chapters 47; 74; 84, section 1; 291, sections 8, 9, 10, 11, 12, 13, 14, 15, 16, 17; Laws 1984, chapter 574, sections 18, 19, 20, 22, 23, 24, 25, 26, 33; Laws 1985, chapters 259, sections 5, 6; 261, sections 14, 15, 16, 18, 20, 32, 33, 34, 35, 36; Laws 1985, First Special Session chapter 16, article 2, section 6; Laws 1986, chapters 359, sections 22, 23, 24, 25; 458, sections 23, 34; Laws 1987, chapter 372, article 2, sections 7, 8, 9, 10, 12; Laws 1988, chapter 709,

articles 8, section 5; 9, section 5; Laws 1989, chapter 319, article 11, sections 2, 3, 4, 12; Laws 1990, chapter 589, article 1, section 7; Laws 1991, chapters 96; 269, article 2, sections 12, 13; Laws 1992, chapters 392, section 1; 393, section 1; 422; 431, section 1; 448; 455; 563, sections 3, 4, 5; 586, section 1; Laws 1993, chapters 72; 110; 112, section 2; 126; 202, article 1; Laws 1994, chapters 409; 410; 474; 490; 541, section 3; Laws 1995, chapter 262, article 10, section 4; Laws 1996, chapter 448, article 2, section 1; Laws 1997, chapter 233, article 1, section 58; Laws 1997, chapter 241, article 2, sections 2, 3, 4, 5, 6, 9, 10, 11, 13, 14, 15, 20; Laws 1999, chapter 222, article 3, section 6; Laws 2000, chapter 461, article 10, section 2.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mares moved that the House refuse to concur in the Senate amendments to H. F. No. 3127, that the Speaker appoint a Conference Committee of 3 members of the House, and that the House requests that a like committee be appointed by the Senate to confer on the disagreeing votes of the two houses. The motion prevailed.

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

RECESS

RECONVENED

The House reconvened and was called to order by Speaker pro tempore Boudreau.

SUSPENSION OF JOINT RULE 2.06

Abrams moved that Joint Rule 2.06 relating to Conference Committees be suspended. The motion prevailed.

The following Conference Committee Report was received:

CONFERENCE COMMITTEE REPORT ON H. F. NO. 3270

A bill for an act relating to state government; creating office of state treasurer and modifying related provisions; providing for governor's cabinet and organizing certain government agencies; modifying certain fund provisions; requiring the commissioner of finance to prepare a forecast of state revenues and expenditures in July in each even-numbered year; requiring certain payments; modifying provisions of constitutional officers' salaries; reducing certain appropriations; modifying consulting moratorium and hiring freeze provisions; amending Minnesota Statutes 2000, sections 4.06; 8.05; 10.01; 11A.08, subdivision 1; 16A.103, subdivision 1; 40A.151, subdivision 1; 40A.152, subdivisions 1, 3; 43A.18, subdivision 4; 168A.40, subdivision 4, as amended; 204B.11, subdivision 1; 204D.10, subdivision 2; 209.01, subdivision 2; 240A.08; 471.975; Minnesota Statutes 2001 Supplement, section 16E.09, subdivision 1; Laws 2001, First Special Session chapter 10, article 1, section 2, subdivision 4; Laws 2002, chapter 220, article 10, sections 2; 3; 7; 10, subdivision 3; 16; 36; 37; 38; proposing coding for new law in Minnesota Statutes, chapters 7; 15; 43A.

May 15, 2002

The Honorable Steve Sviggum
Speaker of the House of Representatives

The Honorable Don Samuelson
President of the Senate

We, the undersigned conferees for H. F. No. 3270, report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 3270 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

EDUCATION AID PAYMENT DELAY

Section 1. Minnesota Statutes 2001 Supplement, section 124D.11, subdivision 9, is amended to read:

Subd. 9. [PAYMENT OF AIDS TO CHARTER SCHOOLS.] (a) Notwithstanding section 127A.45, subdivision 3, aid payments for the current fiscal year to a charter school not in its first year of operation shall be of an equal amount on each of the 23 payment dates. A charter school in its first year of operation shall receive, on its first payment date, ten percent of its cumulative amount guaranteed for the year and 22 payments of an equal amount thereafter the sum of which shall be 90 percent of the cumulative amount guaranteed.

(b) Notwithstanding paragraph (a), for a charter school ceasing operation prior to the end of a school year, ~~90~~ 83 percent of the amount due for the school year may be paid to the school after audit of prior fiscal year and current fiscal year pupil counts.

(c) Notwithstanding section 127A.45, subdivision 3, and paragraph (a), ~~90~~ 83 percent of the start-up cost aid under subdivision 8 shall be paid within 45 days after the first day of student attendance for that school year.

(d) In order to receive state aid payments under this subdivision, a charter school in its first three years of operation must submit a quarterly report to the department of children, families, and learning. The report must list each student by grade, show the student's start and end dates, if any, with the charter school, and for any student participating in a learning year program, the report must list the hours and times of learning year activities. The report must be submitted not more than two weeks after the end of the calendar quarter to the department. The department must develop a Web-based reporting form for charter schools to use when submitting enrollment reports. A charter school in its fourth and subsequent year of operation must submit enrollment information to the department in the form and manner requested by the department.

Sec. 2. Minnesota Statutes 2000, section 127A.45, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] (a) The term "other district receipts" means payments by county treasurers pursuant to section 276.10, apportionments from the school endowment fund pursuant to section 127A.33, apportionments by the county auditor pursuant to section 127A.34, subdivision 2, and payments to school districts by the commissioner of revenue pursuant to chapter 298.

(b) The term "cumulative amount guaranteed" means the product of

(1) the cumulative disbursement percentage shown in subdivision 3; times

(2) the sum of

(i) ~~90~~ 83 percent of the estimated aid and credit entitlements paid according to subdivision 13; plus

(ii) 100 percent of the entitlements paid according to subdivisions 11 and 12; plus

(iii) the other district receipts; ~~plus~~

~~(iv) the final adjustment payment according to subdivision 9.~~

(c) The term "payment date" means the date on which state payments to districts are made by the electronic funds transfer method. If a payment date falls on a Saturday, a Sunday, or a weekday which is a legal holiday, the payment shall be made on the immediately preceding business day. The commissioner may make payments on dates other than those listed in subdivision 3, but only for portions of payments from any preceding payment dates which could not be processed by the electronic funds transfer method due to documented extenuating circumstances.

Sec. 3. Minnesota Statutes 2000, section 127A.45, subdivision 3, is amended to read:

Subd. 3. [PAYMENT DATES AND PERCENTAGES.] (a) For fiscal year 2003, the commissioner shall pay to a district on the dates indicated an amount computed as follows: the cumulative amount guaranteed minus the sum of (a) the district's other district receipts through the current payment, and (b) the aid and credit payments through the immediately preceding payment. For purposes of this computation, the payment dates and the cumulative disbursement percentages are as follows:

	Payment date	Percentage
Payment 1	July 15:	4.6 <u>5.1</u>
Payment 2	July 30:	6.9 <u>7.7</u>
Payment 3	August 15: the greater of (a) the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392, or (b) the amount needed to provide 15.2 percent	15.2 <u>16.9</u>
Payment 4	August 30:	17.4 <u>19.3</u>
Payment 5	September 15:	19.6 <u>21.8</u>
Payment 6	September 30:	21.8 <u>24.3</u>
Payment 7	October 15: the greater of (a) one-half of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits, or (b) the amount needed to provide 24 percent	24 <u>26.3</u>
Payment 8	October 30: the greater of (a) one-half of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits, or (b) the amount needed to provide 27.3 percent	27.3 <u>28.3</u>
Payment 9	November 15:	33.3 <u>32.8</u>
Payment 10	November 30:	39.3 <u>39.1</u>
Payment 11	December 15:	42.3 <u>42.4</u>
Payment 12	December 30:	45.3 <u>45.6</u>
Payment 13	January 15:	49.5 <u>50.5</u>

Payment 14	January 30:	53.8 <u>55.0</u>
Payment 15	February 15:	58.3 <u>60.2</u>
Payment 16	February 28:	62.8 <u>65.0</u>
Payment 17	March 15:	67.6 <u>69.7</u>
Payment 18	March 30:	72.3 <u>74.3</u>
Payment 19	April 15:	75.3 <u>78.3</u>
Payment 20	April 30:	81.3 <u>84.2</u>
Payment 21	May 15:	84.3 <u>88.7</u>
Payment 22	May 30:	92.3 <u>93.3</u>
Payment 23	June 20:	100.0

(b) In addition to the amounts paid under paragraph (a), for fiscal year 2003, the commissioner shall pay to a district on the dates indicated an amount computed as follows:

<u>Payment 3</u>	<u>August 15: the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392</u>
<u>Payment 7</u>	<u>October 15: one-half of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits</u>
<u>Payment 8</u>	<u>October 30: one-half of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits</u>

(c) For fiscal year 2004 and later, the commissioner shall pay to a district on the dates indicated an amount computed as follows: the cumulative amount guaranteed minus the sum of (a) the district's other district receipts through the current payment, and (b) the aid and credit payments through the immediately preceding payment. For purposes of this computation, the payment dates and the cumulative disbursement percentages are as follows:

	<u>Payment date</u>	<u>Percentage</u>
<u>Payment 1</u>	<u>July 15:</u>	<u>5.1</u>
<u>Payment 2</u>	<u>July 30:</u>	<u>7.7</u>
<u>Payment 3</u>	<u>August 15:</u>	<u>16.9</u>
<u>Payment 4</u>	<u>August 30:</u>	<u>19.3</u>

<u>Payment 5</u>	<u>September 15:</u>	<u>21.8</u>
<u>Payment 6</u>	<u>September 30:</u>	<u>24.3</u>
<u>Payment 7</u>	<u>October 15:</u>	<u>26.3</u>
<u>Payment 8</u>	<u>October 30:</u>	<u>28.3</u>
<u>Payment 9</u>	<u>November 15:</u>	<u>30.3</u>
<u>Payment 10</u>	<u>November 30:</u>	<u>35.0</u>
<u>Payment 11</u>	<u>December 15:</u>	<u>40.0</u>
<u>Payment 12</u>	<u>December 30:</u>	<u>43.0</u>
<u>Payment 13</u>	<u>January 15:</u>	<u>48.0</u>
<u>Payment 14</u>	<u>January 30:</u>	<u>52.0</u>
<u>Payment 15</u>	<u>February 15:</u>	<u>56.0</u>
<u>Payment 16</u>	<u>February 28:</u>	<u>61.0</u>
<u>Payment 17</u>	<u>March 15:</u>	<u>66.0</u>
<u>Payment 18</u>	<u>March 30:</u>	<u>72.0</u>
<u>Payment 19</u>	<u>April 15:</u>	<u>76.0</u>
<u>Payment 20</u>	<u>April 30:</u>	<u>83.0</u>
<u>Payment 21</u>	<u>May 15:</u>	<u>88.0</u>
<u>Payment 22</u>	<u>May 30:</u>	<u>95.0</u>
<u>Payment 23</u>	<u>June 20:</u>	<u>100.0</u>

(d) In addition to the amounts paid under paragraph (c), for fiscal year 2004 and later, the commissioner shall pay to a district on the dates indicated an amount computed as follows:

<u>Payment 3</u>	<u>August 15: the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392</u>
<u>Payment 4</u>	<u>August 30: one-third of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits</u>
<u>Payment 6</u>	<u>September 30: one-third of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits</u>

Payment 8 October 30: one-third of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits

Sec. 4. Minnesota Statutes 2000, section 127A.45, is amended by adding a subdivision to read:

Subd. 7a. [ADVANCE FINAL PAYMENT.] (a) Notwithstanding subdivisions 3 and 7, a school district or a charter school exceeding its expenditure limitations under section 123B.83 as of June 30 of the prior fiscal year may receive a portion of its final payment for the current fiscal year on June 20, if requested by the district. The amount paid under this subdivision must not exceed the lesser of:

(1) seven percent of the district or charter school's general education aid for the current fiscal year; or

(2) the amount by which the district or charter school's net negative unreserved general fund balance as of June 30 of the prior fiscal year exceeds 2.5 percent of the district or charter school's expenditures for that fiscal year.

(b) The state total advance final payment under this subdivision for any year must not exceed \$17,500,000. If the amount requested exceeds \$17,500,000, the advance final payment for each eligible district must be reduced proportionately.

Sec. 5. Minnesota Statutes 2000, 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 ~~90~~ 83 percent of the estimated entitlement during the fiscal year of the entitlement. This amount shall be paid in 12 equal monthly installments. 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 or homestead and agricultural credit aid 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. 6. Minnesota Statutes 2000, section 127A.45, subdivision 13, is amended to read:

Subd. 13. [AID PAYMENT PERCENTAGE.] Except as provided in subdivisions 11, 12, 12a, and 14, each fiscal year, all education aids and credits in this chapter and chapters 120A, 120B, 121A, 122A, 123A, 123B, 124D, 125A, 125B, 126C, 134, and section 273.1392, shall be paid at ~~90~~ 83 percent of the estimated entitlement during the fiscal year of the entitlement. For the purposes of this subdivision, a district's estimated entitlement for special education excess cost aid under section 125A.79 equals 70 percent of the district's entitlement for the second prior fiscal year. The final adjustment payment, according to subdivision 9, must be the amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement.

Sec. 7. Minnesota Statutes 2000, section 127A.45, subdivision 14, is amended to read:

Subd. 14. [NONPUBLIC AIDS.] The state shall pay aid according to sections 123B.40 to 123B.48 for pupils attending nonpublic schools as follows:

(1) an advance payment by November 30 equal to ~~90~~ 83 percent of the estimated entitlement for the current fiscal year; and

(2) a final payment by October 31 of the following fiscal year, adjusted for actual data.

If a payment advance to meet cash flow needs is requested by a district and approved by the commissioner, the state shall pay nonpublic pupil transportation aid according to section 123B.92 by October 31.

Sec. 8. Minnesota Statutes 2001 Supplement, section 127A.45, subdivision 14a, is amended to read:

Subd. 14a. [STATE NUTRITION PROGRAMS.] Notwithstanding subdivision 3, the state shall pay 100 percent of the aid for the current year according to sections 124D.111, 124D.115, and 124D.118 and ~~90~~ 83 percent of the aid for the current year according to section 124D.1156 based on submitted monthly vouchers showing meals and milk served. The remaining ~~ten~~ 17 percent according to section 124D.1156 shall be paid by October 30 of the following fiscal year.

Sec. 9. Minnesota Statutes 2000, section 127A.45, subdivision 16, is amended to read:

Subd. 16. [PAYMENTS TO THIRD PARTIES.] Notwithstanding subdivision 3, ~~90~~ 83 percent of the amounts under section 123A.26, subdivision 3, shall be paid in equal installments on August 30, December 30, and March 30, with a ~~ten~~ 17 percent final adjustment payment on October 30 of the next fiscal year.

Sec. 10. [APPROPRIATION, ADVANCE FINAL PAYMENT.]

\$17,500,000 is appropriated from the general fund to the commissioner of children, families, and learning to make advance final payments to school districts and charter schools under section 4.

ARTICLE 2

EARLY CHILDHOOD AND FAMILY EDUCATION

Section 1. Laws 2001, First Special Session chapter 3, article 1, section 17, subdivision 2, is amended to read:

Subd. 2. [SCHOOL READINESS PROGRAM REVENUE.] For revenue for school readiness programs according to Minnesota Statutes, sections 124D.15 and 124D.16:

\$10,395,000	. . . . .	2002
\$10,395,000 <u>\$9,667,000</u>	. . . . .	2003

The 2002 appropriation includes \$1,039,000 for 2001 and \$9,356,000 for 2002.

The 2003 appropriation includes \$1,039,000 for 2002 and ~~\$9,356,000~~ \$8,628,000 for 2003.

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

Sec. 2. Laws 2001, First Special Session chapter 3, article 1, section 17, subdivision 3, as amended by Laws 2002, chapter 220, article 2, section 2, is amended to read:

Subd. 3. [EARLY CHILDHOOD FAMILY EDUCATION AID.] For early childhood family education aid according to Minnesota Statutes, section 124D.135:

\$20,725,000 <u>\$20,746,000</u>	. . . . .	2002
\$20,624,000 <u>\$19,184,000</u>	. . . . .	2003

The 2002 appropriation includes \$2,036,000 for 2001 and ~~\$18,689,000~~ \$18,710,000 for 2002.

The 2003 appropriation includes ~~\$2,076,000~~ \$2,079,000 for 2002 and ~~\$18,548,000~~ \$17,105,000 for 2003.

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

Sec. 3. Laws 2001, First Special Session chapter 3, article 1, section 17, subdivision 4, is amended to read:

Subd. 4. [HEALTH AND DEVELOPMENTAL SCREENING AID.] For health and developmental screening aid according to Minnesota Statutes, sections 121A.17 and 121A.19:

\$2,661,000	.....	2002
\$2,661,000 <u>\$2,475,000</u>	.....	2003

The 2002 appropriation includes \$266,000 for 2001 and \$2,395,000 for 2002.

The 2003 appropriation includes \$266,000 for 2002 and ~~\$2,395,000~~ \$2,209,000 for 2003.

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

Sec. 4. Laws 2001, First Special Session chapter 3, article 1, section 17, subdivision 7, as amended by Laws 2002, chapter 220, article 2, section 3, is amended to read:

Subd. 7. [SCHOOL AGE CARE AID.] For school age care aid according to Minnesota Statutes, section 124D.22:

\$221,000	.....	2002
\$100,000 <u>\$94,000</u>	.....	2003

The 2002 appropriation includes \$30,000 for 2001 and \$191,000 for 2002.

The 2003 appropriation includes \$21,000 for 2002 and ~~\$79,000~~ \$73,000 for 2003.

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

Sec. 5. Laws 2001, First Special Session chapter 3, article 1, section 17, subdivision 9, as amended by Laws 2002, chapter 220, article 2, section 5, is amended to read:

Subd. 9. [MFIP CHILD CARE.] For child care assistance according to Minnesota Statutes, section 119B.05:

\$69,201,000 <u>\$59,956,000</u>	.....	2002
\$77,122,000 <u>\$68,182,000</u>	.....	2003

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

Sec. 6. Laws 2001, First Special Session chapter 3, article 1, section 19, subdivision 3, as amended by Laws 2002, chapter 220, article 2, section 8, is amended to read:

Subd. 3. [TRANSITION YEAR FAMILIES.] To provide uninterrupted assistance under Minnesota Statutes, section 119B.03, for families completing transition year child care assistance:

\$1,404,000 <u>\$1,695,000</u>	.....	2002
\$1,357,000 <u>\$1,014,000</u>	.....	2003

Any unspent balance from the appropriations for 2002 and 2003 is returned to the TANF reserve. TANF dollars appropriated for this purpose in 2001 which are not encumbered by January 1, 2002, are returned to the TANF reserve.

Sec. 7. Laws 2001, First Special Session chapter 3, article 1, section 19, subdivision 5, as amended by Laws 2002, chapter 220, article 2, section 9, is amended to read:

Subd. 5. [MFIP SOCIAL SERVICES CHILD CARE.] For social services child care costs of eligible MFIP participants under Minnesota Statutes, section 119B.05, subdivision 1, clause (5):

\$973,000 <u>\$775,000</u>	.....	2002
\$997,000 <u>\$801,000</u>	.....	2003

Any unspent balance from the appropriations for 2002 and 2003 is returned to the TANF reserve. TANF dollars appropriated for this purpose in 2001 which are not encumbered by January 1, 2002, are returned to the TANF reserve.

Sec. 8. Laws 2001, First Special Session chapter 3, article 2, section 15, subdivision 3, as amended by Laws 2002, chapter 220, article 2, section 10, is amended to read:

Subd. 3. [COMMUNITY EDUCATION AID.] For community education aid according to Minnesota Statutes, section 124D.20:

\$14,190,000 <u>\$14,194,000</u>	.....	2002
\$8,186,000 <u>\$7,664,000</u>	.....	2003

The 2002 appropriation includes \$1,528,000 for 2001 and ~~\$12,662,000~~ \$12,666,000 for 2002.

The 2003 appropriation includes ~~\$1,406,000~~ \$1,407,000 for 2002 and ~~\$6,780,000~~ \$6,257,000 for 2003.

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

Sec. 9. Laws 2001, First Special Session chapter 3, article 2, section 15, subdivision 4, is amended to read:

Subd. 4. [ADULTS WITH DISABILITIES PROGRAM AID.] For adults with disabilities programs according to Minnesota Statutes, section 124D.56:

\$639,000	.....	2002
\$710,000 <u>\$661,000</u>	.....	2003

The 2002 appropriation includes \$0 for 2001 and \$639,000 for 2002.

The 2003 appropriation includes \$71,000 for 2002 and ~~\$639,000~~ \$590,000 for 2003.

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

Sec. 10. Laws 2001, First Special Session chapter 3, article 2, section 15, subdivision 6, is amended to read:

Subd. 6. [VIOLENCE PREVENTION EDUCATION GRANTS.] For violence prevention education grants according to Minnesota Statutes, section 120B.23:

\$1,305,000	.....	2002
\$1,450,000 <u>\$1,349,000</u>	.....	2003

The 2002 appropriation includes \$0 for 2001 and \$1,305,000 for 2002.

The 2003 appropriation includes \$145,000 for 2002 and ~~\$1,305,000~~ \$1,204,000 for 2003.

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

Sec. 11. Laws 2001, First Special Session chapter 3, article 3, section 9, subdivision 5, is amended to read:

Subd. 5. [ADULT BASIC EDUCATION AID.] For adult basic education aid according to Minnesota Statutes, section 124D.531:

\$32,150,000	.....	2002
\$34,731,000 <u>\$32,282,000</u>	.....	2003

The 2002 appropriation includes \$3,019,000 for 2001 and \$29,131,000 for 2002.

The 2003 appropriation includes \$3,237,000 for 2002 and ~~\$31,494,000~~ \$29,045,000 for 2003.

Sec. 12. Laws 2001, First Special Session chapter 3, article 3, section 9, subdivision 7, is amended to read:

Subd. 7. [ADULT GRADUATION AID.] For adult graduation aid according to Minnesota Statutes, section 124D.54:

\$3,195,000 <u>\$2,462,000</u>	.....	2002
\$3,356,000 <u>\$2,327,000</u>	.....	2003

The 2002 appropriation includes \$305,000 for 2001 and ~~\$2,890,000~~ \$2,157,000 for 2002.

The 2003 appropriation includes ~~\$321,000~~ \$240,000 for 2002 and ~~\$3,035,000~~ \$2,087,000 for 2003.

Sec. 13. Laws 2001, First Special Session chapter 3, article 4, section 5, subdivision 2, as amended by Laws 2002, chapter 220, article 2, section 12, is amended to read:

Subd. 2. [BASIC SUPPORT GRANTS.] For basic support grants according to Minnesota Statutes, sections 134.32 to 134.35:

\$8,570,000	.....	2002
\$8,570,000 <u>\$7,971,000</u>	.....	2003

The 2002 appropriation includes \$857,000 for 2001 and \$7,713,000 for 2002.

The 2003 appropriation includes \$857,000 for 2002 and ~~\$7,713,000~~ \$7,114,000 for 2003.

Base level funding for fiscal year 2004 is ~~\$9,823,000~~ \$9,754,000 and ~~\$9,822,000~~ \$9,962,000 for fiscal year 2005.

Sec. 14. Laws 2001, First Special Session chapter 3, article 4, section 5, subdivision 3, is amended to read:

Subd. 3. [MULTICOUNTY, MULTITYPE LIBRARY SYSTEMS.] For grants according to Minnesota Statutes, sections 134.353 and 134.354, to multicounty, multitype library systems:

\$903,000	.....	2002
\$903,000 <u>\$840,000</u>	.....	2003

The 2002 appropriation includes \$90,000 for 2001 and \$813,000 for 2002.

The 2003 appropriation includes \$90,000 for 2002 and ~~\$813,000~~ \$750,000 for 2003.

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

Sec. 15. Laws 2002, chapter 220, article 2, section 14, subdivision 1, is amended to read:

Subdivision 1. [DEPARTMENT OF CHILDREN, FAMILIES, AND LEARNING.] The sum indicated in this section is ~~appropriated to the commissioner of children, families, and learning~~ transferred from the federal Temporary Assistance for Needy Families block grant to the child care and development fund and appropriated to the department of children, families, and learning for the fiscal year designated. This amount is available for expenditure until June 30, 2003.

Sec. 16. [EFFECTIVE DATE.]

This article is effective the day following final enactment.

ARTICLE 3

K-12 EDUCATION APPROPRIATION ADJUSTMENTS

Section 1. Minnesota Statutes 2001 Supplement, section 123B.54, as amended by Laws 2002, chapter 220, article 4, section 1, is amended to read:

123B.54 [DEBT SERVICE APPROPRIATION.]

(a) \$25,987,000 in fiscal year 2002, ~~\$31,892,000~~ \$29,941,000 in fiscal year 2003, ~~\$36,629,000~~ \$40,075,000 in fiscal year 2004, and ~~\$36,931,000~~ \$39,774,000 in fiscal years 2005 and later are appropriated from the general fund to the commissioner of children, families, and learning for payment of debt service equalization aid under section 123B.53.

(b) The appropriations in paragraph (a) must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

Sec. 2. Laws 2001, First Special Session chapter 5, article 2, section 29, subdivision 2, as amended by Laws 2002, chapter 220, article 4, section 2, is amended to read:

Subd. 2. [REFERENDUM TAX BASE REPLACEMENT AID.] For referendum tax base replacement aid according to Minnesota Statutes, section 126C.17, subdivision 7a:

\$7,616,000 <u>\$7,027,000</u>	2003
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The 2003 appropriation includes \$0 for 2002 and ~~\$7,616,000~~ \$7,027,000 for 2003.

Sec. 3. Laws 2001, First Special Session chapter 6, article 1, section 54, subdivision 2, as amended by Laws 2002, chapter 220, article 3, section 8, is amended to read:

Subd. 2. [GENERAL AND SUPPLEMENTAL EDUCATION AID.] (a) For general and supplemental education aid:

\$3,404,787,000 <u>\$3,414,168,000</u>	.....	2002
\$4,982,334,000 <u>\$4,616,467,000</u>	.....	2003

The 2002 appropriation includes ~~\$323,767,000~~ \$333,756,000 for 2001 and ~~\$3,081,020,000~~ \$3,080,412,000 for 2002.

The 2003 appropriation includes ~~\$335,220,000~~ \$335,163,000 for 2002 and ~~\$4,647,114,000~~ \$4,281,304,000 for 2003.

(b) The fiscal year 2003 appropriation in paragraph (a) is reduced by \$1,901,000.

Sec. 4. Laws 2001, First Special Session chapter 6, article 1, section 54, subdivision 4, as amended by Laws 2002, chapter 220, article 4, section 3, is amended to read:

Subd. 4. [ABATEMENT AID.] For abatement aid according to Minnesota Statutes, section 127A.49:

\$5,698,000	.....	2002
\$2,990,000 <u>\$2,870,000</u>	.....	2003

The 2002 appropriation includes \$640,000 for 2001 and \$5,058,000 for 2002.

The 2003 appropriation includes \$562,000 for 2002 and ~~\$2,428,000~~ \$2,308,000 for 2003.

Sec. 5. Laws 2001, First Special Session chapter 6, article 1, section 54, subdivision 5, as amended by Laws 2002, chapter 220, article 4, section 4, is amended to read:

Subd. 5. [NONPUBLIC PUPIL AID.] For nonpublic pupil education aid according to Minnesota Statutes, sections 123.79 and 123B.40 to 123B.43:

\$14,441,000 <u>\$14,254,000</u>	.....	2002
\$15,977,000 <u>\$14,259,000</u>	.....	2003

The 2002 appropriation includes \$1,330,000 for 2001 and ~~\$13,111,000~~ \$12,924,000 for 2002.

The 2003 appropriation includes ~~\$1,457,000~~ \$1,436,000 for 2002 and ~~\$14,520,000~~ \$12,823,000 for 2003.

Sec. 6. Laws 2001, First Special Session chapter 6, article 1, section 54, subdivision 6, as amended by Laws 2002, chapter 220, article 4, section 5, is amended to read:

Subd. 6. [NONPUBLIC PUPIL TRANSPORTATION.] For nonpublic pupil transportation aid under Minnesota Statutes, section 123B.92, subdivision 9:

\$20,635,000 <u>\$20,634,000</u>	.....	2002
\$25,347,000 <u>\$22,236,000</u>	.....	2003

The 2002 appropriation includes \$2,000,000 for 2001 and ~~\$18,635,000~~ \$18,634,000 for 2002.

The 2003 appropriation includes ~~\$2,070,000~~ \$2,071,000 for 2002 and ~~\$23,277,000~~ \$20,165,000 for 2003.

Sec. 7. Laws 2001, First Special Session chapter 6, article 1, section 54, subdivision 7, as amended by Laws 2002, chapter 220, article 4, section 6, is amended to read:

Subd. 7. [CONSOLIDATION TRANSITION AID.] For districts consolidating under Minnesota Statutes, section 123A.485:

\$531,000 <u>\$539,000</u>	.....	2002
\$736,000 <u>\$225,000</u>	.....	2003

The 2002 appropriation includes \$44,000 for 2001 and ~~\$487,000~~ \$495,000 for 2002.

The 2003 appropriation includes \$54,000 for 2002 and ~~\$682,000~~ \$171,000 for 2003.

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

Sec. 8. Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 4, as amended by Laws 2002, chapter 220, article 4, section 7, is amended to read:

Subd. 4. [CHARTER SCHOOL BUILDING LEASE AID.] For building lease aid under Minnesota Statutes, section 124D.11, subdivision 4:

\$12,323,000 <u>\$12,286,000</u>	.....	2002
\$15,330,000 <u>\$14,394,000</u>	.....	2003

The 2002 appropriation includes \$1,114,000 for 2001 and ~~\$11,209,000~~ \$11,172,000 for 2002.

The 2003 appropriation includes ~~\$1,245,000~~ \$1,241,000 for 2002 and ~~\$14,085,000~~ \$13,153,000 for 2003.

Sec. 9. Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 5, as amended by Laws 2002, chapter 220, article 4, section 8, is amended to read:

Subd. 5. [CHARTER SCHOOL STARTUP GRANTS.] For charter school startup cost aid under Minnesota Statutes, section 124D.11:

\$2,090,000 <u>\$2,064,000</u>	.....	2002
\$1,549,000 <u>\$1,456,000</u>	.....	2003

The 2002 appropriation includes \$258,000 for 2001 and ~~\$1,832,000~~ \$1,806,000 for 2002.

The 2003 appropriation includes ~~\$204,000~~ \$200,000 for 2002 and ~~\$1,345,000~~ \$1,256,000 for 2003.

Sec. 10. Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 6, is amended to read:

Subd. 6. [CHARTER SCHOOL INTEGRATION AID.] For grants to charter schools to promote integration and desegregation under Minnesota Statutes, section 124D.11, subdivision 6, paragraph (e):

\$45,000	.....	2002
\$50,000 <u>\$47,000</u>	.....	2003

The 2002 appropriation includes \$0 for 2001 and \$45,000 for 2002.

The 2003 appropriation includes \$5,000 for 2002 and ~~\$45,000~~ \$42,000 for 2003.

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

Sec. 11. Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 8, as amended by Laws 2002, chapter 220, article 4, section 9, is amended to read:

Subd. 8. [INTEGRATION AID.] For integration aid:

\$63,421,000 <u>\$63,311,000</u>	.....	2002
\$53,890,000 <u>\$50,418,000</u>	.....	2003

The 2002 appropriation includes \$5,729,000 for 2001 and ~~\$57,692,000~~ \$57,582,000 for 2002.

The 2003 appropriation includes ~~\$6,410,000~~ \$6,398,000 for 2002 and ~~\$47,480,000~~ \$44,020,000 for 2003.

Sec. 12. Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 11, as amended by Laws 2002, chapter 220, article 4, section 10, is amended to read:

Subd. 11. [MAGNET SCHOOL STARTUP AID.] For magnet school startup aid under Minnesota Statutes, section 124D.88:

\$475,000 <u>\$448,000</u>	.....	2002
\$298,000 <u>\$326,000</u>	.....	2003

The 2002 appropriation includes \$25,000 for 2001 and ~~\$450,000~~ \$423,000 for 2002.

The 2003 appropriation includes ~~\$50,000~~ \$47,000 for 2002 and ~~\$248,000~~ \$279,000 for 2003.

Sec. 13. Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 15, as amended by Laws 2002, chapter 220, article 4, section 11, is amended to read:

Subd. 15. [SUCCESS FOR THE FUTURE.] For American Indian success for the future grants according to Minnesota Statutes, section 124D.81:

\$1,924,000	.....	2002
\$2,137,000 <u>\$1,987,000</u>	.....	2003

The 2002 appropriation includes \$0 for 2001 and \$1,924,000 for 2002.

The 2003 appropriation includes \$213,000 for 2002 and ~~\$1,924,000~~ \$1,774,000 for 2003.

Sec. 14. Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 18, as amended by Laws 2002, chapter 220, article 4, section 12, is amended to read:

Subd. 18. [TRIBAL CONTRACT SCHOOLS.] For tribal contract school aid under Minnesota Statutes, section 124D.83:

\$2,304,000 <u>\$2,147,000</u>	.....	2002
\$2,408,000 <u>\$2,221,000</u>	.....	2003

The 2002 appropriation includes \$192,000 for 2001 and ~~\$2,112,000~~ \$1,955,000 for 2002.

The 2003 appropriation includes ~~\$235,000~~ \$217,000 for 2002 and ~~\$2,173,000~~ \$2,004,000 for 2003.

Sec. 15. Laws 2001, First Special Session chapter 6, article 3, section 21, subdivision 2, as amended by Laws 2002, chapter 220, article 4, section 13, is amended to read:

Subd. 2. [SPECIAL EDUCATION AID.] For special education aid according to Minnesota Statutes, section 125A.75:

\$507,841,000 <u>\$507,928,000</u>	.....	2002
\$532,282,000 <u>\$495,032,000</u>	.....	2003

The 2002 appropriation includes \$47,400,000 for 2001 and ~~\$460,441,000~~ \$460,528,000 for 2002.

The 2003 appropriation includes ~~\$51,160,000~~ \$51,170,000 for 2002 and ~~\$481,122,000~~ \$443,862,000 for 2003.

Sec. 16. Laws 2001, First Special Session chapter 6, article 3, section 21, subdivision 3, as amended by Laws 2002, chapter 220, article 4, section 14, is amended to read:

Subd. 3. [AID FOR CHILDREN WITH A DISABILITY.] For aid according to Minnesota Statutes, section 125A.75, subdivision 3, for children with a disability placed in residential facilities within the district boundaries for whom no district of residence can be determined:

\$1,358,000 <u>\$1,346,000</u>	.....	2002
\$3,161,000 <u>\$2,363,000</u>	.....	2003

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

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

Sec. 17. Laws 2001, First Special Session chapter 6, article 3, section 21, subdivision 4, as amended by Laws 2002, chapter 220, article 4, section 15, is amended to read:

Subd. 4. [TRAVEL FOR HOME-BASED SERVICES.] For aid for teacher travel for home-based services according to Minnesota Statutes, section 125A.75, subdivision 1:

\$143,000 <u>\$139,000</u>	.....	2002
\$148,000 <u>\$134,000</u>	.....	2003

The 2002 appropriation includes ~~\$14,000~~ \$13,000 for 2001 and ~~\$129,000~~ \$126,000 for 2002.

The 2003 appropriation includes ~~\$15,000~~ \$14,000 for 2002 and ~~\$133,000~~ \$120,000 for 2003.

Sec. 18. Laws 2001, First Special Session chapter 6, article 3, section 21, subdivision 5, as amended by Laws 2002, chapter 220, article 4, section 16, is amended to read:

Subd. 5. [SPECIAL EDUCATION EXCESS COST AID.] For excess cost aid:

\$103,061,000 <u>\$92,622,000</u>	.....	2002
\$105,289,000 <u>\$60,372,000</u>	.....	2003

The 2002 appropriation includes \$9,889,000 for 2001 and ~~\$93,172,000~~ \$82,733,000 for 2002.

The 2003 appropriation includes ~~\$10,352,000~~ \$9,192,000 for 2002 and ~~\$94,937,000~~ \$51,180,000 for 2003.

Sec. 19. Laws 2001, First Special Session chapter 6, article 3, section 21, subdivision 7, as amended by Laws 2002, chapter 220, article 4, section 17, is amended to read:

Subd. 7. [TRANSITION PROGRAMS; STUDENTS WITH DISABILITIES.] For aid for transition programs for pupils with disabilities according to Minnesota Statutes, section 124D.454:

\$8,960,000 <u>\$8,962,000</u>	.....	2002
\$8,952,000 <u>\$8,328,000</u>	.....	2003

The 2002 appropriation includes \$896,000 for 2001 and ~~\$8,064,000~~ \$8,066,000 for 2002.

The 2003 appropriation includes \$896,000 for 2002 and ~~\$8,056,000~~ \$7,432,000 for 2003.

Sec. 20. Laws 2001, First Special Session chapter 6, article 4, section 27, subdivision 2, as amended by Laws 2002, chapter 220, article 4, section 18, is amended to read:

Subd. 2. [HEALTH AND SAFETY AID.] For health and safety aid according to Minnesota Statutes, section 123B.57, subdivision 5:

\$13,630,000 <u>\$12,280,000</u>	.....	2002
\$10,800,000 <u>\$9,085,000</u>	.....	2003

The 2002 appropriation includes \$1,480,000 for 2001 and ~~\$12,150,000~~ \$10,800,000 for 2002.

The 2003 appropriation includes ~~\$1,350,000~~ \$1,200,000 for 2002 and ~~\$9,450,000~~ \$7,885,000 for 2003.

Sec. 21. Laws 2001, First Special Session chapter 6, article 4, section 27, subdivision 3, as amended by Laws 2002, chapter 220, article 4, section 19, is amended to read:

Subd. 3. [DEBT SERVICE AID.] For debt service aid according to Minnesota Statutes, section 123B.53, subdivision 6:

\$25,987,000	.....	2002
\$31,892,000 <u>\$29,941,000</u>	.....	2003

The 2002 appropriation includes \$2,890,000 for 2001 and \$23,097,000 for 2002.

The 2003 appropriation includes \$2,566,000 for 2002 and ~~\$29,326,000~~ \$27,375,000 for 2003.

Sec. 22. Laws 2001, First Special Session chapter 6, article 4, section 27, subdivision 5, as amended by Laws 2002, chapter 220, article 4, section 20, is amended to read:

Subd. 5. [ALTERNATIVE FACILITIES BONDING AID.] For alternative facilities bonding aid, according to Minnesota Statutes, section 123B.59, subdivision 1:

\$19,280,000	.....	2002
\$19,287,000 <u>\$17,937,000</u>	.....	2003

The 2002 appropriation includes \$1,921,000 for 2001 and \$17,359,000 for 2002.

The 2003 appropriation includes \$1,928,000 for 2002 and ~~\$17,359,000~~ \$16,009,000 for 2003.

Sec. 23. Laws 2001, First Special Session chapter 6, article 5, section 13, subdivision 3, is amended to read:

Subd. 3. [SCHOOL BREAKFAST.] For school breakfast aid under Minnesota Statutes, section 124D.115:

\$640,000	. . . . .	2002
\$700,000 <u>\$680,000</u>	. . . . .	2003

Sec. 24. [EFFECTIVE DATE.]

This article is effective the day following final enactment.

ARTICLE 4

K-12 EDUCATION

Section 1. Minnesota Statutes 2000, section 124D.69, is amended by adding a subdivision to read:

Subd. 3. [UNCOMMON SCHOOLS SERVING STUDENTS WITH CHEMICAL DEPENDENCIES; ALLOCATION OF FUNDS.] In addition to the amounts provided in section 124D.68, subdivision 9, a school district may allocate funds from its undesignated general fund to a private contracted alternative program, including a private contracted alternative program that is tuition free and provides a comprehensive secondary academic program for students who have been assessed chemically dependent and who have completed a licensed treatment program for chemical dependency.

Sec. 2. Minnesota Statutes 2000, section 125A.65, subdivision 1, is amended to read:

Subdivision 1. [RESPONSIBILITY ALLOCATED.] Responsibility for special instruction and services for a ~~visually disabled blind/visually impaired or hearing impaired deaf/hard of hearing~~ child attending the Minnesota state academy for the deaf or the Minnesota state academy for the blind must be determined in subdivisions 2 to 10.

Sec. 3. Minnesota Statutes 2000, section 125A.65, subdivision 3, is amended to read:

Subd. 3. [EDUCATIONAL PROGRAM; TUITION.] When it is determined pursuant to section 125A.69, subdivision 1 or 2, that the child is entitled to attend either school, the board of the Minnesota state academies must provide the appropriate educational program for the child. The board of the Minnesota state academies must make a tuition charge to the child's district of residence for the cost of providing the program. The amount of tuition charged must not exceed the ~~basic revenue of the district general education revenue formula allowance times the pupil unit weighting factor pursuant to section 126C.05~~ for that child, for the amount of time the child is in the program. ~~For purposes of this subdivision, "basic revenue" has the meaning given it in section 126C.10, subdivision 2.~~ The district of the child's residence must pay the tuition and may claim general education aid for the child. Tuition received by the board of the Minnesota state academies, except for tuition received under subdivision 4, must be deposited in the state treasury as provided in subdivision 8.

Sec. 4. Minnesota Statutes 2000, section 125A.65, subdivision 8, is amended to read:

Subd. 8. [STUDENT COUNT; TUITION.] (a) ~~On May 1 of each year, 1996, and each year thereafter,~~ the board of the Minnesota state academies shall count the actual number of Minnesota resident ~~kindergarten and elementary students and the actual number of Minnesota resident secondary special education eligible~~ students enrolled and receiving education services at the Minnesota state academy for the deaf and the Minnesota state academy for the blind. The board of the Minnesota state academies shall deposit in the state treasury an amount equal to all tuition received less: the amount calculated in paragraph (b).

~~(1) the total number of students on May 1 less 175, times the ratio of the number of kindergarten and elementary students to the total number of students on May 1, times the general education formula allowance; plus~~

(2) the total number of students on May 1 less 175, times the ratio of the number of secondary students on May 1 to the total number of students on May 1, times 1.3, times the general education formula allowance:

(b) The Minnesota state academies shall credit to their general operation account an amount equal to the tuition received which represents tuition earned for the total number of students over 175 based on:

(1) the total number of enrolled students on May 1 less 175; times

(2) the ratio of the number of students in that grade category to the total number of students on May 1; times

(3) the general education revenue formula allowance; times

(4) the pupil unit weighting factor pursuant to section 126C.05.

Sec. 5. Minnesota Statutes 2000, section 125A.65, subdivision 9, is amended to read:

Subd. 9. [CALCULATION.] The sum provided by the calculation in subdivision 8, ~~clauses (1) and (2)~~, must be deposited in the state treasury and credited to the general operation account of the ~~academy for the deaf and the academy for the blind~~ Minnesota state academy for the deaf and the Minnesota state academy for the blind.

Sec. 6. Minnesota Statutes 2001 Supplement, section 126C.10, subdivision 13, is amended to read:

Subd. 13. [TOTAL OPERATING CAPITAL REVENUE.] (a) For fiscal year 2000 and thereafter, total operating capital revenue for a district equals the amount determined under paragraph (b) or (c), plus \$73 times the adjusted marginal cost pupil units for the school year. The revenue must be placed in a reserved account in the general fund and may only be used according to paragraph (d) or subdivision 14.

(b) For fiscal years 2000 and later, capital revenue for a district equals \$100 times the district's maintenance cost index times its adjusted marginal cost pupil units for the school year.

(c) For fiscal years 2000 and later, the revenue for a district that operates a program under section 124D.128, is increased by an amount equal to \$30 times the number of marginal cost pupil units served at the site where the program is implemented.

(d) For fiscal years 2001 ~~and~~, 2002, and 2003, the district must reserve an amount equal to \$5 per adjusted marginal cost pupil unit for telecommunication access costs. Reserve revenue under this paragraph must first be used to pay for ongoing or recurring telecommunication access costs, including access to data and video connections, including Internet access. Any revenue remaining after covering all ongoing or recurring access costs may be used for computer hardware or equipment.

Sec. 7. Minnesota Statutes 2001 Supplement, section 126C.17, subdivision 7, is amended to read:

Subd. 7. [REFERENDUM EQUALIZATION AID.] (a) A district's referendum equalization aid equals the difference between its referendum equalization revenue and levy.

(b) If a district's actual levy for first or second tier referendum equalization revenue is less than its maximum levy limit for that tier, aid shall be proportionately reduced.

(c) Notwithstanding paragraph (a), the referendum equalization aid for a district, where the referendum equalization aid under paragraph (a) exceeds 90 percent of the referendum revenue, must not exceed 18.2 percent of the formula allowance times the district's resident marginal cost pupil units. A district's referendum levy is increased by the amount of any reduction in referendum aid under this paragraph.

[EFFECTIVE DATE.] This section is effective for operating referendum elections January 1, 2002, and later.

Sec. 8. Laws 2001, First Special Session chapter 6, article 7, section 14, as amended by Laws 2002, chapter 220, article 3, section 16, is amended to read:

Sec. 14. [APPROPRIATIONS; PERPICH CENTER FOR ARTS EDUCATION.]

The sums indicated in this section are appropriated from the general fund to the Perpich Center for Arts Education for the fiscal years designated:

\$7,431,000 <u>\$7,681,000</u>	.....	2002
\$7,316,000 <u>\$7,816,000</u>	.....	2003

\$150,000 each year is to extend the partnership network to up to five new partnership sites and for developing whole-school, arts-based teaching and learning curriculum at new sites.

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

Sec. 9. [REFERENDUM TRANSFER ADJUSTMENT.]

Notwithstanding Minnesota Statutes, section 126C.17, subdivision 1, paragraph (b), for fiscal year 2003 and later, the initial referendum allowance for independent school district No. 709, Duluth, equals the sum of the allowance under Minnesota Statutes, section 126C.16, subdivision 2, plus the referendum conversion allowance approved under Minnesota Statutes, section 126C.17, subdivision 13, minus \$373. If the district has more than one referendum authority, the reduction must be computed separately for each authority. The reduction must be applied first to the referendum authority with the earliest expiration date. The district's initial referendum allowance may not be less than zero.

Sec. 10. [DECLINING PUPIL UNIT AID; ALBERT LEA.]

Subdivision 1. [FISCAL YEAR 2003.] For fiscal year 2003, independent school district No. 241, Albert Lea, is eligible for declining enrollment aid equal to \$300,000.

Subd. 2. [FISCAL YEAR 2004.] For fiscal year 2004, independent school district No. 241, Albert Lea, is eligible for declining enrollment aid equal to 75 percent of the fiscal year 2003 appropriation in subdivision 1.

Subd. 3. [FISCAL YEAR 2005.] For fiscal year 2005, independent school district No. 241, Albert Lea, is eligible for declining enrollment aid equal to 50 percent of the fiscal year 2003 appropriation in subdivision 1.

Subd. 4. [FISCAL YEAR 2006.] For fiscal year 2006, independent school district No. 241, Albert Lea, is eligible for declining enrollment aid equal to 25 percent of the fiscal year 2003 appropriation in subdivision 1.

Sec. 11. [DECLINING ENROLLMENT; LTV DISLOCATION.]

Subdivision 1. [FISCAL YEAR 2003.] For fiscal year 2003, independent school district No. 2711, Mesabi East, is eligible for declining enrollment aid equal to \$200,000.

Subd. 2. [FISCAL YEAR 2004.] For fiscal year 2004, independent school district No. 2711, Mesabi East, is eligible for declining enrollment aid equal to 75 percent of the amount that the district received in the fiscal year 2003 appropriation in subdivision 1.

Subd. 3. [FISCAL YEAR 2005.] For fiscal year 2005, independent school district No. 2711, Mesabi East, is eligible for declining enrollment aid equal to 50 percent of the amount that the district received in the fiscal year 2003 appropriation in subdivision 1.

Subd. 4. [FISCAL YEAR 2006.] For fiscal year 2006, independent school district No. 2711, Mesabi East, is eligible for declining enrollment aid equal to 25 percent of the amount that the district received in the fiscal year 2003 appropriation in subdivision 1.

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

Sec. 12. [FUND TRANSFER; BUTTERFIELD.]

Notwithstanding Minnesota Statutes, section 123B.79 or 123B.80, on June 30, 2002, independent school district No. 836, Butterfield, may permanently transfer up to \$117,000 from its reserves for operating capital account in its general fund to the undesignated fund balance.

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

Sec. 13. [FUND TRANSFER; TRUMAN.]

Notwithstanding Minnesota Statutes, section 123B.79 or 123B.80, on June 30, 2002, independent school district No. 458, Truman, may permanently transfer up to \$500,000 from its reserves for operating capital account in its general fund to the undesignated fund balance.

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

Sec. 14. [APPROPRIATION.]

(a) \$300,000 in fiscal year 2003 is appropriated from the general fund to the commissioner of children, families, and learning for declining pupil unit aid to independent school district No. 241, Albert Lea.

(b) In addition to the amounts appropriated for general and supplemental education aid, \$295,000 in fiscal year 2003 is appropriated from the general fund to the commissioner of children, families, and learning for the aid portion of the referendum transfer adjustment for independent school district No. 709, Duluth.

(c) \$200,000 in fiscal year 2003 is appropriated from the general fund to the commissioner of children, families, and learning for declining pupil unit aid to independent school district No. 2711, Mesabi East.

Sec. 15. [EFFECTIVE DATE.]

Except as otherwise provided in this article, this article is effective the day following final enactment.

ARTICLE 5

HIGHER EDUCATION

Section 1. Minnesota Statutes 2000, section 136A.121, subdivision 7, is amended to read:

Subd. 7. [INSUFFICIENT APPROPRIATION.] If the amount appropriated is determined by the office to be insufficient to make full awards to applicants under subdivision 5, before any award for that year has been disbursed, awards must be reduced by

(1) adding a surcharge to ~~the contribution of the applicant's parents, and assigned family responsibility, as defined in section 136A.101, subdivision 5a;~~ and

(2) a percentage increase in the applicant's ~~contribution~~ assigned student responsibility, as defined in subdivision 5.

Sec. 2. [STATE GRANT APPROPRIATION.]

\$5,000,000 is appropriated from the general fund to the higher education services office to make state grants. This appropriation is added to the appropriation in Laws 2001, First Special Session chapter 1, article 1, section 2, subdivision 2, for fiscal year 2002.

The higher education services office, by July 1, 2002, must make a determination of the projected sufficiency or deficiency in state money available for the state grant program to make full state grant awards through fiscal year 2003. If it is determined that a deficiency is projected, then, notwithstanding Minnesota Statutes, section 136A.121, subdivision 7, the higher education services office shall immediately transfer to the state grant appropriation from the work study appropriation and notwithstanding Minnesota Statutes, section 136A.125, subdivision 4c, from the child care grant appropriation in Laws 2001, First Special Session chapter 1, article 1, section 2, the amount necessary to make full state grant awards in fiscal year 2003. If state money available for the state grant program continues to be insufficient to make full state grant awards after the initial transfers, subsequent transfers must be made before any reduction in state grant awards under Minnesota Statutes, section 136A.121, subdivision 7, is made.

Sec. 2. [EFFECTIVE DATE.]

This article is effective the day following final enactment.

ARTICLE 6

ENVIRONMENT AND NATURAL RESOURCES

Section 1. [SCORE BLOCK GRANT APPROPRIATION SHIFT.]

\$9,000,000 of the appropriation in Laws 2001, First Special Session chapter 2, section 3, from the general fund to the office of environmental assistance for SCORE block grants to counties in fiscal year 2003 is canceled. This is a onetime reduction and the same amount must be restored to the general fund budget base for fiscal year 2004.

\$9,000,000 is appropriated from the solid waste fund to the office of environmental assistance for SCORE block grants to counties in fiscal year 2003. This is a onetime appropriation.

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

Sec. 2. Minnesota Statutes 2000, section 115A.557, subdivision 1, is amended to read:

Subdivision 1. [DISTRIBUTION; FORMULA.] Any funds appropriated to the director for the purpose of distribution to counties under this section must be distributed each fiscal year by the director based on population, except a county may not receive less than \$55,000 in a fiscal year. If the amount available for distribution under this section is less than the amount available in fiscal year 2001, the minimum county payment under this section is reduced proportionately. For purposes of this subdivision, "population" has the definition given in section 477A.011, subdivision 3. A county that participates in a multicounty district that manages solid waste and that has responsibility for recycling programs as authorized in section 115A.552, must pass through to the districts funds received by the county in excess of the ~~\$55,000 annual base~~ minimum county payment under this section in proportion to the population of the county served by that district.

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

Sec. 3. Minnesota Statutes 2000, section 115A.96, subdivision 2, is amended to read:

Subd. 2. [MANAGEMENT PROGRAM.] The ~~agency~~ office shall establish a statewide program to manage household hazardous wastes. The program must include:

- (1) the establishment and operation of collection sites; and

(2) the provision of information, education, and technical assistance regarding proper management of household hazardous wastes.

[EFFECTIVE DATE.] This section is effective July 1, 2003.

Sec. 4. Minnesota Statutes 2000, section 115A.96, subdivision 3, is amended to read:

Subd. 3. [OTHER PARTICIPANTS.] (a) The agency office may establish or operate all or part of the management program or may provide for services by contract or other agreement with public or private entities.

(b) The agency office shall allow these programs to accept up to 100 pounds of waste per year from a hazardous waste generator that generates 220 pounds or less of hazardous waste per month.

[EFFECTIVE DATE.] This section is effective July 1, 2003.

Sec. 5. Minnesota Statutes 2000, section 115A.96, subdivision 4, is amended to read:

Subd. 4. [MANAGEMENT.] Any person who establishes or operates all or part of a household hazardous waste management program shall manage collected waste in compliance with standards applicable to a hazardous waste generator. If collected waste must be stored for a time exceeding those standards, the agency office or other entity shall obtain the approval of the commissioner of the agency and shall manage the waste in compliance with applicable standards for the use and management of containers, but no facility permit is required. Waste accepted under subdivision 3, paragraph (b), must be managed in accordance with standards applicable to the waste.

[EFFECTIVE DATE.] This section is effective July 1, 2003.

Sec. 6. Minnesota Statutes 2000, section 115A.96, subdivision 5, is amended to read:

Subd. 5. [OTHER PROGRAMS.] A person must notify the commissioner of the agency and director of the office before establishing and operating any part of a household hazardous waste management program.

[EFFECTIVE DATE.] This section is effective July 1, 2003.

Sec. 7. Minnesota Statutes 2000, section 115A.96, subdivision 7, as added by Laws 2002, chapter 265, section 2, is amended to read:

Subd. 7. [INDEMNIFICATION; MUNICIPALITIES.] (a) A municipality, when operating or participating in a household hazardous waste management program pursuant to a contract with the agency office under this section or other law, is an employee of the state, certified to be acting within the scope of employment, for purposes of the indemnification provisions of section 3.736, subdivision 9, for claims that arise out of the transportation, management, or disposal of any waste covered by the contract:

(1) from and after the time the waste permanently leaves the municipality's possession and comes into the possession of the agency's office's authorized transporter; and

(2) during the time the waste is transported between the municipality's facilities by the agency's office's authorized transporter.

(b) The state is not obligated to defend or indemnify a municipality under this subdivision to the extent of the municipality's liability insurance. The municipality's right to indemnity is not a waiver of the limitations, defenses, and immunities available to either the municipality or the state by law.

[EFFECTIVE DATE.] This section is effective July 1, 2003.

Sec. 8. Laws 2002, chapter 220, article 8, section 15, is amended to read:

Sec. 15. [INCREASE TO WATER QUALITY PERMIT FEES.]

(a) The pollution control agency shall collect water quality permit application and annual fees that reflect the fees in Minnesota Rules, part 7002.0310, increased to the amounts described in paragraphs (b) to (g).

(b) The application fee for individual permits, general permits, and general industrial stormwater permits is \$240.

(c) The annual fees for individual National Pollutant Discharge Elimination System permits for major municipal facilities are as follows:

Design Flow in Million Gallons Per Day	Annual Fee
50 and over	\$175,750 <u>\$175,500</u>
20 to 49.99	\$40,350
5 to 19.99	\$14,350
Up to 4.99	\$5,900

(d) The annual fees for individual National Pollutant Discharge Elimination System permits for major nonmunicipal facilities are as follows:

Design Flow in Million Gallons Per Day	Annual Fee
20 to 49.99	\$44,200
5 to 19.99	\$18,250
Up to 4.99	\$8,450
Cooling or mine pit dewatering (any flow)	\$16,900

(e) The annual fees for individual National Pollutant Discharge Elimination System and State Disposal System permits for nonmajor municipal facilities with design flows greater than 0.100 million gallons per day are \$1,450.

(f) The annual fees for general industrial stormwater permits are \$280.

(g) The annual fees for general National Pollutant Discharge Elimination System and State Disposal System permits are \$345.

(h) The application and annual fees are not increased for general construction stormwater permits and sanitary sewer extension permits. The annual fees are not increased for National Pollutant Discharge Elimination System and State Disposal System permits regulating municipal nonmajors with facility design flow of 0 to .100, sewage sludge landspreading facilities, and nonmajor nonmunicipal facilities.

(i) The increased permit fees are effective July 1, 2002. The agency shall adopt amended water quality permit fee rules incorporating the permit fee increases in this subdivision under Minnesota Statutes, section 14.389. The pollution control agency shall begin collecting the increased permit fees on July 1, 2002, even if the rule adoption

process has not been initiated or completed. Notwithstanding Minnesota Statutes, section 14.18, subdivision 2, the increased permit fees reflecting the permit fee increases in this section and the rule amendments incorporating those permit fee increases do not require further legislative approval.

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

Sec. 9. [HOUSEHOLD HAZARDOUS WASTE PROGRAM TRANSFER.]

Responsibility for the household hazardous waste program is transferred under Minnesota Statutes, section 15.039, from the pollution control agency to the office of environmental assistance on July 1, 2003. The amount of base funding to be transferred is \$1,041,000 from the solid waste fund.

Sec. 10. [DIRECTOR OF THE OFFICE OF ENVIRONMENTAL ASSISTANCE; APPOINTING AUTHORITY.]

The governor is encouraged to evaluate the advantages and disadvantages associated with making the governor the appointing authority for the director of environmental assistance, instead of the commissioner of the pollution control agency as required by Minnesota Statutes, section 115A.055, subdivision 1.

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

ARTICLE 7

STATE GOVERNMENT

Section 1. [STATE GOVERNMENT APPROPRIATIONS.]

The dollar amounts in the columns under "APPROPRIATIONS" are added to or, if shown in parentheses, are subtracted from the appropriations in Laws 2001, First Special Session chapter 10, or other law to the specified agencies. The appropriations are from the general fund or other named fund and are available for the fiscal years indicated for each purpose. The figure "2002" or "2003" means that the addition to or subtraction from the appropriations listed under the figure are for the fiscal year ending June 30, 2002, or June 30, 2003, respectively.

SUMMARY BY FUND

	2002	2003	TOTAL
APPROPRIATIONS			
General	\$(2,995,000)	\$(1,620,000)	\$(4,615,000)
TRANSFERS IN	(2,000,000)	-0-	(2,000,000)

APPROPRIATIONS Available for the Year Ending June 30	
2002	2003

Sec. 2. LEGISLATURE

Subdivision 1. Total Appropriation	(3,000,000)	(2,000,000)
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APPROPRIATIONS
Available for the Year
Ending June 30
2002 2003

Subd. 2. Senate

(1,000,000) (1,000,000)

Subd. 3. House of Representatives

(2,000,000) (1,000,000)

\$1,000,000 of the reduction in the first year is from amounts previously carried forward under Minnesota Statutes, section 16A.281.

Sec. 3. GOVERNOR

-0- 375,000

\$200,000 is to the office of the governor to reopen the governor's residence and make it available for public use.

\$175,000 is to the commissioner of public safety to provide security at the governor's residence.

Sec. 4. ADMINISTRATION

\$2,000,000 of the balance in the State Building Code account in the state government special revenue fund as of June 30, 2002, is canceled and must be transferred to the general fund.

Sec. 5. UNIFORM LAWS COMMISSION

5,000 5,000

These appropriations are added to the appropriations in Laws 2001, First Special Session chapter 8, article 4, section 8.

Sec. 6. Minnesota Statutes 2000, section 16A.28, subdivision 6, is amended to read:

Subd. 6. [CANCELED OCTOBER 15.] On October 15 all allotments and encumbrances for the last fiscal year shall be canceled unless an agency head certifies to the commissioner that there is an encumbrance for services rendered ~~or~~, goods ordered, or grants issued in the last fiscal year, or certifies that funding will be carried forward under subdivision 1. Encumbrances for grants issued by June 30 may be certified for a period of one year beyond the year in which the funds were originally appropriated. Services rendered under grant contracts may occur during the certification period. The commissioner may: reinstate the part of the cancellation needed to meet the certified encumbrance or charge the certified encumbrance against the current year's appropriation.

Sec. 7. Minnesota Statutes 2000, section 16B.27, is amended by adding a subdivision to read:

Subd. 6. [USE BY NONSTATE ENTITIES.] A nonstate entity using the governor's residence must pay the state for all direct and indirect costs associated with use of the facility.

Sec. 8. Laws 1997, chapter 202, article 2, section 61, as amended by Laws 1999, chapter 250, article 1, section 106, and Laws 2001, First Special Session chapter 10, article 2, section 85, is amended to read:

Sec. 61. [VOLUNTARY UNPAID LEAVE OF ABSENCE.]

Appointing authorities in state government may allow each employee to take an unpaid leave of absence for up to 320 hours during the period ending June 30, 2003, and an additional 160 hours during the period beginning July 1, 2003, and ending June 30, 2005. Each appointing authority approving such a leave shall allow the employee to continue accruing vacation and sick leave, be eligible for paid holidays and insurance benefits, accrue seniority, and accrue service credit in state retirement plans permitting service credits for authorized leaves of absence as if the employee had actually been employed during the time of the leave. If the leave of absence is for one full pay period or longer, any holiday pay shall be included in the first payroll warrant after return from the leave of absence. The appointing authority shall attempt to grant requests for unpaid leaves of absence consistent with the need to continue efficient operation of the agency. However, each appointing authority shall retain discretion to grant or refuse to grant requests for leaves of absence and to schedule and cancel leaves, subject to applicable provisions of collective bargaining agreements and compensation plans.

Sec. 9. Laws 2002, chapter 220, article 10, section 4, is amended to read:

Sec. 4. GOVERNOR'S OFFICE	(460,000)	(702,000)
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~~No funding may be used for the operation of the Washington, D.C., office of the state of Minnesota.~~

Sec. 10. Laws 2002, chapter 220, article 10, section 36, is amended to read:

Sec. 36. [REDUCTION IN CONTRACT EXPENDITURES.]

During the biennium ending June 30, 2003, the governor must reduce planned executive branch state agency general fund expenditures on contracts for professional or technical services by at least ~~\$35,000,000~~ \$28,300,000. The governor must allocate this reduction among executive branch state agencies. If the governor determines that the mandated contract savings cannot be achieved, the governor must make proportional reductions to executive agency operating budgets in order to achieve the savings. For purposes of this section and section 37, "professional or technical services" has the meaning given in Minnesota Statutes, section 16C.08, subdivision 1; and "executive branch state agency" has the meaning given in Minnesota Statutes, section 16A.011, subdivision 12a, ~~and includes but does not include the Minnesota state colleges and universities or the higher education services office.~~ The base for these reductions is the amount allocated for professional or technical service contracts in agency spending plans as of January 1, 2002.

Sec. 11. Laws 2002, chapter 220, article 10, section 37, as amended by Laws 2002, chapter 364, section 30, is amended to read:

Sec. 37. [MORATORIUM ON CONSULTANT CONTRACTS.]

(a) An entity in the executive branch of state government, ~~including other than~~ the Minnesota state colleges and universities or the higher education services office, may not enter into a new contract or renew an existing contract for professional or technical services after the effective date of this section and before July 1, 2003. This section does not apply to a contract:

(1) that relates to a threat to public health, welfare, or safety that threatens the functioning of government, the protection of property, or the health or safety of people;

(2) that is paid for entirely with federal funds ~~received before the effective date of this section~~ or the cost of which is entirely recovered from nonstate entities;

(3) that is paid entirely with funds from the state airports fund, trunk highway fund, county state-aid highway fund, or municipal state-aid street fund; ~~or~~

(4) for a trunk highway project of a type described in Laws 2000, chapter 479, article 1, section 2, subdivision 3, paragraph (a), clauses (1) to (3); or

(5) that is necessary to avoid a disruption of essential state functions, will reduce state costs, or is necessary to avoid a legal liability.

(b) An entity in the executive branch may apply for a waiver of the moratorium by sending a letter with reasons for the request to the ~~commissioner of administration for executive branch entities~~ governor. Upon a finding that a consultant contract is necessary, the ~~commissioner~~ governor may grant a waiver. ~~The decision of the commissioner is final and not subject to appeal.~~ A monthly report of all exceptions granted under paragraph (a) and all waivers granted must be filed ~~by the entity granting the waiver~~. The report must be published on ~~the entity's~~ a state Web site, and copies must be provided to the chairs of the house ways and means and senate finance committees and to the legislative reference library.

Sec. 12. Laws 2002, chapter 220, article 10, section 38, subdivision 2, is amended to read:

Subd. 2. [EXCEPTIONS.] Subdivision 1 does not apply to:

(1) an employee at a state correctional facility;

(2) an employee of the department of corrections who provides direct services to offenders;

(3) an employee of state-operated services under the department of human services;

(4) ~~a student in a work-study position~~ worker; or

~~(5)~~ (5) a position that is necessary to perform essential government services; or

(6) an employee who is paid entirely with federal funds or a special revenue fund, or whose costs are entirely recovered from nonstate entities, or a combination of them.

A determination under clause ~~(2)~~ (5) must be made by the speaker of the house of representatives with respect to house employees, the chair of the committee on rules and administration with respect to senate employees, and the legislative coordinating commission with respect to its employees, by a constitutional officer with respect to employees of the constitutional office, and by the governor with respect to any other employee covered by this section. Exceptions granted under clause ~~(2)~~ (5) must be reported monthly by the entity granting the exception. The reports must be published on the entity's Web site, and copies must be provided to the chairs of the house ways and means and senate finance committees and to the legislative reference library.

Sec. 13. Laws 2002, chapter 220, article 10, section 38, subdivision 3, is amended to read:

Subd. 3. [ANTICIPATED SAVINGS.] The legislature anticipates that application of this section to executive branch agencies ~~and to the Minnesota state colleges and universities~~ will result in savings to the general fund of ~~\$40,000,000~~ \$29,736,000 by June 30, 2003. If the governor determines that application of this section will not result in ~~\$40,000,000~~ \$29,736,000 in savings to the general fund by June 30, 2003, the governor must make proportional reductions in executive agency operating budgets necessary to achieve these savings. If the governor makes proportional reductions to executive agency operating budgets to achieve the required savings, the governor shall exclude from the reductions:

(1) the department of corrections with respect to employees at state correctional institutions or who provide direct services to offenders; and

(2) the department of human services with respect to state-operated services.

Sec. 14. Laws 2002, chapter 220, article 10, section 39, is amended to read:

Sec. 39. [SAVINGS ARE ADDITIONAL.]

Savings achieved in sections 36 to 38 from the freeze in state hiring or the reduction in the number of state contracts for professional or technical services are in addition to reductions in spending required by other sections of this ~~article~~ act.

Sec. 15. [NONPROFIT GRANT AND CONTRACT DECISIONS.]

Subdivision 1. [FISCAL YEAR 2002 PROCESSING.] (a) This subdivision applies when:

(1) a state agency has delayed its final decision on whether to enter into a grant or contract with a nonprofit corporation to spend money appropriated for the fiscal year ending June 30, 2002, pending elimination of the state budget deficit; and

(2) the nonprofit corporation has provided services based on an appropriation that names the nonprofit corporation or based on a grant award letter from a state agency to the nonprofit corporation.

(b) In a circumstance described in paragraph (a), within 15 business days after final enactment of this act the state agency must:

(1) process the grant or contract with the nonprofit corporation; and

(2) issue payment to the nonprofit corporation for services already provided.

Subd. 2. [FISCAL YEAR 2002 RETROACTIVITY.] A contract encumbered or a grant awarded by a state agency to a nonprofit corporation for services rendered in the fiscal year ending June 30, 2002, is retroactive to the date that services were first provided under the contract or grant.

Subd. 3. [FISCAL YEAR 2003.] A contract encumbered or a grant awarded by a state agency to a nonprofit corporation for services rendered in the fiscal year ending June 30, 2003, is retroactive to the date that services were first provided under the contract or grant.

Sec. 16. [VOTING EQUIPMENT GRANTS.]

Within 30 days after the effective date of this section, the commissioner of administration must make voting equipment grants authorized by Minnesota Statutes 2001 Supplement, section 204B.48, to the full extent of appropriations available for these grants under Laws 2001, First Special Session chapter 10, article 1, section 12, subdivision 7, as amended by Laws 2002, chapter 220, article 10, section 10, subdivision 8.

Sec. 17. [EFFECTIVE DATE.]

This article is effective the day following final enactment.

ARTICLE 8

CANCELLATIONS; CASH FLOW; TRANSFERS IN

Section 1. Minnesota Statutes 2001 Supplement, section 62J.694, subdivision 1, is amended to read:

Subdivision 1. [CREATION.] (a) The medical education endowment fund is created in the state treasury. The state board of investment shall invest the fund under section 11A.24. All earnings of the fund must be credited to the fund. The principal of the fund must be maintained inviolate, except that the principal may be used to make

expenditures from the fund for the purposes specified in this section when the market value of the fund falls below 105 percent of the cumulative total of the tobacco settlement payments received by the state and credited to the tobacco settlement fund under section 16A.87, subdivision 2. For purposes of this section, "principal" means an amount equal to the cumulative total of the tobacco settlement payments received by the state and credited to the tobacco settlement fund under section 16A.87, subdivision 2.

(b) If the commissioner of finance determines that probable receipts to the general fund will be sufficient to meet the need for expenditures from the general fund for a fiscal biennium, after using the cash reserves of the tobacco use prevention and local public health endowment fund, excluding an amount sufficient to meet the annual appropriations in section 144.395, subdivision 2, the commissioner may use cash reserves of the medical education endowment fund, excluding the amounts needed to meet the appropriations described in subdivisions 2 and 2a, to pay expenses of the general fund. If cash reserves are transferred to the general fund to meet cash flow needs, the amount transferred, plus interest at a rate comparable to the rate earned by the state on invested treasurer's cash, as determined monthly by the commissioner, must be returned to the endowment fund as soon as sufficient cash balances are available in the general fund, but in any event before the end of the fiscal biennium. An amount necessary to pay the interest is appropriated from the general fund. If cash reserves of the endowment fund are used to pay expenses for the general fund, notwithstanding subdivision 2, paragraph (d), the academic health center shall be held harmless to the extent possible. When determining the fair market value of the fund, for the purposes described in subdivisions 2 and 2a, the value of the cash reserves transferred to the general fund must be included in the determination.

(c) The academic health center account is created as a separate account in the medical education endowment fund. The account is invested under paragraph (a). All earnings of the account must be credited to the account. The principal of the account must be maintained inviolate, except that the principal may be used to make expenditures from the account for the purposes specified in subdivision 2a when the value of the account falls below an amount equal to deposits made to the account under section 16A.87, subdivision 3, paragraph (b).

Sec. 2. Minnesota Statutes 2000, section 79.251, subdivision 1, is amended to read:

Subdivision 1. [ASSIGNED RISK PLAN REVIEW BOARD.] (a) (1) An assigned risk plan review board is created for the purposes of review of the operation of section 79.252 and this section. The board shall have all the usual powers and authorities necessary for the discharge of its duties under this section and may contract with individuals in discharge of those duties.

(2) The board shall consist of six members to be appointed by the commissioner of commerce. Three members shall be insureds holding policies or contracts of coverage issued pursuant to subdivision 4. Two members shall be insurers licensed pursuant to section 60A.06, subdivision 1, clause (5), paragraph (b). The commissioner shall be the sixth member and shall vote.

Initial appointments shall be made by September 1, 1981, and terms shall be for three years duration. Removal, the filling of vacancies and compensation of the members other than the commissioner shall be as provided in section 15.059.

(3) The assigned risk plan review board shall audit the reserves established (a) for individual cases arising under policies and contracts of coverage issued under subdivision 4 and (b) for the total book of business issued under subdivision 4. If the board determines on the basis of an audit that there is an excess surplus in the assigned risk plan, it must notify the commissioner of finance who shall transfer assets of the plan equal to the excess surplus to the budget reserve account in the general fund.

(4) The assigned risk plan review board shall monitor the operations of section 79.252 and this section and shall periodically make recommendations to the commissioner, and to the governor and legislature when appropriate, for improvement in the operation of those sections.

(5) All insurers and self-insurance administrators issuing policies or contracts under subdivision 4 shall pay to the commissioner a .25 percent assessment on premiums for policies and contracts of coverage issued under subdivision 4 for the purpose of defraying the costs of the assigned risk plan review board. Proceeds of the assessment shall be deposited in the state treasury and credited to the general fund.

(6) The assigned risk plan and the assigned risk plan review board shall not be deemed a state agency.

(b) As used in this subdivision, "excess surplus" means the amount of assigned risk plan assets in excess of the amount needed to pay all current liabilities of the plan, including, but not limited to:

(1) administrative expenses;

(2) benefit claims; and

(3) if the assigned risk plan is dissolved under subdivision 8, the amounts that would be due insurers who have paid assessments to the plan.

Sec. 3. Minnesota Statutes 2000, section 144.395, subdivision 1, as amended by Laws 2002, chapter 220, article 13, section 6, is amended to read:

Subdivision 1. [CREATION.] (a) The tobacco use prevention and local public health endowment fund is created in the state treasury. The state board of investment shall invest the fund under section 11A.24. All earnings of the fund must be credited to the fund. The principal of the fund must be maintained inviolate, except that the principal may be used to make expenditures from the fund for the purposes specified in this section when the market value of the fund falls below 105 percent of the cumulative total of the tobacco settlement payments received by the state and credited to the tobacco settlement fund under section 16A.87, subdivision 2. For purposes of this section, "principal" means an amount equal to the cumulative total of the tobacco settlement payments received by the state and credited to the tobacco settlement fund under section 16A.87, subdivision 2.

(b) If the commissioner of finance determines that probable receipts to the general fund will ~~not~~ be sufficient to meet the need for expenditures from the general fund for a fiscal biennium, the commissioner may use cash reserves of the tobacco use prevention and local public health endowment fund, excluding an amount sufficient to meet the annual appropriations in subdivision 2, to pay expenses of the general fund. If cash reserves are transferred to the general fund to meet cash flow needs, ~~the cash flow transfers amount transferred, plus interest at a rate comparable to the rate earned by the state on invested treasurer's cash, as determined monthly by the commissioner,~~ must be returned to the endowment fund as soon as sufficient cash balances are available in the general fund, but in any event before the end of the fiscal biennium. ~~Any interest earned on cash flow transfers from the endowment fund accrues to the endowment fund and not to the general fund. An amount necessary to pay the interest is appropriated from the general fund. If cash reserves of the endowment fund are used to pay expenses for the general fund, the recipients of the grants shall be held harmless to the extent possible in the following order: (1) local public health; (2) local tobacco prevention; and (3) statewide tobacco prevention. When determining the fair market value of the fund, for the purposes described in subdivision 2, the value of the cash reserves transferred to the general fund must be included in the determination.~~

Sec. 4. Laws 2002, chapter 220, article 13, section 7, is amended to read:

Sec. 7. [BALANCES CANCELED TO GENERAL FUND.]

The unobligated balances in the following general fund accounts created in the sections of Minnesota Statutes indicated are canceled to the general fund in the fiscal years indicated:

(1) the budget reserve account, Minnesota Statutes, section 16A.152, subdivision 1a, estimated to be \$653,000,000, in fiscal year 2002;

(2) the local government aid reform account, Minnesota Statutes, section 16A.1523, estimated to be \$14,000,000, in fiscal year 2003;

(3) the tax relief account, Minnesota Statutes, section 16A.1522, subdivision 4, estimated to be \$158,148,000, in fiscal year ~~2004~~ 2003; and

(4) ~~\$195,000,000~~ \$350,000,000 of the unobligated balance in the cash flow account in Minnesota Statutes, section 16A.152, subdivision 1.

Sec. 5. Laws 2002, chapter 220, article 13, section 9, subdivision 1, is amended to read:

Subdivision 1. [ASSIGNED RISK PLAN.] By June 30, 2002, the commissioner of finance shall transfer ~~\$120,000,000~~ \$134,000,000 in assets of the assigned risk plan created under Minnesota Statutes, section 79.252, to the general fund. \$25,100,000 is appropriated from the general fund to the commissioner of finance to fund the settlement of the lawsuit entitled Danny's Trannys, Inc. et al. v. State, et al., Ramsey County District Court No. C7-00-5714, and to reimburse the tort claims account for amounts paid to implement settlement of this lawsuit.

Sec. 6. Laws 2002, chapter 220, article 13, section 9, subdivision 2, is amended to read:

Subd. 2. [SPECIAL COMPENSATION FUND.] After June 1, 2003, but no later than June 30, 2003, the commissioner of finance shall transfer ~~\$230,000,000~~ \$250,000,000 in assets of the excess surplus account of the special compensation fund created under Minnesota Statutes, section 176.129, to the general fund.

Sec. 7. [BALANCES DEPOSITED IN BUDGET RESERVE.]

Notwithstanding Minnesota Statutes, section 16A.1522, any positive unrestricted general fund balance on June 30, 2003, must be allocated to the budget reserve account in the general fund.

Sec. 8. [EFFECTIVE DATE.]

This article is effective the day following final enactment, except that section 2 is effective January 1, 2003, and sections 1 and 3 are effective July 1, 2003.

ARTICLE 9

HEALTH AND HUMAN SERVICES APPROPRIATIONS

Section 1. [HEALTH AND HUMAN SERVICES APPROPRIATIONS.]

The dollar amounts shown in the columns marked "APPROPRIATIONS" are added to or, if shown in parentheses, are subtracted from the appropriations in Laws 2001, First Special Session chapter 9, and Laws 2002, chapter 220, or other law, and are appropriated from the general fund, or any other fund named, to the agencies and for the purposes specified in this article, to be available for the fiscal years indicated for each purpose. The figures "2002" and "2003" used in this article mean that the appropriation or appropriations listed under them are available for the fiscal year ending June 30, 2002, or June 30, 2003, respectively.

SUMMARY BY FUND

	2002	2003	TOTAL
General Forecast Adjustments	\$47,032,000	\$26,019,000	\$73,051,000
Nonforecast	1,660,000	(26,554,000)	(24,894,000)

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[112TH DAY

Health Care Access	(2,605,000)	(4,318,000)	(6,923,000)
Federal TANF	(7,383,000)	8,896,000	1,513,000
State Government Special Revenue	-0-	4,000	4,000

APPROPRIATIONS
Available for the Year
Ending June 30
2002 2003

Sec. 2. COMMISSIONER OF HUMAN SERVICES

Subdivision 1. Total Appropriation		\$38,704,000	\$3,143,000
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Summary by Fund

General	48,692,000	(1,435,000)
Health Care Access	(2,605,000)	(4,318,000)
Federal TANF	(7,383,000)	8,896,000

Subd. 2. Children's Grants

General	-0-	(4,748,000)
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[FAMILY PRESERVATION AND CHILDREN'S MENTAL HEALTH GRANTS.] This appropriation includes a reduction of \$6,548,000 in family preservation and children's mental health grants due to changes in allocations and an increase of \$1,800,000 in local collaboratives wraparound services coordination grants. The increased appropriation for coordination grants shall become part of base level funding for the biennium beginning July 1, 2003.

Subd. 3. Basic Health Care Grants

General	10,999,000	6,126,000
Health Care Access	(2,605,000)	(4,318,000)

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

(a) MinnesotaCare Grants

Health Care Access	(2,605,000)	(4,318,000)
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APPROPRIATIONS
Available for the Year
Ending June 30
2002 2003

[MINNESOTACARE ELIGIBILITY DETERMINATION CARRYOVER.] The appropriation for the biennium beginning July 1, 2001, in Laws 2001, First Special Session chapter 9, article 17, section 2, subdivision 7, paragraph (b), for activities related to processing MinnesotaCare applications and determining applicant eligibility shall not cancel but shall be available until June 30, 2005.

(b) MA Basic Health Care Grants - Families and Children

General	7,437,000	(5,285,000)
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(c) MA Basic Health Care Grants - Elderly and Disabled

General	(779,000)	7,476,000
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(d) General Assistance Medical Care Grants

General	2,681,000	5,080,000
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(e) Health Care Grants - Other Assistance

General	1,660,000	(1,145,000)
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[U SPECIAL KIDS PROGRAM.] Of this appropriation, \$350,000 in fiscal year 2002 is immediately available to the commissioner to be transferred immediately to the University of Minnesota for the U Special Kids program. The money may be used to match private grants. The money shall be used to provide physician-supervised medical case management services for up to 50 Minnesota children in the program who are eligible for medical assistance. Any unspent portion of this appropriation shall not cancel but shall be available for these purposes until June 30, 2005. This is a onetime appropriation and shall not become part of base level funding for the 2004-2005 biennium.

[HIV/AIDS DRUG REBATES.] For the fiscal year ending June 30, 2003, \$1,150,000 of the general fund appropriations for HIV/AIDS grants and services that are no longer needed as a result of greater than anticipated collections under the AIDS drug assistance program rebate must be used to meet funding needs of the state prescription drug program.

[ADAP FUNDING.] For the fiscal year ending June 30, 2003, \$1,150,000 from the AIDS drug assistance program (ADAP) rebate program shall be used to meet the needs of the HIV/AIDS grants and services program.

APPROPRIATIONS
Available for the Year
Ending June 30
2002 2003

Subd. 4. State-Operated Services

General	-0-	4,000,000
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[STATE-OPERATED SERVICES DEDICATED REVENUE ACCOUNTS.] The commissioner of human services shall provide the chairs of the house and senate health and human services finance committees copies of all dedicated revenue account quarterly and annual financial statements that are reviewed by the state-operated services governing board. The annual financial statement must include a summary of revenues, expenditures, obligations, and cash balances. The description of cash balances must specifically identify cash balances included in funded depreciation accounts and in cash flow reserves for 120 days of operating expense. The annual financial statement must clearly delineate any amount of cash reserve that is in excess of requirements for funded depreciation and 120 days of operating expense. Quarterly financial statements must be available to the chairs within 30 days of the closing date for that quarter. The annual financial statement must be available by August 15 of each year.

[ONETIME APPROPRIATION.] Of the appropriation for fiscal year 2003, \$4,000,000 is from the general fund to the commissioner of human services for state-operated services. This is a onetime appropriation and shall not become part of base level funding.

[STATE-OPERATED SERVICES STUDY.] The commissioner of human services, in consultation with community representatives, shall evaluate strategies to consolidate the delivery of state-operated services. Strategies shall be considered in the context of other community-based services options. By January 15, 2003, the commissioner shall provide recommendations to the 2003 legislature that result from this evaluation.

[ONETIME REDUCTION TO SHARED SERVICES DEDICATED REVENUES.] For fiscal year 2003 only, \$564,000 of fund balances within the accounts established under Minnesota Statutes, section 246.57, subdivision 1, shall be transferred to the general fund.

Subd. 5. Continuing Care Grants

[FUNDING USAGE.] Up to 75 percent of the fiscal year 2004 appropriations for family preservation grants, developmental disability semi-independent living services, developmental

APPROPRIATIONS
 Available for the Year
 Ending June 30
 2002 2003

disability family support, adult mental health grants, and children's mental health grants may be used to fund calendar year 2003 allocations for these programs, with the resulting calendar year funding pattern continuing into the future. Appropriation reductions associated with this shift are one time only.

General	27,896,000	(4,863,000)
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The amounts that may be spent from this appropriation for each purpose are as follows:

(a) Medical Assistance Long-Term Care Waivers and Home Care Grants

General	26,054,000	26,552,000
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(b) Medical Assistance Long-Term Care Facilities Grants

General	1,815,000	(736,000)
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(c) Group Residential Housing Grants

General	27,000	689,000
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(d) Chemical Dependency Entitlement Grants

General	-0-	(1,000,000)
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[ADDITIONAL CONSOLIDATED CHEMICAL DEPENDENCY TREATMENT FUND RESERVE TRANSFER.] In addition to the amount transferred in Laws 2002, chapter 220, article 17, section 2, subdivision 6, paragraph (e), an additional \$7,000,000 of funds available in the consolidated chemical dependency treatment fund general reserve account is transferred to the general fund in fiscal year 2003.

(e) Community Social Service Grants

General	-0-	(13,730,000)
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(f) Mental Health Grants

General	-0-	(13,635,000)
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This reduction is one time only.

(g) Community Support Grants

General	-0-	(3,003,000)
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APPROPRIATIONS
Available for the Year
Ending June 30
2002 2003

Subd. 6. Economic Support Grants

General	9,797,000	(1,950,000)
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Federal TANF	(7,383,000)	8,896,000
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The amounts that may be spent from the appropriation for each purpose are as follows:

(a) Assistance to Families Grants

General	8,712,000	(3,740,000)
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Federal TANF	(7,383,000)	8,803,000
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[AUTHORITY TO CARRYFORWARD AUTHORIZED TRANSFER.] The \$11,000,000 in TANF funds authorized for transfer to title XX of the federal Social Security Act grants in fiscal year 2003 by Laws 1999, chapter 245, article 1, section 2, subdivision 11, are available for expenditure in fiscal year 2004.

(b) General Assistance Grants

General	1,361,000	1,779,000
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(c) Economic Support - Other Assistance

Federal TANF	-0-	93,000
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[TANF TRANSFER TO THE DEPARTMENT OF CHILDREN, FAMILIES, AND LEARNING.] Of the TANF appropriation, \$93,000 in fiscal year 2003 is appropriated to the commissioner of children, families, and learning for the purposes of Minnesota Statutes, section 119B.05. The commissioner of human services shall authorize a sufficient transfer of funds from the state's federal TANF block grant to the state's federal child care development fund block grant to meet this appropriation.

(d) Minnesota Supplemental Aid Grants

General	(276,000)	11,000
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Sec. 3. COMMISSIONER OF HEALTH

Subdivision 1. Total Appropriation	-0-	4,000
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Summary by Fund

State Government Special Revenue	-0-	4,000
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APPROPRIATIONS
Available for the Year
Ending June 30
2002 2003

Subd. 2. Family and Provider Compliance

State Government		
Special Revenue	-0-	4,000

[REGISTRATION COSTS.] This appropriation in fiscal year 2003 is to the commissioner for the costs of registering establishments under Minnesota Statutes, section 144D.025.

Sec. 4. VETERANS NURSING HOMES BOARD

Summary by Fund

General	-0-	900,000
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[DEFICIENCY APPROPRIATION.] The appropriation to the veterans nursing homes board for fiscal year 2003 is for a deficiency in board operations. This is a onetime appropriation and shall not become part of base level funding for the 2004-2005 biennium.

Sec. 5. [VETERANS NURSING HOMES BOARD FUNDING.]

(a) Notwithstanding Minnesota Statutes, section 16B.31, subdivision 7, on July 1, 2002, the commissioner of administration shall transfer to the veterans nursing homes board any remaining portion of the payments received from contractors for the mold damage at the Luverne facility.

(b) Notwithstanding the provisions of Minnesota Statutes, section 16A.151, any payments made during fiscal year 2003 from contractors to settle legal issues regarding the mold damage at the Luverne facility are appropriated to the veterans nursing homes board.

(c) Total appropriations to the veterans nursing homes board under this section shall not exceed \$500,000.

Sec. 6. [EXEMPTIONS FROM REDUCTION IN CONTRACT EXPENDITURES AND FROM HIRING FREEZE.]

For fiscal year 2003, the department of human services is exempt from the hiring freeze established in Laws 2002, chapter 220, article 10, section 38, as amended by article 7, section 12, and the contract moratorium established in Laws 2002, chapter 220, article 10, section 37, as amended by article 7, section 11, and by Laws 2002, chapter 364, section 30, as it relates to the establishment and implementation of a supplemental drug rebate program.

Sec. 7. [INCARCERATION REPORT.]

By February 1, 2003, the commissioner of corrections must report to the chairs and ranking minority members of the house of representatives and senate committees having jurisdiction over criminal justice and judiciary finance divisions alternatives for dealing with offenders who actually serve less than one year in prison. This report shall include capital and operating costs, possible partnerships, renting beds from public or private facilities, and current prison capacities.

Sec. 8. [FISCAL 2003 TANF MAINTENANCE OF EFFORT.]

The commissioner of human services must ensure that the maintenance of effort amount used in the MFIP forecast of November 2002 and February 2003 is not less than \$188,937,000 with respect to fiscal year 2003.

Sec. 9. [SUNSET OF UNCODIFIED LANGUAGE.]

All uncodified language contained in this article expires June 30, 2003, unless a different expiration date is explicit.

Sec. 10. [EFFECTIVE DATE.]

Except as otherwise provided in this article, this article is effective the day following final enactment.

ARTICLE 10

HEALTH AND HUMAN SERVICES

Section 1. Minnesota Statutes 2000, section 13.05, subdivision 4, is amended to read:

Subd. 4. [LIMITATIONS ON COLLECTION AND USE OF DATA.] Private or confidential data on an individual shall not be collected, stored, used, or disseminated by political subdivisions, statewide systems, or state agencies for any purposes other than those stated to the individual at the time of collection in accordance with section 13.04, except as provided in this subdivision.

(a) Data collected prior to August 1, 1975, and which have not been treated as public data, may be used, stored, and disseminated for the purposes for which the data was originally collected or for purposes which are specifically approved by the commissioner as necessary to public health, safety, or welfare.

(b) Private or confidential data may be used and disseminated to individuals or agencies specifically authorized access to that data by state, local, or federal law enacted or promulgated after the collection of the data.

(c) Private or confidential data may be used and disseminated to individuals or agencies subsequent to the collection of the data when the responsible authority maintaining the data has requested approval for a new or different use or dissemination of the data and that request has been specifically approved by the commissioner as necessary to carry out a function assigned by law.

(d) Private data may be used by and disseminated to any person or agency if the individual subject or subjects of the data have given their informed consent. Whether a data subject has given informed consent shall be determined by rules of the commissioner. Informed consent shall not be deemed to have been given by an individual subject of the data by the signing of any statement authorizing any person or agency to disclose information about the individual to an insurer or its authorized representative, unless the statement is:

- (1) in plain language;
- (2) dated;
- (3) specific in designating the particular persons or agencies the data subject is authorizing to disclose information about the data subject;
- (4) specific as to the nature of the information the subject is authorizing to be disclosed;
- (5) specific as to the persons or agencies to whom the subject is authorizing information to be disclosed;

(6) specific as to the purpose or purposes for which the information may be used by any of the parties named in clause (5), both at the time of the disclosure and at any time in the future;

(7) specific as to its expiration date which should be within a reasonable period of time, not to exceed one year except in the case of authorizations given in connection with applications for (i) life insurance or noncancelable or guaranteed renewable health insurance and identified as such, two years after the date of the policy or (ii) medical assistance under chapter 256B or MinnesotaCare under chapter 256L, which shall be ongoing during all terms of eligibility, for individual education plan health-related services provided by a school district under section 125A.21, subdivision 2.

The responsible authority may require a person requesting copies of data under this paragraph to pay the actual costs of making, certifying, and compiling the copies.

(e) Private or confidential data on an individual may be discussed at a meeting open to the public to the extent provided in section 13D.05.

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

Sec. 2. Minnesota Statutes 2001 Supplement, section 241.021, subdivision 4, is amended to read:

Subd. 4. [HEALTH CARE.] The commissioner of corrections shall provide professional health care to persons confined in institutions under the control of the commissioner of corrections and pay the costs of their care in hospitals and other medical facilities not under the control of the commissioner of corrections. All reimbursements for these health care services shall be deposited in the general fund. The commissioner of corrections is authorized to contract with or reimburse entities, including health care management companies, to provide health care to inmates, at reimbursement rates equal to medical assistance unless otherwise negotiated. With respect to these contracts, these entities shall not be regulated as, or otherwise considered to be, health plan companies as defined in section 62Q.01, subdivision 4.

Sec. 3. Minnesota Statutes 2000, section 241.44, is amended by adding a subdivision to read:

Subd. 5. [GRANTS.] The ombudsman may apply for and receive grants from public and private entities for purposes of carrying out the ombudsman's powers and duties under sections 241.41 to 241.45.

Sec. 4. Minnesota Statutes 2000, section 256.9657, subdivision 1, as amended by Laws 2002, chapter 220, article 14, section 5, is amended to read:

Subdivision 1. [NURSING HOME LICENSE SURCHARGE.] (a) Effective July 1, 1993, each non-state-operated nursing home licensed under chapter 144A shall pay to the commissioner an annual surcharge according to the schedule in subdivision 4. The surcharge shall be calculated as \$620 per licensed bed. If the number of licensed beds is reduced, the surcharge shall be based on the number of remaining licensed beds the second month following the receipt of timely notice by the commissioner of human services that beds have been delicensed. The nursing home must notify the commissioner of health in writing when beds are delicensed. The commissioner of health must notify the commissioner of human services within ten working days after receiving written notification. If the notification is received by the commissioner of human services by the 15th of the month, the invoice for the second following month must be reduced to recognize the delicensing of beds. Beds on layaway status continue to be subject to the surcharge. The commissioner of human services must acknowledge a medical care surcharge appeal within 30 days of receipt of the written appeal from the provider.

(b) Effective July 1, 1994, the surcharge in paragraph (a) shall be increased to \$625.

(c) Effective August 15, 2003, the surcharge under paragraph (b) shall be increased by an amount necessary to ensure a net gain to the general fund of \$9,620,000 during fiscal year 2004 as a result of:

~~(1) the total transfers anticipated during the fiscal year ending June 30, 2004, under section 256B.19, subdivision 1d, paragraph (c);~~

~~(2) the county nursing home payment adjustments under section 256B.431, subdivision 23, paragraph (c);~~

~~(3) the surcharges under this paragraph; and~~

~~(4) the nursing facility rate increases under section 256B.431, subdivision 37.~~

The increase under this paragraph shall not exceed \$365 per bed.

~~(d) Effective August 15, 2004 2002, the surcharge under paragraph (c) (b) shall be equal to an amount necessary to ensure a net gain to the general fund each fiscal year of \$10,228,000 as a result of: increased to \$990.~~

~~(1) the total transfers anticipated during the fiscal year under section 256B.19, subdivision 1d, paragraph (c);~~

~~(2) the county nursing home payment adjustments under section 256B.431, subdivision 23, paragraph (c);~~

~~(3) the surcharges under this paragraph; and~~

~~(4) the nursing facility rate increases under section 256B.431, subdivision 37.~~

The surcharge under this paragraph shall not exceed \$365 per bed.

Sec. 5. Minnesota Statutes 2000, section 256B.431, subdivision 23, as amended by Laws 2002, chapter 220, article 14, section 9, is amended to read:

Subd. 23. [COUNTY NURSING HOME PAYMENT ADJUSTMENTS.] (a) Beginning in 1994, the commissioner shall pay a nursing home payment adjustment on May 31 after noon to a county in which is located a nursing home that, ~~as of January 1 of the previous year~~ on that date, was county-owned and operated, with the county named as licensee by the commissioner of health, and had over 40 beds and medical assistance occupancy in excess of 50 percent during the reporting year ending September 30, 1991. The adjustment shall be an amount equal to \$16 per calendar day multiplied by the number of beds licensed in the facility as of September 30, 1991.

(b) Payments under paragraph (a) are excluded from medical assistance per diem rate calculations. These payments are required notwithstanding any rule prohibiting medical assistance payments from exceeding payments from private pay residents. A facility receiving a payment under paragraph (a) may not increase charges to private pay residents by an amount equivalent to the per diem amount payments under paragraph (a) would equal if converted to a per diem.

(c) Beginning in 2002, in addition to any payment under paragraph (a), the commissioner shall pay to a nursing facility described in paragraph (a) an adjustment in an amount equal to \$29.55 per calendar day multiplied by the number of beds licensed in the facility on that date. The provisions of paragraphs (a) and (b) apply to payments under this paragraph.

(d) The commissioner may reduce payments under paragraph (c) based on the commissioner's determination of Medicare upper payment limits. Any adjustments must be proportional to adjustments made under section 256B.19, subdivision 1d, paragraph (d).

Sec. 6. Minnesota Statutes 2000, section 256B.431, subdivision 37, as added by Laws 2002, chapter 220, article 14, section 10, is amended to read:

Subd. 37. [NURSING HOME RATE INCREASES EFFECTIVE JULY 1, ~~2003~~ 2002.] For rate years beginning on or after July 1, ~~2003~~ 2002, the commissioner shall provide to each nursing home reimbursed under this section or section 256B.434 an increase in each case mix payment rate equal to the increase in the per-bed surcharge paid under section 256.9657, subdivision 1, paragraph (c) ~~or (d)~~, divided by 365 and further divided by .80. The increase under this subdivision shall be added following the determination of the payment rate for the home under this chapter. The increase shall not be subject to any annual percentage increase.

Sec. 7. Minnesota Statutes 2001 Supplement, section 256B.5013, subdivision 1, as amended by Laws 2002, chapter 220, article 14, section 14, is amended to read:

Subdivision 1. [VARIABLE RATE ADJUSTMENTS.] (a) For rate years beginning on or after October 1, 2000, when there is a documented increase in the needs of a current ICF/MR recipient, the county of financial responsibility may recommend a variable rate to enable the facility to meet the individual's increased needs. Variable rate adjustments made under this subdivision replace payments for persons with special needs under section 256B.501, subdivision 8, and payments for persons with special needs for crisis intervention services under section 256B.501, subdivision 8a. Effective July 1, 2003, facilities with a base rate above the 50th percentile of the statewide average reimbursement rate for a Class A facility or Class B facility, whichever matches the facility licensure, are not eligible for a variable rate adjustment. Variable rate adjustments may not exceed a 12-month period, except when approved for purposes established in paragraph (b), clause (1). Variable rate adjustments approved solely on the basis of changes on a developmental disabilities screening document will end June 30, 2002.

(b) A variable rate may be recommended by the county of financial responsibility for increased needs in the following situations:

(1) a need for resources due to an individual's full or partial retirement from participation in a day training and habilitation service when the individual: (i) has reached the age of 65 or has a change in health condition that makes it difficult for the person to participate in day training and habilitation services over an extended period of time because it is medically contraindicated; and (ii) has expressed a desire for change through the mental retardation and related conditions screening process under section 256B.092;

(2) a need for additional resources for intensive short-term programming which is necessary prior to an individual's discharge to a less restrictive, more integrated setting;

(3) a demonstrated medical need that significantly impacts the type or amount of services needed by the individual; or

(4) a demonstrated behavioral need that significantly impacts the type or amount of services needed by the individual.

(c) The county of financial responsibility must justify the purpose, the projected length of time, and the additional funding needed for the facility to meet the needs of the individual.

(d) The facility shall provide a quarterly report to the county case manager on the use of the variable rate funds and the status of the individual on whose behalf the funds were approved. The county case manager will forward the facility's report with a recommendation to the commissioner to approve or disapprove a continuation of the variable rate.

(e) Funds made available through the variable rate process that are not used by the facility to meet the needs of the individual for whom they were approved shall be returned to the state.

Sec. 8. Minnesota Statutes 2000, section 256E.06, subdivision 3, is amended to read:

Subd. 3. [PAYMENTS TO COUNTIES.] The commissioner of human services shall make payments for community social services to each county ~~in four installments per on or before July 10 of each year. The commissioner of human services may certify the payments for the first three months of a calendar year based on estimates of the unduplicated number of persons receiving Minnesota family investment program assistance, general assistance, and medical assistance for the prior year. The following three payments shall be adjusted to reflect the actual unduplicated number of persons who received Minnesota family investment program assistance, general assistance, and medical assistance as required by subdivision 1. The commissioner shall ensure that the pertinent payment of the allotment for that quarter is made to each county on the first working day after the end of each quarter of the calendar year, except for the last quarter of the calendar year. The commissioner shall ensure that each county receives its payment of the allotment for that quarter no later than the last working day of that quarter. This scheduling of payments does not require compliance with subdivision 10.~~

Sec. 9. Minnesota Statutes 2001 Supplement, section 256J.425, subdivision 3, is amended to read:

Subd. 3. [HARD-TO-EMPLOY PARTICIPANTS.] An assistance unit subject to the time limit in section 256J.42, subdivision 1, in which any participant has received 60 counted months of assistance, is eligible to receive months of assistance under a hardship extension if the participant belongs to any of the following groups:

(1) a person who is diagnosed by a licensed physician, psychological practitioner, or other qualified professional, as mentally retarded or mentally ill, and that condition prevents the person from obtaining or retaining unsubsidized employment;

(2) a person who:

(i) has been assessed by a vocational specialist or the county agency to be unemployable for purposes of this subdivision; or

(ii) has an IQ below 80 who has been assessed by a vocational specialist or a county agency to be employable, but not at a level that makes the participant eligible for an extension under subdivision 4 or, in the case of a non-English-speaking person for whom it is not possible to provide a determination due to language barriers or absence of culturally appropriate assessment tools, is determined by a qualified professional to have an IQ below 80. A person is considered employable if positions of employment in the local labor market exist, regardless of the current availability of openings for those positions, that the person is capable of performing; ~~or~~

(3) a person who is determined by the county agency to be learning disabled or, in the case of a non-English-speaking person for whom it is not possible to provide a medical diagnosis due to language barriers or absence of culturally appropriate assessment tools, is determined by a qualified professional to have a learning disability. If a rehabilitation plan for the person is developed or approved by the county agency, the plan must be incorporated into the employment plan. However, a rehabilitation plan does not replace the requirement to develop and comply with an employment plan under section 256J.52. For purposes of this section, "learning disabled" means the applicant or recipient has a disorder in one or more of the psychological processes involved in perceiving, understanding, or using concepts through verbal language or nonverbal means. The disability must severely limit the applicant or recipient in obtaining, performing, or maintaining suitable employment. Learning disabled does not include learning problems that are primarily the result of visual, hearing, or motor handicaps; mental retardation; emotional disturbance; or due to environmental, cultural, or economic disadvantage; ~~or~~

(4) a person who is a victim of family violence as defined in section 256J.49, subdivision 2, and who is participating in an alternative employment plan under section 256J.49, subdivision 1a.

Sec. 10. Minnesota Statutes 2001 Supplement, section 256J.425, subdivision 4, is amended to read:

Subd. 4. [EMPLOYED PARTICIPANTS.] (a) An assistance unit subject to the time limit under section 256J.42, subdivision 1, in which any participant has received 60 months of assistance, is eligible to receive assistance under a hardship extension if the participant belongs to:

(1) a one-parent assistance unit in which the participant is participating in work activities for at least 30 hours per week, of which an average of at least 25 hours per week every month are spent participating in employment; or

(2) a two-parent assistance unit in which the participants are participating in work activities for at least 55 hours per week, of which an average of at least 45 hours per week every month are spent participating in employment; or

(3) an assistance unit in which a participant is participating in employment for fewer hours than those specified in clause (1), and the participant submits verification from a health care provider, in a form acceptable to the commissioner, stating that the number of hours the participant may work is limited due to illness or disability, as long as the participant is participating in employment for at least the number of hours specified by the health care provider. The participant must be following the treatment recommendations of the health care provider providing the verification. The commissioner shall develop a form to be completed and signed by the health care provider, documenting the diagnosis and any additional information necessary to document the functional limitations of the participant that limit work hours. If the participant is part of a two-parent assistance unit, the other parent must be treated as a one-parent assistance unit for purposes of meeting the work requirements under this subdivision.

For purposes of this section, employment means:

(1) unsubsidized employment under section 256J.49, subdivision 13, clause (1);

(2) subsidized employment under section 256J.49, subdivision 13, clause (2);

(3) on-the-job training under section 256J.49, subdivision 13, clause (4);

(4) an apprenticeship under section 256J.49, subdivision 13, clause (19);

(5) supported work. For purposes of this section, "supported work" means services supporting a participant on the job which include, but are not limited to, supervision, job coaching, and subsidized wages;

(6) a combination of (1) to (5); or

(7) child care under section 256J.49, subdivision 13, clause (25), if it is in combination with paid employment.

(b) If a participant is complying with a child protection plan under chapter 260C, the number of hours required under the child protection plan count toward the number of hours required under this subdivision.

(c) The county shall provide the opportunity for subsidized employment to participants needing that type of employment within available appropriations.

(d) To be eligible for a hardship extension for employed participants under this subdivision, a participant in a one-parent assistance unit or both parents in a two-parent assistance unit must be in compliance for at least ten out of the 12 months immediately preceding the participant's 61st month on assistance. If only one parent in a two-parent assistance unit fails to be in compliance ten out of the 12 months immediately preceding the participant's 61st month, the county shall give the assistance unit the option of disqualifying the noncompliant parent. If the noncompliant participant is disqualified, the assistance unit must be treated as a one-parent assistance unit for the purposes of meeting the work requirements under this subdivision and the assistance unit's MFIP grant shall be calculated using the shared household standard under section 256J.08, subdivision 82a.

(e) The employment plan developed under section 256J.52, subdivision 5, for participants under this subdivision must contain the number of hours specified in paragraph (a) related to employment and work activities. The job counselor and the participant must sign the employment plan to indicate agreement between the job counselor and the participant on the contents of the plan.

(f) Participants who fail to meet the requirements in paragraph (a), without good cause under section 256J.57, shall be sanctioned or permanently disqualified under subdivision 6. Good cause may only be granted for that portion of the month for which the good cause reason applies. Participants must meet all remaining requirements in the approved employment plan or be subject to sanction or permanent disqualification.

(g) If the noncompliance with an employment plan is due to the involuntary loss of employment, the participant is exempt from the hourly employment requirement under this subdivision for one month. Participants must meet all remaining requirements in the approved employment plan or be subject to sanction or permanent disqualification. This exemption is available to one-parent assistance units two times in a 12-month period, and two-parent assistance units, two times per parent in a 12-month period.

(h) This subdivision expires on June 30, 2004.

Sec. 11. Minnesota Statutes 2000, section 256J.425, is amended by adding a subdivision to read:

Subd. 4a. [HARDSHIP EXTENSION PENDING DOCUMENTATION.] If the documentation needed to determine if a participant is eligible for a hardship extension under subdivision 2 or 3 is not available by the 60th month, the county agency may extend the participant pending receipt of the documentation if the county believes the participant is likely to qualify for a hardship extension and the participant is cooperating with efforts to obtain the documentation. If the participant is found to be not eligible for an extension, the participant may be responsible for an overpayment.

Sec. 12. Minnesota Statutes 2001 Supplement, section 256J.425, subdivision 5, is amended to read:

Subd. 5. [ACCRUAL OF CERTAIN EXEMPT MONTHS.] (a) A participant who received TANF assistance that counted towards the federal 60-month time limit while the participant was exempt under section 256J.56, paragraph (a), clause (7), from employment and training services requirements and who is no longer eligible for assistance under a hardship extension under subdivision 2, paragraph (a), clause (3), is eligible for assistance under a hardship extension for a period of time equal to the number of months that were counted toward the federal 60-month time limit while the participant was exempt under section 256J.56, paragraph (a), clause (7), from the employment and training services requirements.

(b) A participant who received TANF assistance that counted towards the federal 60-month time limit while the participant met the state time limit exemption criteria under section 256J.42, subdivision 4 or 5, is eligible for assistance under a hardship extension for a period of time equal to the number of months that were counted toward the federal 60-month time limit while the participant met the state time limit exemption criteria under section 256J.42, subdivision 5.

(c) A participant who received TANF assistance that counted towards the federal 60-month time limit while the participant was exempt under section 256J.56, paragraph (a), clause (3), from employment and training services requirements, who demonstrates at the time of the case review required under section 256J.42, subdivision 6, that the participant met the exemption criteria under section 256J.56, paragraph (a), clause (7), during one or more months the participant was exempt under section 256J.56, paragraph (a), clause (3), before or after July 1, 2002, is eligible for assistance under a hardship extension for a period of time equal to the number of months that were counted toward the federal 60-month time limit during the time the participant met the criteria under section 256J.56, paragraph (a), clause (7). At the time of the case review, a county agency must explain to the participant the basis for receiving a hardship extension based on the accrual of exempt months. The participant must provide documentation necessary to enable the county agency to determine whether the participant is eligible to receive a hardship extension based on the accrual of exempt months or authorize a county agency to verify the information.

Sec. 13. Minnesota Statutes 2000, section 256L.01, subdivision 4, is amended to read:

Subd. 4. [GROSS INDIVIDUAL OR GROSS FAMILY INCOME.] (a) "Gross individual or gross family income" for ~~farm and~~ nonfarm self-employed means income calculated using as the baseline the adjusted gross income reported on the applicant's federal income tax form for the previous year and adding back in reported depreciation, carryover loss, and net operating loss amounts that apply to the business in which the family is currently engaged.

(b) "Gross individual or gross family income" for farm self-employed means income calculated using as the baseline the adjusted gross income reported on the applicant's federal income tax form for the previous year and adding back in reported depreciation amounts that apply to the business in which the family is currently engaged.

(c) Applicants shall report the most recent financial situation of the family if it has changed from the period of time covered by the federal income tax form. The report may be in the form of percentage increase or decrease.

Sec. 14. Laws 2001, First Special Session chapter 9, article 2, section 74, is amended to read:

Sec. 74. [ELIGIBILITY EXCEPTION TO THE PRESCRIPTION DRUG PROGRAM.]

Notwithstanding the requirements of Minnesota Statutes, section 256.955, subdivision 2, paragraph (d), from March 1, 2001, to June 30, ~~2002~~ 2003, the definition of a "qualified individual" in the prescription drug program established under Minnesota Statutes, section 256.955, shall include an individual who:

(1) was enrolled in the prescription drug program prior to March 1, 2001;

(2) was enrolled in a Medicare risk plan prior to March 1, 2001, to which an annual prescription drug benefit of \$400 was added on March 1, 2001; and

(3) meets the requirements described in Minnesota Statutes, section 256.955, subdivision 2, paragraph (d), clauses (1) and (5), and subdivision 2a.

The prescription benefit offered by the Medicare risk plan shall be primary to benefits provided under the prescription drug program.

ARTICLE 11

GENERAL FUND CONVERSION TO BOND FUNDS

Section 1. [INTENT.]

This article intends to return to the unreserved general fund \$75,043,000 by changing the fund source of the projects listed in this article in the amounts shown in sections 2 to 14, by decreasing the appropriation from the general fund and by appropriating an equal amount from the aggregate of the bond proceeds fund and the transportation fund. This action changes the designation of the fund sources made under the cumulative effect of Laws 1998, chapter 404; Laws 1999, chapter 250; and Laws 2000, chapters 479 and 492. This article also makes a new appropriation of \$77,000 from the bond proceeds fund for bond sale expenses in connection with the bonds authorized in this article.

Sec. 2. [CAPITAL IMPROVEMENT APPROPRIATIONS.]

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

SUMMARY

UNIVERSITY OF MINNESOTA	\$500,000
CHILDREN, FAMILIES, AND LEARNING	500,000
NATURAL RESOURCES	6,973,000
WATER AND SOIL RESOURCES BOARD	300,000
ADMINISTRATION	43,350,000
CAPITOL AREA ARCHITECTURAL AND PLANNING BOARD	250,000
AMATEUR SPORTS COMMISSION	690,000
TRANSPORTATION	13,590,000
HUMAN SERVICES	1,500,000
CORRECTIONS	250,000
TRADE AND ECONOMIC DEVELOPMENT	5,590,000
MINNESOTA HISTORICAL SOCIETY	1,550,000
BOND SALE EXPENSES	77,000
TOTAL	\$75,120,000
Bond Proceeds Fund	61,530,000
Transportation Fund	13,590,000

APPROPRIATIONS

\$

Sec. 3. UNIVERSITY OF MINNESOTA	500,000
To the board of regents of the University of Minnesota for 1998 Higher Education Asset Preservation and Replacement.	
Sec. 4. CHILDREN, FAMILIES, AND LEARNING	500,000
To the commissioner of children, families, and learning for 1998 Early Childhood Learning Facilities.	
Sec. 5. NATURAL RESOURCES	
Subdivision 1. To the commissioner of natural resources for the purposes specified in this section	6,973,000

APPROPRIATIONS

\$

Subd. 2. 1998 Park Building Rehabilitation	500,000
Subd. 3. 1998 Park Betterment and Rehabilitation	500,000
Subd. 4. 1998 Forest Roads and Bridges	750,000
Subd. 5. 1998 Metro Greenways Acquisition	2,000,000
Subd. 6. Safe Harbors Program	3,223,000
Sec. 6. BOARD OF WATER AND SOIL RESOURCES	300,000
To the board of water and soil resources for local road replacement.	
Sec. 7. ADMINISTRATION	
Subdivision 1. To the commissioner of administration for the purposes specified in this section	45,350,000
Subd. 2. 2000 Asset Preservation	350,000
Subd. 3. 2000 Bureau of Criminal Apprehension Facility	40,000,000
Subd. 4. 2000 Property Acquisition	450,000
Subd. 5. 1998 Asset Preservation	1,250,000
Subd. 6. 1998 Real Property Acquisition	1,000,000
Subd. 7. 1998 BCA Land Acquisition	300,000
Sec. 8. CAPITOL AREA ARCHITECTURAL AND PLANNING BOARD	250,000
To the commissioner of administration for the HHH Memorial.	
Sec. 9. AMATEUR SPORTS COMMISSION	690,000
To the amateur sports commission for the Giants Ridge Facility.	
Sec. 10. TRANSPORTATION	
Subdivision 1. To the commissioner of transportation for the purposes specified in this section	13,590,000

APPROPRIATIONS

\$

This appropriation is from the transportation fund.

Subd. 2. 2000 County and Local Bridges	13,000,000
Subd. 3. 1998 CSAH Highway 90	590,000
Sec. 11. HUMAN SERVICES	1,500,000
To the commissioner of administration for 1998 Asset Preservation.	
Sec. 12. CORRECTIONS	250,000
To the commissioner of administration for 1998 Asset Preservation.	
Sec. 13. TRADE AND ECONOMIC DEVELOPMENT	5,590,000
To the commissioner of trade and economic development for 2000 Wastewater Infrastructure.	
Sec. 14. MINNESOTA HISTORICAL SOCIETY	
Subdivision 1. To the Minnesota historical society for the purposes specified in this section	1,550,000
Subd. 2. 1998 Historic Site Preservation and Repair	850,000
Subd. 3. Split Rock Lighthouse	700,000
Sec. 15. BOND SALE EXPENSES	77,000
To the commissioner of finance for bond sale expenses under Minnesota Statutes, section 16A.641, subdivision 8.	

Sec. 16. [IDENTICAL PROJECTS.]

The purpose and use of appropriations in this article are for the same purpose and use and for identical projects as authorized in Laws 1998, chapter 404; Laws 1999, chapter 250; and Laws 2000, chapters 479 and 492. Except for the fund source of unspent parts of the appropriations listed in this article, this article does not change or limit the purpose and use of the appropriations and related requirements in Laws 1998, chapter 404; Laws 1999, chapter 250; and Laws 2000, chapters 479 and 492.

Sec. 17. [BOND SALE AUTHORIZATIONS.]

Subdivision 1. [BOND PROCEEDS FUND.] To provide the money appropriated in this article from the bond proceeds fund, the commissioner of finance shall sell and issue bonds of the state in an amount up to \$61,530,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7.

Subd. 2. [TRANSPORTATION FUND.] To provide the money appropriated in this article from the transportation fund, the commissioner of finance shall sell and issue bonds of the state in an amount up to \$13,590,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7. The proceeds of the bonds, except accrued interest and any premium received on the sale of the bonds, must be credited to a bond proceeds account in the state transportation fund.

Sec. 18. [CANCELLATION TO GENERAL FUND.]

Money appropriated from the general fund pursuant to 1998, 1999, and 2000 acts and not yet spent for the projects listed in this article is canceled to the general fund in the amount shown for each project.

Sec. 19. [EFFECTIVE DATE.]

This article is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to the financing of state government; appropriating money and reducing appropriations for kindergarten through grade 12, early childhood and family education, higher education, environment, state government, and health and human services; canceling balances and appropriations and transferring balances to the general fund in order to avert a deficit; converting certain capital project financing from general fund cash to general obligation bonding; modifying education levies and aids; transferring programs; changing certain fees; modifying certain programs; amending Minnesota Statutes 2000, sections 13.05, subdivision 4; 16A.28, subdivision 6; 16B.27, by adding a subdivision; 79.251, subdivision 1; 115A.557, subdivision 1; 115A.96, subdivisions 2, 3, 4, 5, 7, as added; 124D.69, by adding a subdivision; 125A.65, subdivisions 1, 3, 8, 9; 127A.45, subdivisions 2, 3, 10, 13, 14, 16, by adding a subdivision; 136A.121, subdivision 7; 144.395, subdivision 1, as amended; 241.44, by adding a subdivision; 256.9657, subdivision 1, as amended; 256B.431, subdivisions 23, as amended, 37, as added; 256E.06, subdivision 3; 256J.425, by adding a subdivision; 256L.01, subdivision 4; Minnesota Statutes 2001 Supplement, sections 62J.694, subdivision 1; 123B.54, as amended; 124D.11, subdivision 9; 126C.10, subdivision 13; 126C.17, subdivision 7; 127A.45, subdivision 14a; 241.021, subdivision 4; 256B.5013, subdivision 1, as amended; 256J.425, subdivisions 3, 4, 5; Laws 1997, chapter 202, article 2, section 61, as amended; Laws 2001, First Special Session chapter 3, article 1, section 17, subdivision 2; Laws 2001, First Special Session chapter 3, article 1, section 17, subdivision 3, as amended; Laws 2001, First Special Session chapter 3, article 1, section 17, subdivision 4; Laws 2001, First Special Session chapter 3, article 1, section 17, subdivision 7, as amended; Laws 2001, First Special Session chapter 3, article 1, section 17, subdivision 9, as amended; Laws 2001, First Special Session chapter 3, article 1, section 19, subdivision 3, as amended; Laws 2001, First Special Session chapter 3, article 1, section 19, subdivision 5, as amended; Laws 2001, First Special Session chapter 3, article 2, section 15, subdivision 3, as amended; Laws 2001, First Special Session chapter 3, article 2, section 15, subdivision 4; Laws 2001, First Special Session chapter 3, article 3, section 9, subdivision 5; Laws 2001 First Special Session chapter 3, article 3, section 9, subdivision 7; Laws 2001, First Special Session chapter 3, article 4, section 5, subdivision 2, as amended; Laws 2001, First Special Session chapter 3, article 4, section 5, subdivision 3; Laws 2001, First Special Session chapter 5, article 2, section 29, subdivision 2, as amended; Laws 2001, First Special Session chapter 6, article 1, section 54, subdivision 2, as amended; Laws 2001, First Special Session chapter 6, article 1, section 54, subdivision 4, as amended; Laws 2001, First Special Session chapter 6, article 1, section 54, subdivision 5, as amended; Laws 2001, First Special Session chapter 6, article 1, section 54, subdivision 6, as amended; Laws 2001, First Special Session chapter 6, article 1, section 54, subdivision 7, as amended; Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 4, as amended; Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 5, as amended; Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 6; Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 8, as amended; Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 11, as amended; Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 15, as amended; Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 18, as amended; Laws 2001, First Special Session chapter 6, article 3, section 21, subdivision 2, as amended; Laws 2001, First Special Session

chapter 6, article 3, section 21, subdivision 3, as amended; Laws 2001, First Special Session chapter 6, article 3, section 21, subdivision 4, as amended; Laws 2001, First Special Session chapter 6, article 3, section 21, subdivision 5, as amended; Laws 2001, First Special Session chapter 6, article 3, section 21, subdivision 7, as amended; Laws 2001, First Special Session chapter 6, article 4, section 27, subdivision 2, as amended; Laws 2001, First Special Session chapter 6, article 4, section 27, subdivision 3, as amended; Laws 2001, First Special Session chapter 6, article 5, section 27, subdivision 5, as amended; Laws 2001, First Special Session chapter 6, article 5, section 13, subdivision 3; Laws 2001, First Special Session chapter 6, article 7, section 14, as amended; Laws 2001, First Special Session chapter 9, article 2, section 74; Laws 2002, chapter 220, article 2, section 14, subdivision 1; Laws 2002, chapter 220, article 8, section 15; Laws 2002, chapter 220, article 10, section 4; Laws 2002, chapter 220, article 10, section 36; Laws 2002, chapter 220, article 10, section 37, as amended; Laws 2002 chapter 220, article 10, section 38, subdivision 2; Laws 2002, chapter 220, article 10, section 38, subdivision 3; Laws 2002, chapter 220, article 10, section 39; Laws 2002, chapter 220, article 13, section 7; Laws 2002, chapter 220, article 13, section 9, subdivision 1; Laws 2002, chapter 220, article 13, section 9, subdivision 2."

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

House Conferees: KEVIN GOODNO, PHILIP KRINKIE, ALICE SEAGREN, RON ABRAMS AND THOMAS PUGH.

Senate Conferees: DOUGLAS J. JOHNSON, LINDA BERGLIN, LAWRENCE J. POGEMILLER, DICK DAY AND LEONARD R. PRICE.

Goodno moved that the report of the Conference Committee on H. F. No. 3270 be adopted and that the bill be repassed as amended by the Conference Committee.

POINT OF ORDER

Olson raised a point of order pursuant to section 123 of "Mason's Manual of Legislative Procedure," relating to Use of Disorderly Words in Debate. Speaker pro tempore Boudreau ruled the point of order not well taken.

The Speaker assumed the Chair.

POINT OF ORDER

Krinkie raised a point of order pursuant to section 101 of "Mason's Manual of Legislative Procedure," relating to Debate Being Limited to the Question Before the House. The Speaker ruled the point of order not well taken.

The Speaker called Dehler to the Chair.

The question recurred on the Goodno motion that the report of the Conference Committee on H. F. No. 3270 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

The Speaker resumed the Chair.

CALL OF THE HOUSE

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

Abeler	Dorn	Holberg	Leighton	Osskopp	Smith
Abrams	Eastlund	Holsten	Lenczewski	Osthoff	Solberg
Anderson, I.	Entenza	Howes	Leppik	Otremba	Stanek
Bakk	Erhardt	Huntley	Lieder	Ozment	Stang
Bernardy	Erickson	Jacobson	Lindner	Paulsen	Swapinski
Biernat	Evans	Jaros	Lipman	Pawlenty	Swenson
Blaine	Finseth	Jennings	Mahoney	Paymar	Sykora
Boudreau	Folliard	Johnson, J.	Mares	Pelowski	Thompson
Bradley	Fuller	Johnson, R.	Mariani	Penas	Tingelstad
Buesgens	Gerlach	Johnson, S.	Marko	Peterson	Tuma
Carlson	Gleason	Jordan	Marquart	Pugh	Vandever
Cassell	Goodno	Juhnke	McElroy	Rhodes	Wagenius
Clark, J.	Goodwin	Kahn	McGuire	Rifenberg	Walker
Clark, K.	Gray	Kalis	Milbert	Rukavina	Walz
Daggett	Greiling	Kelliher	Molnau	Ruth	Wasiluk
Daids	Gunther	Kielkucki	Mulder	Schumacher	Westerberg
Davnie	Haas	Knoblach	Mullery	Seagren	Westrom
Dawkins	Hackbarth	Koskinen	Murphy	Seifert	Wilkin
Dehler	Harder	Krinkie	Ness	Sertich	Winter
Dempsey	Hausman	Kubly	Nornes	Skoe	Wolf
Dibble	Hilstrom	Kuisle	Olson	Skoglund	Workman
Dorman	Hilty	Larson	Opatz	Slawik	Spk. Sviggum

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

H. F. No. 3270, A bill for an act relating to state government; creating office of state treasurer and modifying related provisions; providing for governor's cabinet and organizing certain government agencies; modifying certain fund provisions; requiring the commissioner of finance to prepare a forecast of state revenues and expenditures in July in each even-numbered year; requiring certain payments; modifying provisions of constitutional officers' salaries; reducing certain appropriations; modifying consulting moratorium and hiring freeze provisions; amending Minnesota Statutes 2000, sections 4.06; 8.05; 10.01; 11A.08, subdivision 1; 16A.103, subdivision 1; 40A.151, subdivision 1; 40A.152, subdivisions 1, 3; 43A.18, subdivision 4; 168A.40, subdivision 4, as amended; 204B.11, subdivision 1; 204D.10, subdivision 2; 209.01, subdivision 2; 240A.08; 471.975; Minnesota Statutes 2001 Supplement, section 16E.09, subdivision 1; Laws 2001, First Special Session chapter 10, article 1, section 2, subdivision 4; Laws 2002, chapter 220, article 10, sections 2; 3; 7; 10, subdivision 3; 16; 36; 37; 38; proposing coding for new law in Minnesota Statutes, chapters 7; 15; 43A.

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

The question was taken on the repassage of the bill and the roll was called. There were 88 yeas and 44 nays as follows:

Those who voted in the affirmative were:

Abeler	Blaine	Buesgens	Clark, J.	Dehler	Eastlund
Abrams	Boudreau	Carlson	Daggett	Dempsey	Erhardt
Bakk	Bradley	Cassell	Davids	Dorman	Erickson

Finseth	Holsten	Larson	Ness	Rifenberg	Tuma
Folliard	Howes	Lenczewski	Nornes	Ruth	Vandever
Fuller	Jacobson	Leppik	Osskopp	Seagren	Walz
Gerlach	Johnson, J.	Lieder	Osthoff	Seifert	Wasiluk
Goodno	Johnson, R.	Lindner	Otremba	Slawik	Westerberg
Goodwin	Jordan	Lipman	Ozment	Smith	Westrom
Gunther	Juhnke	Mares	Paulsen	Stanek	Wilkin
Haas	Kielkucki	Marquart	Pawlenty	Stang	Wolf
Hackbarth	Knoblach	McElroy	Pelowski	Swenson	Workman
Harder	Krinkie	Milbert	Penas	Sykora	Spk. Sviggum
Hilstrom	Kubly	Molnau	Pugh	Thompson	
Holberg	Kuisle	Mulder	Rhodes	Tingelstad	

Those who voted in the negative were:

Anderson, I.	Entenza	Jaros	Mahoney	Paymar	Swapinski
Bernardy	Evans	Jennings	Mariani	Peterson	Wagenius
Biernat	Gleason	Johnson, S.	Marko	Rukavina	Walker
Clark, K.	Gray	Kahn	McGuire	Schumacher	Winter
Davnie	Greiling	Kalis	Mullery	Sertich	
Dawkins	Hausman	Kelliher	Murphy	Skoe	
Dibble	Hilty	Koskinen	Olson	Skoglund	
Dorn	Huntley	Leighton	Opatz	Solberg	

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

Tuma was excused between the hours of 1:25 p.m. and 3:30 p.m.

CALL OF THE HOUSE LIFTED

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

MESSAGES FROM THE SENATE, Continued

The following message was received from the Senate:

Mr. Speaker:

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

S. F. No. 3099.

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

PATRICK E. FLAHAVEN, Secretary of the Senate

CONFERENCE COMMITTEE REPORT ON S. F. NO. 3099

A bill for an act relating to human services; allowing the ombudsman for corrections to apply for or receive certain grants; making changes to continuing care programs; modifying case manager continuing education requirements; adding an exemption from preadmission screening requirements; modifying targeted case management client contact requirements; requiring a case management services study; modifying planned closure rate adjustment provisions; correcting inconsistencies in mental health services coverage in border states; requiring plumbers to be licensed; establishing inspection requirements for new plumbing installations; allowing the commissioner to charge fees to hire staff; licensing restricted plumbing contractors; requiring rulemaking; expanding MFIP hardship extensions; amending Minnesota Statutes 2000, sections 241.44, by adding a subdivision; 245.462, subdivision 4; 245.4871, subdivision 4; 245.50, subdivisions 1, 2, 5; 326.01, by adding a subdivision; 326.37, subdivision 1, by adding a subdivision; 326.40, subdivision 1; Minnesota Statutes 2001 Supplement, sections 144.122; 144.148, subdivision 2; 256B.0627, subdivision 10; 256B.0911, subdivisions 4b, 4d; 256B.0913, subdivision 5; 256B.0915, subdivision 3; 256B.0924, subdivision 6; 256B.0951, subdivisions 7, 8; 256B.437, subdivision 6; 256J.425, subdivisions 3, 4, 5, 6, by adding a subdivision; 326.38; proposing coding for new law in Minnesota Statutes, chapter 326; repealing Minnesota Statutes 2000, section 326.45.

May 10, 2002

The Honorable Don Samuelson
President of the Senate

The Honorable Steve Sviggum
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 3099, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendment and that S. F. No. 3099 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

LICENSING

Section 1. Minnesota Statutes 2000, section 13.41, subdivision 1, is amended to read:

Subdivision 1. [DEFINITION.] As used in this section "licensing agency" means any board, department or agency of this state which is given the statutory authority to issue professional or other types of licenses, except the various agencies primarily administered by the commissioner of human services. Data pertaining to persons or agencies licensed or registered under authority of the commissioner of human services shall be administered pursuant to section 13.46, ~~subdivision 4~~.

Sec. 2. Minnesota Statutes 2001 Supplement, section 13.46, subdivision 1, is amended to read:

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

(a) "Individual" means an individual according to section 13.02, subdivision 8, but does not include a vendor of services.

(b) "Program" includes all programs for which authority is vested in a component of the welfare system according to statute or federal law, including, but not limited to, the aid to families with dependent children program formerly codified in sections 256.72 to 256.87, Minnesota Family Investment Program, medical assistance, general assistance, general assistance medical care, and child support collections.

(c) "Welfare system" includes the department of human services, local social services agencies, county welfare agencies, private licensing agencies, the public authority responsible for child support enforcement, human services boards, community mental health center boards, state hospitals, state nursing homes, the ombudsman for mental health and mental retardation, and persons, agencies, institutions, organizations, and other entities under contract to any of the above agencies to the extent specified in the contract.

(d) "Mental health data" means data on individual clients and patients of community mental health centers, established under section 245.62, mental health divisions of counties and other providers under contract to deliver mental health services, or the ombudsman for mental health and mental retardation.

(e) "Fugitive felon" means a person who has been convicted of a felony and who has escaped from confinement or violated the terms of probation or parole for that offense.

(f) "Private licensing agency" means an agency licensed by the commissioner of human services under chapter 245A to perform the duties under section 245A.16.

Sec. 3. Minnesota Statutes 2000, section 13.46, subdivision 3, is amended to read:

Subd. 3. [INVESTIGATIVE DATA.] (a) Data on persons, including data on vendors of services and data on licensees, that is collected, maintained, used, or disseminated by the welfare system in an investigation, authorized by statute and relating to the enforcement of rules or law, is confidential data on individuals pursuant to section 13.02, subdivision 3, or protected nonpublic data not on individuals pursuant to section 13.02, subdivision 13, and shall not be disclosed except:

~~(a)~~ (1) pursuant to section 13.05;

~~(b)~~ (2) pursuant to statute or valid court order;

~~(c)~~ (3) to a party named in a civil or criminal proceeding, administrative or judicial, for preparation of defense; or

~~(d)~~ (4) to provide notices required or permitted by statute.

The data referred to in this subdivision shall be classified as public data upon its submission to an administrative law judge or court in an administrative or judicial proceeding. Inactive welfare investigative data shall be treated as provided in section 13.39, subdivision 3.

(b) Notwithstanding any other provision in law, the commissioner of human services shall provide all active and inactive investigative data, including the name of the reporter of alleged maltreatment under section 626.556 or 626.557, to the ombudsman for mental health and retardation upon the request of the ombudsman.

Sec. 4. Minnesota Statutes 2001 Supplement, section 13.46, subdivision 4, is amended to read:

Subd. 4. [LICENSING DATA.] (a) As used in this subdivision:

(1) "licensing data" means all data collected, maintained, used, or disseminated by the welfare system pertaining to persons licensed or registered or who apply for licensure or registration or who formerly were licensed or registered under the authority of the commissioner of human services;

(2) "client" means a person who is receiving services from a licensee or from an applicant for licensure; and

(3) "personal and personal financial data" means social security numbers, identity of and letters of reference, insurance information, reports from the bureau of criminal apprehension, health examination reports, and social/home studies.

(b)(1) Except as provided in paragraph (c), the following data on current and former licensees are public: name, address, telephone number of licensees, date of receipt of a completed application, dates of licensure, licensed capacity, type of client preferred, variances granted, type of dwelling, name and relationship of other family members, previous license history, class of license, and the existence and status of complaints. When a correction order or fine has been issued, a license is suspended, immediately suspended, revoked, denied, or made conditional, or a complaint is resolved, the following data on current and former licensees are public: the substance and investigative findings of the complaint, licensing violation, or substantiated maltreatment; the record of informal resolution of a licensing violation; orders of hearing; findings of fact; conclusions of law; specifications of the final correction order, fine, suspension, immediate suspension, revocation, denial, or conditional license contained in the record of licensing action; and the status of any appeal of these actions. When an individual licensee is a substantiated perpetrator of maltreatment, and the substantiated maltreatment is a reason for the licensing action, the identity of the licensee as a perpetrator is public data. For purposes of this clause, a person is a substantiated perpetrator if the maltreatment determination has been upheld under section 626.556, subdivision 10i, 626.557, subdivision 9d, or 256.045, or an individual or facility has not timely exercised appeal rights under these sections.

(2) For applicants who withdraw their application prior to licensure or denial of a license, the following data are public: the name of the applicant, the city and county in which the applicant was seeking licensure, the dates of the commissioner's receipt of the initial application and completed application, the type of license sought, and the date of withdrawal of the application.

(3) For applicants who are denied a license, the following data are public: the name of the applicant, the city and county in which the applicant was seeking licensure, the dates of the commissioner's receipt of the initial application and completed application, the type of license sought, the date of denial of the application, the nature of the basis for the denial, and the status of any appeal of the denial.

(4) The following data on persons subject to disqualification under section 245A.04 in connection with a license to provide family day care for children, child care center services, foster care for children in the provider's home, or foster care or day care services for adults in the provider's home, are public: the nature of any disqualification set aside under section 245A.04, subdivision 3b, and the reasons for setting aside the disqualification; and the reasons for granting any variance under section 245A.04, subdivision 9.

(5) When maltreatment is substantiated under section 626.556 or 626.557 and the victim and the substantiated perpetrator are affiliated with a program licensed under chapter 245A, the commissioner of human services, local social services agency, or county welfare agency may inform the license holder where the maltreatment occurred of the identity of the substantiated perpetrator and the victim.

(c) The following are private data on individuals under section 13.02, subdivision 12, or nonpublic data under section 13.02, subdivision 9: personal and personal financial data on family day care program and family foster care program applicants and licensees and their family members who provide services under the license.

(d) The following are private data on individuals: the identity of persons who have made reports concerning licensees or applicants that appear in inactive investigative data, and the records of clients or employees of the licensee or applicant for licensure whose records are received by the licensing agency for purposes of review or in anticipation of a contested matter. The names of reporters under sections 626.556 and 626.557 may be disclosed only as provided in section 626.556, subdivision 11, or 626.557, subdivision 12b.

(e) Data classified as private, confidential, nonpublic, or protected nonpublic under this subdivision become public data if submitted to a court or administrative law judge as part of a disciplinary proceeding in which there is a public hearing concerning a license which has been suspended, immediately suspended, revoked, or denied.

(f) Data generated in the course of licensing investigations that relate to an alleged violation of law are investigative data under subdivision 3.

(g) Data that are not public data collected, maintained, used, or disseminated under this subdivision that relate to or are derived from a report as defined in section 626.556, subdivision 2, or 626.5572, subdivision 18, are subject to the destruction provisions of sections 626.556, subdivision 11c, and 626.557, subdivision 12b.

(h) Upon request, not public data collected, maintained, used, or disseminated under this subdivision that relate to or are derived from a report of substantiated maltreatment as defined in section 626.556 or 626.557 may be exchanged with the department of health for purposes of completing background studies pursuant to section 144.057 and with the department of corrections for purposes of completing background studies pursuant to section 241.021.

(i) Data on individuals collected according to licensing activities under chapter 245A, and data on individuals collected by the commissioner of human services according to maltreatment investigations under sections 626.556 and 626.557, may be shared with the department of human rights, the department of health, the department of corrections, the ombudsman for mental health and retardation, and the individual's professional regulatory board when there is reason to believe that laws or standards under the jurisdiction of those agencies may have been violated.

(j) In addition to the notice of determinations required under section 626.556, subdivision 10f, if the commissioner or the local social services agency has determined that an individual is a substantiated perpetrator of maltreatment of a child based on sexual abuse, as defined in section 626.556, subdivision 2, and the commissioner or local social services agency knows that the individual is a person responsible for a child's care in another facility, the commissioner or local social services agency shall notify the head of that facility of this determination. The notification must include an explanation of the individual's available appeal rights and the status of any appeal. If a notice is given under this paragraph, the government entity making the notification shall provide a copy of the notice to the individual who is the subject of the notice.

Sec. 5. Minnesota Statutes 2000, section 245A.02, is amended by adding a subdivision to read:

Subd. 2a. [ADULT DAY CARE.] "Adult day care" means a program operating less than 24 hours per day that provides functionally impaired adults with an individualized and coordinated set of services including health services, social services, and nutritional services that are directed at maintaining or improving the participants' capabilities for self-care. Adult day care does not include programs where adults gather or congregate primarily for purposes of socialization, education, supervision, caregiver respite, religious expression, exercise, or nutritious meals.

Sec. 6. Minnesota Statutes 2000, section 245A.02, is amended by adding a subdivision to read:

Subd. 2b. [ANNUAL OR ANNUALLY.] "Annual" or "annually" means prior to or within the same month of the subsequent calendar year.

Sec. 7. Minnesota Statutes 2001 Supplement, section 245A.03, subdivision 2, is amended to read:

Subd. 2. [EXCLUSION FROM LICENSURE.] (a) This chapter does not apply to:

(1) residential or nonresidential programs that are provided to a person by an individual who is related unless the residential program is a child foster care placement made by a local social services agency or a licensed child-placing agency, except as provided in subdivision 2a;

(2) nonresidential programs that are provided by an unrelated individual to persons from a single related family;

(3) residential or nonresidential programs that are provided to adults who do not abuse chemicals or who do not have a chemical dependency, a mental illness, mental retardation or a related condition, a functional impairment, or a physical handicap;

(4) sheltered workshops or work activity programs that are certified by the commissioner of economic security;

(5) programs for children enrolled in kindergarten to the 12th grade and prekindergarten special education in a school as defined in section 120A.22, subdivision 4, and programs serving children in combined special education and regular prekindergarten programs that are operated or assisted by the commissioner of children, families, and learning;

(6) nonresidential programs primarily for children that provide care or supervision, without charge for ten or fewer days a year, and for periods of less than three hours a day while the child's parent or legal guardian is in the same building as the nonresidential program or present within another building that is directly contiguous to the building in which the nonresidential program is located;

(7) nursing homes or hospitals licensed by the commissioner of health except as specified under section 245A.02;

(8) board and lodge facilities licensed by the commissioner of health that provide services for five or more persons whose primary diagnosis is mental illness who have refused an appropriate residential program offered by a county agency. ~~This exclusion expires on July 1, 1990;~~

(9) homes providing programs for persons placed there by a licensed agency for legal adoption, unless the adoption is not completed within two years;

(10) programs licensed by the commissioner of corrections;

(11) recreation programs for children or adults that operate for fewer than 40 calendar days in a calendar year or programs operated by a park and recreation board of a city of the first class whose primary purpose is to provide social and recreational activities to school age children, provided the program is approved by the park and recreation board;

(12) programs operated by a school as defined in section 120A.22, subdivision 4, whose primary purpose is to provide child care to school-age children, provided the program is approved by the district's school board;

(13) Head Start nonresidential programs which operate for less than 31 days in each calendar year;

(14) noncertified boarding care homes unless they provide services for five or more persons whose primary diagnosis is mental illness or mental retardation;

(15) nonresidential programs for nonhandicapped children provided for a cumulative total of less than 30 days in any 12-month period;

(16) residential programs for persons with mental illness, that are located in hospitals, until the commissioner adopts appropriate rules;

(17) the religious instruction of school-age children; Sabbath or Sunday schools; or the congregate care of children by a church, congregation, or religious society during the period used by the church, congregation, or religious society for its regular worship;

(18) camps licensed by the commissioner of health under Minnesota Rules, chapter 4630;

(19) mental health outpatient services for adults with mental illness or children with emotional disturbance;

(20) residential programs serving school-age children whose sole purpose is cultural or educational exchange, until the commissioner adopts appropriate rules;

(21) unrelated individuals who provide out-of-home respite care services to persons with mental retardation or related conditions from a single related family for no more than 90 days in a 12-month period and the respite care services are for the temporary relief of the person's family or legal representative;

(22) respite care services provided as a home and community-based service to a person with mental retardation or a related condition, in the person's primary residence;

(23) community support services programs as defined in section 245.462, subdivision 6, and family community support services as defined in section 245.4871, subdivision 17;

(24) the placement of a child by a birth parent or legal guardian in a preadoptive home for purposes of adoption as authorized by section 259.47;

(25) settings registered under chapter 144D which provide home care services licensed by the commissioner of health to fewer than seven adults; or

(26) consumer-directed community support service funded under the Medicaid waiver for persons with mental retardation and related conditions when the individual who provided the service is:

(i) the same individual who is the direct payee of these specific waiver funds or paid by a fiscal agent, fiscal intermediary, or employer of record; and

(ii) not otherwise under the control of a residential or nonresidential program that is required to be licensed under this chapter when providing the service.

(b) For purposes of paragraph (a), clause (6), a building is directly contiguous to a building in which a nonresidential program is located if it shares a common wall with the building in which the nonresidential program is located or is attached to that building by skyway, tunnel, atrium, or common roof.

(c) Nothing in this chapter shall be construed to require licensure for any services provided and funded according to an approved federal waiver plan where licensure is specifically identified as not being a condition for the services and funding.

Sec. 8. Minnesota Statutes 2000, section 245A.035, subdivision 3, is amended to read:

Subd. 3. [REQUIREMENTS FOR EMERGENCY LICENSE.] Before an emergency license may be issued, the following requirements must be met:

(1) the county agency must conduct an initial inspection of the premises where the foster care is to be provided to ensure the health and safety of any child placed in the home. The county agency shall conduct the inspection using a form developed by the commissioner;

(2) at the time of the inspection or placement, whichever is earlier, the relative being considered for an emergency license shall receive an application form for a child foster care license; ~~and~~

(3) whenever possible, prior to placing the child in the relative's home, the relative being considered for an emergency license shall provide the information required by section 245A.04, subdivision 3, paragraph (b); and

(4) if the county determines, prior to the issuance of an emergency license, that anyone requiring a background study may be disqualified under section 245A.04, and the disqualification is one which the commissioner cannot set aside, an emergency license shall not be issued.

Sec. 9. Minnesota Statutes 2001 Supplement, section 245A.04, subdivision 3, is amended to read:

Subd. 3. [BACKGROUND STUDY OF THE APPLICANT; DEFINITIONS.] (a) Individuals and organizations that are required in statute to initiate background studies under this section shall comply with the following requirements:

(1) Applicants for licensure, license holders, and other entities as provided in this section must submit completed background study forms to the commissioner before individuals specified in paragraph (c), clauses (1) to (4), (6), and (7), begin positions allowing direct contact in any licensed program.

(2) Applicants and license holders under the jurisdiction of other state agencies who are required in other statutory sections to initiate background studies under this section must submit completed background study forms to the commissioner prior to the background study subject beginning in a position allowing direct contact in the licensed program, or where applicable, prior to being employed.

(3) Organizations required to initiate background studies under section 256B.0627 for individuals described in paragraph (c), clause (5), must submit a completed background study form to the commissioner before those individuals begin a position allowing direct contact with persons served by the organization. The commissioner shall recover the cost of these background studies through a fee of no more than \$12 per study charged to the organization responsible for submitting the background study form. The fees collected under this paragraph are appropriated to the commissioner for the purpose of conducting background studies.

Upon receipt of the background study forms from the entities in clauses (1) to (3), the commissioner shall complete the background study as specified under this section and provide notices required in subdivision 3a. Unless otherwise specified, the subject of a background study may have direct contact with persons served by a program after the background study form is mailed or submitted to the commissioner pending notification of the study results under subdivision 3a. A county agency may accept a background study completed by the commissioner under this section in place of the background study required under section 245A.16, subdivision 3, in programs with joint licensure as home and community-based services and adult foster care for people with developmental disabilities when the license holder does not reside in the foster care residence and the subject of the study has been continuously affiliated with the license holder since the date of the commissioner's study.

(b) The definitions in this paragraph apply only to subdivisions 3 to 3e.

(1) "Background study" means the review of records conducted by the commissioner to determine whether a subject is disqualified from direct contact with persons served by a program, and where specifically provided in statutes, whether a subject is disqualified from having access to persons served by a program.

(2) "Continuous, direct supervision" means an individual is within sight or hearing of the supervising person to the extent that supervising person is capable at all times of intervening to protect the health and safety of the persons served by the program.

(3) "Contractor" means any person, regardless of employer, who is providing program services for hire under the control of the provider.

(4) "Direct contact" means providing face-to-face care, training, supervision, counseling, consultation, or medication assistance to persons served by the program.

(5) "Reasonable cause" means information or circumstances exist which provide the commissioner with articulable suspicion that further pertinent information may exist concerning a subject. The commissioner has reasonable cause when, but not limited to, the commissioner has received a report from the subject, the license holder, or a third party indicating that the subject has a history that would disqualify the person or that may pose a risk to the health or safety of persons receiving services.

(6) "Subject of a background study" means an individual on whom a background study is required or completed.

(c) The applicant, license holder, registrant under section 144A.71, subdivision 1, bureau of criminal apprehension, commissioner of health, and county agencies, after written notice to the individual who is the subject of the study, shall help with the study by giving the commissioner criminal conviction data and reports about the maltreatment of adults substantiated under section 626.557 and the maltreatment of minors in licensed programs

substantiated under section 626.556. If a background study is initiated by an applicant or license holder and the applicant or license holder receives information about the possible criminal or maltreatment history of an individual who is the subject of the background study, the applicant or license holder must immediately provide the information to the commissioner. The individuals to be studied shall include:

- (1) the applicant;
- (2) persons age 13 and over living in the household where the licensed program will be provided;
- (3) current employees or contractors of the applicant who will have direct contact with persons served by the facility, agency, or program;
- (4) volunteers or student volunteers who have direct contact with persons served by the program to provide program services, if the contact is not ~~directly supervised by the individuals~~ under the continuous, direct supervision by an individual listed in clause (1) or (3);
- (5) any person required under section 256B.0627 to have a background study completed under this section;
- (6) persons ages 10 to 12 living in the household where the licensed services will be provided when the commissioner has reasonable cause; and
- (7) persons who, without providing direct contact services at a licensed program, may have unsupervised access to children or vulnerable adults receiving services from the program licensed to provide family child care for children, foster care for children in the provider's own home, or foster care or day care services for adults in the provider's own home when the commissioner has reasonable cause.

(d) According to paragraph (c), clauses (2) and (6), the commissioner shall review records from the juvenile courts. For persons under paragraph (c), clauses (1), (3), (4), (5), and (7), who are ages 13 to 17, the commissioner shall review records from the juvenile courts when the commissioner has reasonable cause. The juvenile courts shall help with the study by giving the commissioner existing juvenile court records on individuals described in paragraph (c), clauses (2), (6), and (7), relating to delinquency proceedings held within either the five years immediately preceding the background study or the five years immediately preceding the individual's 18th birthday, whichever time period is longer. The commissioner shall destroy juvenile records obtained pursuant to this subdivision when the subject of the records reaches age 23.

(e) Beginning August 1, 2001, the commissioner shall conduct all background studies required under this chapter and initiated by supplemental nursing services agencies registered under section 144A.71, subdivision 1. Studies for the agencies must be initiated annually by each agency. The commissioner shall conduct the background studies according to this chapter. The commissioner shall recover the cost of the background studies through a fee of no more than \$8 per study, charged to the supplemental nursing services agency. The fees collected under this paragraph are appropriated to the commissioner for the purpose of conducting background studies.

(f) For purposes of this section, a finding that a delinquency petition is proven in juvenile court shall be considered a conviction in state district court.

(g) A study of an individual in paragraph (c), clauses (1) to (7), shall be conducted at least upon application for initial license for all license types or registration under section 144A.71, subdivision 1, and at reapplication for a license ~~or registration~~ for family child care, child foster care, and adult foster care. The commissioner is not required to conduct a study of an individual at the time of reapplication for a license or if the individual has been continuously affiliated with a foster care provider licensed by the commissioner of human services and registered under chapter 144D, other than a family day care or foster care license, if: (i) a study of the individual was conducted either at the time of initial licensure or when the individual became affiliated with the license holder; (ii) the individual has been continuously affiliated with the license holder since the last study was conducted; and (iii) the procedure described in paragraph (j) has been implemented and was in effect continuously since the last study was conducted. For the

purposes of this section, a physician licensed under chapter 147 is considered to be continuously affiliated upon the license holder's receipt from the commissioner of health or human services of the physician's background study results. For individuals who are required to have background studies under paragraph (c) and who have been continuously affiliated with a foster care provider that is licensed in more than one county, criminal conviction data may be shared among those counties in which the foster care programs are licensed. A county agency's receipt of criminal conviction data from another county agency shall meet the criminal data background study requirements of this section.

(h) The commissioner may also conduct studies on individuals specified in paragraph (c), clauses (3) and (4), when the studies are initiated by:

(i) personnel pool agencies;

(ii) temporary personnel agencies;

(iii) educational programs that train persons by providing direct contact services in licensed programs; and

(iv) professional services agencies that are not licensed and which contract with licensed programs to provide direct contact services or individuals who provide direct contact services.

(i) Studies on individuals in paragraph (h), items (i) to (iv), must be initiated annually by these agencies, programs, and individuals. Except as provided in paragraph (a), clause (3), no applicant, license holder, or individual who is the subject of the study shall pay any fees required to conduct the study.

(1) At the option of the licensed facility, rather than initiating another background study on an individual required to be studied who has indicated to the licensed facility that a background study by the commissioner was previously completed, the facility may make a request to the commissioner for documentation of the individual's background study status, provided that:

(i) the facility makes this request using a form provided by the commissioner;

(ii) in making the request the facility informs the commissioner that either:

(A) the individual has been continuously affiliated with a licensed facility since the individual's previous background study was completed, or since October 1, 1995, whichever is shorter; or

(B) the individual is affiliated only with a personnel pool agency, a temporary personnel agency, an educational program that trains persons by providing direct contact services in licensed programs, or a professional services agency that is not licensed and which contracts with licensed programs to provide direct contact services or individuals who provide direct contact services; and

(iii) the facility provides notices to the individual as required in paragraphs (a) to (j), and that the facility is requesting written notification of the individual's background study status from the commissioner.

(2) The commissioner shall respond to each request under paragraph (1) with a written or electronic notice to the facility and the study subject. If the commissioner determines that a background study is necessary, the study shall be completed without further request from a licensed agency or notifications to the study subject.

(3) When a background study is being initiated by a licensed facility or a foster care provider that is also registered under chapter 144D, a study subject affiliated with multiple licensed facilities may attach to the background study form a cover letter indicating the additional facilities' names, addresses, and background study identification numbers. When the commissioner receives such notices, each facility identified by the background study subject shall be notified of the study results. The background study notice sent to the subsequent agencies shall satisfy those facilities' responsibilities for initiating a background study on that individual.

(j) If an individual who is affiliated with a program or facility regulated by the department of human services or department of health or who is affiliated with any type of home care agency or provider of personal care assistance services, is convicted of a crime constituting a disqualification under subdivision 3d, the probation officer or corrections agent shall notify the commissioner of the conviction. For the purpose of this paragraph, "conviction" has the meaning given it in section 609.02, subdivision 5. The commissioner, in consultation with the commissioner of corrections, shall develop forms and information necessary to implement this paragraph and shall provide the forms and information to the commissioner of corrections for distribution to local probation officers and corrections agents. The commissioner shall inform individuals subject to a background study that criminal convictions for disqualifying crimes will be reported to the commissioner by the corrections system. A probation officer, corrections agent, or corrections agency is not civilly or criminally liable for disclosing or failing to disclose the information required by this paragraph. Upon receipt of disqualifying information, the commissioner shall provide the notifications required in subdivision 3a, as appropriate to agencies on record as having initiated a background study or making a request for documentation of the background study status of the individual. This paragraph does not apply to family day care and child foster care programs.

(k) The individual who is the subject of the study must provide the applicant or license holder with sufficient information to ensure an accurate study including the individual's first, middle, and last name and all other names by which the individual has been known; home address, city, county, and state of residence for the past five years; zip code; sex; date of birth; and driver's license number or state identification number. The applicant or license holder shall provide this information about an individual in paragraph (c), clauses (1) to (7), on forms prescribed by the commissioner. By January 1, 2000, for background studies conducted by the department of human services, the commissioner shall implement a system for the electronic transmission of: (1) background study information to the commissioner; and (2) background study results to the license holder. The commissioner may request additional information of the individual, which shall be optional for the individual to provide, such as the individual's social security number or race.

(l) For programs directly licensed by the commissioner, a study must include information related to names of substantiated perpetrators of maltreatment of vulnerable adults that has been received by the commissioner as required under section 626.557, subdivision 9c, paragraph (i), and the commissioner's records relating to the maltreatment of minors in licensed programs, information from juvenile courts as required in paragraph (c) for persons listed in paragraph (c), clauses (2), (6), and (7), and information from the bureau of criminal apprehension. For child foster care, adult foster care, and family day care homes, the study must include information from the county agency's record of substantiated maltreatment of adults, and the maltreatment of minors, information from juvenile courts as required in paragraph (c) for persons listed in paragraph (c), clauses (2), (6), and (7), and information from the bureau of criminal apprehension. The commissioner may also review arrest and investigative information from the bureau of criminal apprehension, the commissioner of health, a county attorney, county sheriff, county agency, local chief of police, other states, the courts, or the Federal Bureau of Investigation if the commissioner has reasonable cause to believe the information is pertinent to the disqualification of an individual listed in paragraph (c), clauses (1) to (7). The commissioner is not required to conduct more than one review of a subject's records from the Federal Bureau of Investigation if a review of the subject's criminal history with the Federal Bureau of Investigation has already been completed by the commissioner and there has been no break in the subject's affiliation with the license holder who initiated the background study.

(m) When the commissioner has reasonable cause to believe that further pertinent information may exist on the subject, the subject shall provide a set of classifiable fingerprints obtained from an authorized law enforcement agency. For purposes of requiring fingerprints, the commissioner shall be considered to have reasonable cause under, but not limited to, the following circumstances:

- (1) information from the bureau of criminal apprehension indicates that the subject is a multistate offender;
- (2) information from the bureau of criminal apprehension indicates that multistate offender status is undetermined; or
- (3) the commissioner has received a report from the subject or a third party indicating that the subject has a criminal history in a jurisdiction other than Minnesota.

(n) The failure or refusal of an applicant, license holder, or registrant under section 144A.71, subdivision 1, to cooperate with the commissioner is reasonable cause to disqualify a subject, deny a license application or immediately suspend, suspend, or revoke a license or registration. Failure or refusal of an individual to cooperate with the study is just cause for denying or terminating employment of the individual if the individual's failure or refusal to cooperate could cause the applicant's application to be denied or the license holder's license to be immediately suspended, suspended, or revoked.

(o) The commissioner shall not consider an application to be complete until all of the information required to be provided under this subdivision has been received.

(p) No person in paragraph (c), clauses (1) to (7), who is disqualified as a result of this section may be retained by the agency in a position involving direct contact with persons served by the program ~~or in a position allowing and no person in paragraph (c), clauses (2), (6), and (7), or as provided elsewhere in statute who is disqualified as a result of this section may be allowed~~ access to persons served by the program ~~as provided for in statutes~~, unless the commissioner has provided written notice to the agency stating that:

(1) the individual may remain in direct contact during the period in which the individual may request reconsideration as provided in subdivision 3a, paragraph (b), clause (2) or (3);

(2) the individual's disqualification has been set aside for that agency as provided in subdivision 3b, paragraph (b); or

(3) the license holder has been granted a variance for the disqualified individual under subdivision 3e.

(q) Termination of affiliation with persons in paragraph (c), clauses (1) to (7), made in good faith reliance on a notice of disqualification provided by the commissioner shall not subject the applicant or license holder to civil liability.

(r) The commissioner may establish records to fulfill the requirements of this section.

(s) The commissioner may not disqualify an individual subject to a study under this section because that person has, or has had, a mental illness as defined in section 245.462, subdivision 20.

(t) An individual subject to disqualification under this subdivision has the applicable rights in subdivision 3a, 3b, or 3c.

(u) For the purposes of background studies completed by tribal organizations performing licensing activities otherwise required of the commissioner under this chapter, after obtaining consent from the background study subject, tribal licensing agencies shall have access to criminal history data in the same manner as county licensing agencies and private licensing agencies under this chapter.

(v) County agencies shall have access to the criminal history data in the same manner as county licensing agencies under this chapter for purposes of background studies completed by county agencies on legal nonlicensed child care providers to determine eligibility for child care funds under chapter 119B.

Sec. 10. Minnesota Statutes 2001 Supplement, section 245A.04, subdivision 3a, is amended to read:

Subd. 3a. [NOTIFICATION TO SUBJECT AND LICENSE HOLDER OF STUDY RESULTS; DETERMINATION OF RISK OF HARM.] (a) Within 15 working days, the commissioner shall notify the applicant, license holder, or registrant under section 144A.71, subdivision 1, and the individual who is the subject of the study, in writing or by electronic transmission, of the results of the study or that more time is needed to complete the study. When the study is completed, a notice that the study was undertaken and completed shall be maintained in the personnel files of the program. For studies on individuals pertaining to a license to provide family day care or group

family day care, foster care for children in the provider's own home, or foster care or day care services for adults in the provider's own home, the commissioner is not required to provide a separate notice of the background study results to the individual who is the subject of the study unless the study results in a disqualification of the individual.

The commissioner shall notify the individual studied if the information in the study indicates the individual is disqualified from direct contact with persons served by the program. The commissioner shall disclose the information causing disqualification and instructions on how to request a reconsideration of the disqualification to the individual studied. An applicant or license holder who is not the subject of the study shall be informed that the commissioner has found information that disqualifies the subject from direct contact with persons served by the program. However, only the individual studied must be informed of the information contained in the subject's background study unless the basis for the disqualification is failure to cooperate, substantiated maltreatment under section 626.556 or 626.557, the Data Practices Act provides for release of the information, or the individual studied authorizes the release of the information. When a disqualification is based on the subject's failure to cooperate with the background study or substantiated maltreatment under section 626.556 or 626.557, the agency that initiated the study shall be informed by the commissioner of the reason for the disqualification.

(b) Except as provided in subdivision 3d, paragraph (b), if the commissioner determines that the individual studied has a disqualifying characteristic, the commissioner shall review the information immediately available and make a determination as to the subject's immediate risk of harm to persons served by the program where the individual studied will have direct contact. The commissioner shall consider all relevant information available, including the following factors in determining the immediate risk of harm: the recency of the disqualifying characteristic; the recency of discharge from probation for the crimes; the number of disqualifying characteristics; the intrusiveness or violence of the disqualifying characteristic; the vulnerability of the victim involved in the disqualifying characteristic; and the similarity of the victim to the persons served by the program where the individual studied will have direct contact. The commissioner may determine that the evaluation of the information immediately available gives the commissioner reason to believe one of the following:

(1) The individual poses an imminent risk of harm to persons served by the program where the individual studied will have direct contact. If the commissioner determines that an individual studied poses an imminent risk of harm to persons served by the program where the individual studied will have direct contact, the individual and the license holder must be sent a notice of disqualification. The commissioner shall order the license holder to immediately remove the individual studied from direct contact. The notice to the individual studied must include an explanation of the basis of this determination.

(2) The individual poses a risk of harm requiring continuous, direct supervision while providing direct contact services during the period in which the subject may request a reconsideration. If the commissioner determines that an individual studied poses a risk of harm that requires continuous, direct supervision, the individual and the license holder must be sent a notice of disqualification. The commissioner shall order the license holder to immediately remove the individual studied from direct contact services or assure that the individual studied is ~~within sight or hearing~~ under the continuous, direct supervision of another staff person when providing direct contact services during the period in which the individual may request a reconsideration of the disqualification. If the individual studied does not submit a timely request for reconsideration, or the individual submits a timely request for reconsideration, but the disqualification is not set aside for that license holder, the license holder will be notified of the disqualification and ordered to immediately remove the individual from any position allowing direct contact with persons receiving services from the license holder.

(3) The individual does not pose an imminent risk of harm or a risk of harm requiring continuous, direct supervision while providing direct contact services during the period in which the subject may request a reconsideration. If the commissioner determines that an individual studied does not pose a risk of harm that requires continuous, direct supervision, only the individual must be sent a notice of disqualification. The license holder must be sent a notice that more time is needed to complete the individual's background study. If the individual studied submits a timely request for reconsideration, and if the disqualification is set aside for that license holder, the license holder will receive the same notification received by license holders in cases where the individual studied has no disqualifying characteristic. If the individual studied does not submit a timely request for reconsideration, or the

individual submits a timely request for reconsideration, but the disqualification is not set aside for that license holder, the license holder will be notified of the disqualification and ordered to immediately remove the individual from any position allowing direct contact with persons receiving services from the license holder.

(c) County licensing agencies performing duties under this subdivision may develop an alternative system for determining the subject's immediate risk of harm to persons served by the program, providing the notices under paragraph (b), and documenting the action taken by the county licensing agency. Each county licensing agency's implementation of the alternative system is subject to approval by the commissioner. Notwithstanding this alternative system, county licensing agencies shall complete the requirements of paragraph (a).

Sec. 11. Minnesota Statutes 2001 Supplement, section 245A.04, subdivision 3b, is amended to read:

Subd. 3b. [RECONSIDERATION OF DISQUALIFICATION.] (a) The individual who is the subject of the disqualification may request a reconsideration of the disqualification.

The individual must submit the request for reconsideration to the commissioner in writing. A request for reconsideration for an individual who has been sent a notice of disqualification under subdivision 3a, paragraph (b), clause (1) or (2), must be submitted within 30 calendar days of the disqualified individual's receipt of the notice of disqualification. Upon showing that the information in clause (1) or (2) cannot be obtained within 30 days, the disqualified individual may request additional time, not to exceed 30 days, to obtain that information. A request for reconsideration for an individual who has been sent a notice of disqualification under subdivision 3a, paragraph (b), clause (3), must be submitted within 15 calendar days of the disqualified individual's receipt of the notice of disqualification. An individual who was determined to have maltreated a child under section 626.556 or a vulnerable adult under section 626.557, and who was disqualified under this section on the basis of serious or recurring maltreatment, may request reconsideration of both the maltreatment and the disqualification determinations. The request for reconsideration of the maltreatment determination and the disqualification must be submitted within 30 calendar days of the individual's receipt of the notice of disqualification. Removal of a disqualified individual from direct contact shall be ordered if the individual does not request reconsideration within the prescribed time, and for an individual who submits a timely request for reconsideration, if the disqualification is not set aside. The individual must present information showing that:

~~(1) the information the commissioner relied upon in determining that the underlying conduct giving rise to the disqualification occurred, and for maltreatment, that the maltreatment was serious or recurring, is incorrect or inaccurate. If the basis of a reconsideration request is that a maltreatment determination or disposition under section 626.556 or 626.557 is incorrect, and the commissioner has issued a final order in an appeal of that determination or disposition under section 256.045 or 245A.08, subdivision 5, the commissioner's order is conclusive on the issue of maltreatment. If the individual did not request reconsideration of the maltreatment determination, the maltreatment determination is deemed conclusive; or~~

(2) the subject of the study does not pose a risk of harm to any person served by the applicant, license holder, or registrant under section 144A.71, subdivision 1.

(b) The commissioner shall rescind the disqualification if the commissioner finds that the information relied on to disqualify the subject is incorrect. The commissioner may set aside the disqualification under this section if the commissioner finds that the individual does not pose a risk of harm to any person served by the applicant, license holder, or registrant under section 144A.71, subdivision 1. In determining that an individual does not pose a risk of harm, the commissioner shall consider the nature, severity, and consequences of the event or events that lead to disqualification, whether there is more than one disqualifying event, the age and vulnerability of the victim at the time of the event, the harm suffered by the victim, the similarity between the victim and persons served by the program, the time elapsed without a repeat of the same or similar event, documentation of successful completion by the individual studied of training or rehabilitation pertinent to the event, and any other information relevant to reconsideration. In reviewing a disqualification under this section, the commissioner shall give preeminent weight to the safety of each person to be served by the license holder, applicant, or registrant under section 144A.71, subdivision 1, over the interests of the license holder, applicant, or registrant under section 144A.71, subdivision 1.

(c) Unless the information the commissioner relied on in disqualifying an individual is incorrect, the commissioner may not set aside the disqualification of an individual in connection with a license to provide family day care for children, foster care for children in the provider's own home, or foster care or day care services for adults in the provider's own home if:

(1) less than ten years have passed since the discharge of the sentence imposed for the offense; and the individual has been convicted of a violation of any offense listed in sections 609.20 (manslaughter in the first degree), 609.205 (manslaughter in the second degree), criminal vehicular homicide under 609.21 (criminal vehicular homicide and injury), 609.215 (aiding suicide or aiding attempted suicide), felony violations under 609.221 to 609.2231 (assault in the first, second, third, or fourth degree), 609.713 (terroristic threats), 609.235 (use of drugs to injure or to facilitate crime), 609.24 (simple robbery), 609.245 (aggravated robbery), 609.25 (kidnapping), 609.255 (false imprisonment), 609.561 or 609.562 (arson in the first or second degree), 609.71 (riot), burglary in the first or second degree under 609.582 (burglary), 609.66 (dangerous weapon), 609.665 (spring guns), 609.67 (machine guns and short-barreled shotguns), 609.749 (harassment; stalking), 152.021 or 152.022 (controlled substance crime in the first or second degree), 152.023, subdivision 1, clause (3) or (4), or subdivision 2, clause (4) (controlled substance crime in the third degree), 152.024, subdivision 1, clause (2), (3), or (4) (controlled substance crime in the fourth degree), 609.224, subdivision 2, paragraph (c) (fifth-degree assault by a caregiver against a vulnerable adult), 609.228 (great bodily harm caused by distribution of drugs), 609.23 (mistreatment of persons confined), 609.231 (mistreatment of residents or patients), 609.2325 (criminal abuse of a vulnerable adult), 609.233 (criminal neglect of a vulnerable adult), 609.2335 (financial exploitation of a vulnerable adult), 609.234 (failure to report), 609.265 (abduction), 609.2664 to 609.2665 (manslaughter of an unborn child in the first or second degree), 609.267 to 609.2672 (assault of an unborn child in the first, second, or third degree), 609.268 (injury or death of an unborn child in the commission of a crime), 617.293 (disseminating or displaying harmful material to minors), a felony level conviction involving alcohol or drug use, a gross misdemeanor offense under 609.324, subdivision 1 (other prohibited acts), a gross misdemeanor offense under 609.378 (neglect or endangerment of a child), a gross misdemeanor offense under 609.377 (malicious punishment of a child), 609.72, subdivision 3 (disorderly conduct against a vulnerable adult); or an attempt or conspiracy to commit any of these offenses, as each of these offenses is defined in Minnesota Statutes; or an offense in any other state, the elements of which are substantially similar to the elements of any of the foregoing offenses;

(2) regardless of how much time has passed since the involuntary termination of parental rights under section 260C.301 or the discharge of the sentence imposed for the offense, the individual was convicted of a violation of any offense listed in sections 609.185 to 609.195 (murder in the first, second, or third degree), 609.2661 to 609.2663 (murder of an unborn child in the first, second, or third degree), a felony offense under 609.377 (malicious punishment of a child), a felony offense under 609.324, subdivision 1 (other prohibited acts), a felony offense under 609.378 (neglect or endangerment of a child), 609.322 (solicitation, inducement, and promotion of prostitution), 609.342 to 609.345 (criminal sexual conduct in the first, second, third, or fourth degree), 609.352 (solicitation of children to engage in sexual conduct), 617.246 (use of minors in a sexual performance), 617.247 (possession of pictorial representations of a minor), 609.365 (incest), a felony offense under sections 609.2242 and 609.2243 (domestic assault), a felony offense of spousal abuse, a felony offense of child abuse or neglect, a felony offense of a crime against children, or an attempt or conspiracy to commit any of these offenses as defined in Minnesota Statutes, or an offense in any other state, the elements of which are substantially similar to any of the foregoing offenses;

(3) within the seven years preceding the study, the individual committed an act that constitutes maltreatment of a child under section 626.556, subdivision 10e, and that resulted in substantial bodily harm as defined in section 609.02, subdivision 7a, or substantial mental or emotional harm as supported by competent psychological or psychiatric evidence; or

(4) within the seven years preceding the study, the individual was determined under section 626.557 to be the perpetrator of a substantiated incident of maltreatment of a vulnerable adult that resulted in substantial bodily harm as defined in section 609.02, subdivision 7a, or substantial mental or emotional harm as supported by competent psychological or psychiatric evidence.

In the case of any ground for disqualification under clauses (1) to (4), if the act was committed by an individual other than the applicant, license holder, or registrant under section 144A.71, subdivision 1, residing in the applicant's or license holder's home, or the home of a registrant under section 144A.71, subdivision 1, the applicant, license holder, or registrant under section 144A.71, subdivision 1, may seek reconsideration when the individual who committed the act no longer resides in the home.

The disqualification periods provided under clauses (1), (3), and (4) are the minimum applicable disqualification periods. The commissioner may determine that an individual should continue to be disqualified from licensure or registration under section 144A.71, subdivision 1, because the license holder, applicant, or registrant under section 144A.71, subdivision 1, poses a risk of harm to a person served by that individual after the minimum disqualification period has passed.

(d) The commissioner shall respond in writing or by electronic transmission to all reconsideration requests for which the basis for the request is that the information relied upon by the commissioner to disqualify is incorrect or inaccurate within 30 working days of receipt of a request and all relevant information. If the basis for the request is that the individual does not pose a risk of harm, the commissioner shall respond to the request within 15 working days after receiving the request for reconsideration and all relevant information. If the request is based on both the correctness or accuracy of the information relied on to disqualify the individual and the risk of harm, the commissioner shall respond to the request within 45 working days after receiving the request for reconsideration and all relevant information. If the disqualification is set aside, the commissioner shall notify the applicant or license holder in writing or by electronic transmission of the decision.

(e) Except as provided in subdivision 3c, if a disqualification for which reconsideration was requested is not set aside or is not rescinded, an individual who was disqualified on the basis of a preponderance of evidence that the individual committed an act or acts that meet the definition of any of the crimes lists listed in subdivision 3d, paragraph (a), clauses (1) to (4); or for failure to make required reports under section 626.556, subdivision 3, or 626.557, subdivision 3, pursuant to subdivision 3d, paragraph (a), clause (4), may request a fair hearing under section 256.045. ~~Except as provided under subdivision 3c, the commissioner's final order for an individual under this paragraph is conclusive on the issue of maltreatment and disqualification, including for purposes of subsequent studies conducted under subdivision 3, and fair hearing is the only administrative appeal of the final agency determination, specifically, including a challenge to the accuracy and completeness of data under section 13.04.~~

(f) Except as provided under subdivision 3c, if an individual was disqualified on the basis of a determination of maltreatment under section 626.556 or 626.557, which was serious or recurring, and the individual has requested reconsideration of the maltreatment determination under section 626.556, subdivision 10i, or 626.557, subdivision 9d, and also requested reconsideration of the disqualification under this subdivision, reconsideration of the maltreatment determination and reconsideration of the disqualification shall be consolidated into a single reconsideration. For maltreatment and disqualification determinations made by county agencies, the consolidated reconsideration shall be conducted by the county agency. If the county agency has disqualified an individual on multiple bases, one of which is a county maltreatment determination for which the individual has a right to request reconsideration, the county shall conduct the reconsideration of all disqualifications. Except as provided under subdivision 3c, if an individual who was disqualified on the basis of serious or recurring maltreatment requests a fair hearing on the maltreatment determination under section 626.556, subdivision 10i, or 626.557, subdivision 9d, and requests a fair hearing on the disqualification, which has not been set aside or rescinded under this subdivision, the scope of the fair hearing under section 256.045 shall include the maltreatment determination and the disqualification. ~~Except as provided under subdivision 3c, the commissioner's final order for an individual under this paragraph is conclusive on the issue of maltreatment and disqualification, including for purposes of subsequent studies conducted under subdivision 3, and a fair hearing is the only administrative appeal of the final agency determination, specifically, including a challenge to the accuracy and completeness of data under section 13.04.~~

Sec. 12. Minnesota Statutes 2000, section 245A.04, is amended by adding a subdivision to read:

Subd. 3f. [CONCLUSIVE DETERMINATIONS OR DISPOSITIONS.] Unless otherwise specified in statute, the following determinations or dispositions are deemed conclusive:

(1) a maltreatment determination or disposition under section 626.556 or 626.557, if:

(i) the commissioner has issued a final order in an appeal of that determination or disposition under section 245A.08, subdivision 5, or 256.045;

(ii) the individual did not request reconsideration of the maltreatment determination or disposition under section 626.556 or 626.557; or

(iii) the individual did not request a hearing of the maltreatment determination or disposition under section 256.045; and

(2) a determination that the information relied upon to disqualify an individual under subdivision 3d, was correct based on serious or recurring maltreatment; or

(3) a preponderance of evidence shows that the individual committed an act or acts that meet the definition of any of the crimes listed in subdivision 3d, paragraph (a), clauses (1) to (4); or the individual's failure to make required reports under section 626.556, subdivision 3, or 626.557, subdivision 3, if:

(i) the commissioner has issued a final order in an appeal of that determination under section 245A.08, subdivision 5, or 256.045, or a court has issued a final decision;

(ii) the individual did not request reconsideration of the disqualification under this section; or

(iii) the individual did not request a hearing on the disqualification under section 256.045.

Sec. 13. Minnesota Statutes 2001 Supplement, section 245A.07, subdivision 2a, is amended to read:

Subd. 2a. [IMMEDIATE SUSPENSION EXPEDITED HEARING.] (a) Within five working days of receipt of the license holder's timely appeal, the commissioner shall request assignment of an administrative law judge. The request must include a proposed date, time, and place of a hearing. A hearing must be conducted by an administrative law judge within 30 calendar days of the request for assignment, unless an extension is requested by either party and granted by the administrative law judge for good cause. The commissioner shall issue a notice of hearing by certified mail at least ten working days before the hearing. The scope of the hearing shall be limited solely to the issue of whether the temporary immediate suspension should remain in effect pending the commissioner's final order under section 245A.08, regarding a licensing sanction issued under subdivision 3 following the immediate suspension. The burden of proof in expedited hearings under this subdivision shall be limited to the commissioner's demonstration that reasonable cause exists to believe that the license holder's actions or failure to comply with applicable law or rule poses an imminent risk of harm to the health, safety, or rights of persons served by the program.

(b) The administrative law judge shall issue findings of fact, conclusions, and a recommendation within ten working days from the date of hearing. The commissioner's final order shall be issued within ten working days from receipt of the recommendation of the administrative law judge. Within 90 calendar days after a final order affirming an immediate suspension, the commissioner shall make a determination regarding whether a final licensing sanction shall be issued under subdivision 3. The license holder shall continue to be prohibited from operation of the program during this 90-day period.

(c) When the final order under paragraph (b) affirms an immediate suspension, and a final licensing sanction is issued under subdivision 3, and the license holder appeals that sanction, the license holder continues to be prohibited from operation of the program pending a final commissioner's order under section 245A.08, subdivision 5, regarding the final licensing sanction.

Sec. 14. Minnesota Statutes 2001 Supplement, section 245A.07, subdivision 3, is amended to read:

Subd. 3. [LICENSE SUSPENSION, REVOCATION, OR FINE.] The commissioner may suspend or revoke a license, or impose a fine if a license holder fails to comply fully with applicable laws or rules, or knowingly withholds relevant information from or gives false or misleading information to the commissioner in connection with

an application for a license, in connection with the background study status of an individual, or during an investigation. A license holder who has had a license suspended, revoked, or has been ordered to pay a fine must be given notice of the action by certified mail. The notice must be mailed to the address shown on the application or the last known address of the license holder. The notice must state the reasons the license was suspended, revoked, or a fine was ordered.

(a) If the license was suspended or revoked, the notice must inform the license holder of the right to a contested case hearing under chapter 14 and Minnesota Rules, parts 1400.8510 to 1400.8612 and successor rules. The license holder may appeal an order suspending or revoking a license. The appeal of an order suspending or revoking a license must be made in writing by certified mail and must be received by the commissioner within ten calendar days after the license holder receives notice that the license has been suspended or revoked. Except as provided in subdivision 2a, paragraph (c), a timely appeal of an order suspending or revoking a license shall stay the suspension or revocation until the commissioner issues a final order.

(b)(1) If the license holder was ordered to pay a fine, the notice must inform the license holder of the responsibility for payment of fines and the right to a contested case hearing under chapter 14 and Minnesota Rules, parts 1400.8510 to 1400.8612 and successor rules. The appeal of an order to pay a fine must be made in writing by certified mail and must be received by the commissioner within ten calendar days after the license holder receives notice that the fine has been ordered.

(2) The license holder shall pay the fines assessed on or before the payment date specified. If the license holder fails to fully comply with the order, the commissioner may issue a second fine or suspend the license until the license holder complies. If the license holder receives state funds, the state, county, or municipal agencies or departments responsible for administering the funds shall withhold payments and recover any payments made while the license is suspended for failure to pay a fine. A timely appeal shall stay payment of the fine until the commissioner issues a final order.

(3) A license holder shall promptly notify the commissioner of human services, in writing, when a violation specified in the order to forfeit a fine is corrected. If upon reinspection the commissioner determines that a violation has not been corrected as indicated by the order to forfeit a fine, the commissioner may issue a second fine. The commissioner shall notify the license holder by certified mail that a second fine has been assessed. The license holder may appeal the second fine as provided under this subdivision.

(4) Fines shall be assessed as follows: the license holder shall forfeit \$1,000 for each determination of maltreatment of a child under section 626.556 or the maltreatment of a vulnerable adult under section 626.557; the license holder shall forfeit \$200 for each occurrence of a violation of law or rule governing matters of health, safety, or supervision, including but not limited to the provision of adequate staff-to-child or adult ratios, and failure to submit a background study; and the license holder shall forfeit \$100 for each occurrence of a violation of law or rule other than those subject to a \$1,000 or \$200 fine above. For purposes of this section, "occurrence" means each violation identified in the commissioner's fine order.

(5) When a fine has been assessed, the license holder may not avoid payment by closing, selling, or otherwise transferring the licensed program to a third party. In such an event, the license holder will be personally liable for payment. In the case of a corporation, each controlling individual is personally and jointly liable for payment.

Sec. 15. [245A.085] [CONSOLIDATION OF HEARINGS; RECONSIDERATION.]

Hearings authorized under this chapter and sections 256.045, 626.556, and 626.557, shall be consolidated if feasible and in accordance with other applicable statutes and rules. Reconsideration under sections 245A.04, subdivision 3c; 626.556, subdivision 10i; and 626.557, subdivision 9d, shall also be consolidated if feasible.

Sec. 16. Minnesota Statutes 2001 Supplement, section 245A.144, is amended to read:

245A.144 [REDUCTION OF RISK OF SUDDEN INFANT DEATH SYNDROME IN CHILD CARE PROGRAMS.]

License holders must ensure that before staff persons, caregivers, and helpers assist in the care of infants, they receive training on reducing the risk of sudden infant death syndrome. The training on reducing the risk of sudden infant death syndrome may be provided as orientation training under Minnesota Rules, part 9503.0035, subpart 1, as initial training under Minnesota Rules, part 9502.0385, subpart 2, as in-service training under Minnesota Rules, part 9503.0035, subpart 4, or as ongoing training under Minnesota Rules, part 9502.0385, subpart 3. Training required under this section must be at least one hour in length and must be completed at least once every five years. At a minimum, the training must address the risk factors related to sudden infant death syndrome, means of reducing the risk of sudden infant death syndrome in child care, and license holder communication with parents regarding reducing the risk of sudden infant death syndrome. Training for family and group family child care providers must be approved by the county licensing agency according to Minnesota Rules, part 9502.0385.

Sec. 17. [245A.151] [FIRE MARSHAL INSPECTION.]

When licensure under this chapter requires an inspection by a fire marshal to determine compliance with the Minnesota Uniform Fire Code under section 299F.011, a local fire code inspector approved by the state fire marshal may conduct the inspection. If a community does not have a local fire code inspector or if the local fire code inspector does not perform the inspection, the state fire marshal must conduct the inspection. A local fire code inspector or the state fire marshal may recover the cost of these inspections through a fee of no more than \$50 per inspection charged to the applicant or license holder. The fees collected by the state fire marshal under this section are appropriated to the commissioner of public safety for the purpose of conducting the inspections.

Sec. 18. Minnesota Statutes 2001 Supplement, section 245A.16, subdivision 1, is amended to read:

Subdivision 1. [DELEGATION OF AUTHORITY TO AGENCIES.] (a) County agencies and private agencies that have been designated or licensed by the commissioner to perform licensing functions and activities under section 245A.04, to recommend denial of applicants under section 245A.05, to issue correction orders, to issue variances, and recommend a conditional license under section 245A.06, or to recommend suspending or revoking a license or issuing a fine under section 245A.07, shall comply with rules and directives of the commissioner governing those functions and with this section. The following variances are excluded from the delegation of variance authority and may be issued only by the commissioner:

(1) dual licensure of family child care and child foster care, dual licensure of child and adult foster care, and adult foster care and family child care;

(2) adult foster care maximum capacity;

(3) adult foster care minimum age requirement;

(4) child foster care maximum age requirement;

(5) variances regarding disqualified individuals except that county agencies may issue variances under section 245A.04, subdivision 3e, regarding disqualified individuals when the county is responsible for conducting a consolidated reconsideration according to section 245A.04, subdivision 3b, paragraph (f), of a county maltreatment determination and a disqualification based on serious or recurring maltreatment; and

(6) the required presence of a caregiver in the adult foster care residence during normal sleeping hours.

(b) County agencies must report information about disqualification reconsiderations under section 245A.04, subdivision 3b, paragraph (f), and variances granted under paragraph (a), clause (5), to the commissioner at least monthly in a format prescribed by the commissioner.

(c) For family day care programs, the commissioner may authorize licensing reviews every two years after a licensee has had at least one annual review.

Sec. 19. Minnesota Statutes 2001 Supplement, section 256.045, subdivision 3b, is amended to read:

Subd. 3b. [STANDARD OF EVIDENCE FOR MALTREATMENT AND DISQUALIFICATION HEARINGS.]

(a) The state human services referee shall determine that maltreatment has occurred if a preponderance of evidence exists to support the final disposition under sections 626.556 and 626.557. For purposes of hearings regarding disqualification, the state human services referee shall affirm the proposed disqualification in an appeal under subdivision 3, paragraph (a), clause (9), if a preponderance of the evidence shows the individual has:

(1) committed maltreatment under section 626.556 or 626.557, which is serious or recurring;

(2) committed an act or acts meeting the definition of any of the crimes listed in section 245A.04, subdivision 3d, paragraph (a), clauses (1) to (4); or

(3) failed to make required reports under section 626.556 or 626.557, for incidents in which:

(i) the final disposition under section 626.556 or 626.557 was substantiated maltreatment; ~~and~~

~~(ii) the maltreatment was recurring or serious; or substantiated serious or recurring maltreatment of a minor under section 626.556 or of a vulnerable adult under section 626.557 for which there is a preponderance of evidence that the maltreatment occurred, and that the subject was responsible for the maltreatment that was serious or recurring.~~

(b) If the disqualification is affirmed, the state human services referee shall determine whether the individual poses a risk of harm in accordance with the requirements of section 245A.04, subdivision 3b.

(c) The state human services referee shall recommend an order to the commissioner of health, children, families, and learning, or human services, as applicable, who shall issue a final order. The commissioner shall affirm, reverse, or modify the final disposition. Any order of the commissioner issued in accordance with this subdivision is conclusive upon the parties unless appeal is taken in the manner provided in subdivision 7. ~~Except as provided under section 245A.04, subdivisions 3b, paragraphs (e) and (f), and 3c,~~ In any licensing appeal under chapter 245A and sections 144.50 to 144.58 and 144A.02 to 144A.46, the commissioner's determination as to maltreatment is conclusive, as provided under section 245A.04, subdivision 3f.

Sec. 20. Minnesota Statutes 2001 Supplement, section 256.045, subdivision 4, is amended to read:

Subd. 4. [CONDUCT OF HEARINGS.] (a) All hearings held pursuant to subdivision 3, 3a, 3b, or 4a shall be conducted according to the provisions of the federal Social Security Act and the regulations implemented in accordance with that act to enable this state to qualify for federal grants-in-aid, and according to the rules and written policies of the commissioner of human services. County agencies shall install equipment necessary to conduct telephone hearings. A state human services referee may schedule a telephone conference hearing when the distance or time required to travel to the county agency offices will cause a delay in the issuance of an order, or to promote efficiency, or at the mutual request of the parties. Hearings may be conducted by telephone conferences unless the applicant, recipient, former recipient, person, or facility contesting maltreatment objects. The hearing shall not be held earlier than five days after filing of the required notice with the county or state agency. The state human services referee shall notify all interested persons of the time, date, and location of the hearing at least five days before the date of the hearing. Interested persons may be represented by legal counsel or other representative of their choice, including a provider of therapy services, at the hearing and may appear personally, testify and offer evidence, and examine and cross-examine witnesses. The applicant, recipient, former recipient, person, or facility contesting maltreatment shall have the opportunity to examine the contents of the case file and all documents and records to be used by the county or state agency at the hearing at a reasonable time before the date of the hearing and during the hearing. In hearings under subdivision 3, paragraph (a), clauses (4), (8), and (9), either party may subpoena the private data relating to the investigation prepared by the agency under section 626.556 or 626.557 that is not otherwise accessible under section 13.04, provided the identity of the reporter may not be disclosed.

(b) The private data obtained by subpoena in a hearing under subdivision 3, paragraph (a), clause (4), (8), or (9), must be subject to a protective order which prohibits its disclosure for any other purpose outside the hearing provided for in this section without prior order of the district court. Disclosure without court order is punishable by a sentence of not more than 90 days imprisonment or a fine of not more than \$700, or both. These restrictions on the use of private data do not prohibit access to the data under section 13.03, subdivision 6. Except for appeals under subdivision 3, paragraph (a), clauses (4), (5), (8), and (9), upon request, the county agency shall provide reimbursement for transportation, child care, photocopying, medical assessment, witness fee, and other necessary and reasonable costs incurred by the applicant, recipient, or former recipient in connection with the appeal. All evidence, except that privileged by law, commonly accepted by reasonable people in the conduct of their affairs as having probative value with respect to the issues shall be submitted at the hearing and such hearing shall not be "a contested case" within the meaning of section 14.02, subdivision 3. The agency must present its evidence prior to or at the hearing, and may not submit evidence after the hearing except by agreement of the parties at the hearing, provided the petitioner has the opportunity to respond.

(c) In hearings under subdivision 3, paragraph (a), clauses (4), (8), and (9), involving determinations of maltreatment or disqualification made by more than one county agency, by a county agency and a state agency, or by more than one state agency, the hearings may be consolidated into a single fair hearing upon the consent of all parties and the state human services referee.

Sec. 21. Minnesota Statutes 2001 Supplement, section 626.556, subdivision 10i, is amended to read:

Subd. 10i. [ADMINISTRATIVE RECONSIDERATION OF FINAL DETERMINATION OF MALTREATMENT AND DISQUALIFICATION BASED ON SERIOUS OR RECURRING MALTREATMENT; REVIEW PANEL.]

(a) Except as provided under paragraph (e), an individual or facility that the commissioner of human services, a local social service agency, or the commissioner of children, families, and learning determines has maltreated a child, an interested person acting on behalf of the child, regardless of the determination, who contests the investigating agency's final determination regarding maltreatment, may request the investigating agency to reconsider its final determination regarding maltreatment. The request for reconsideration must be submitted in writing to the investigating agency within 15 calendar days after receipt of notice of the final determination regarding maltreatment or, if the request is made by an interested person who is not entitled to notice, within 15 days after receipt of the notice by the parent or guardian of the child. Effective January 1, 2002, an individual who was determined to have maltreated a child under this section and who was disqualified on the basis of serious or recurring maltreatment under section 245A.04, subdivision 3d, may request reconsideration of the maltreatment determination and the disqualification. The request for reconsideration of the maltreatment determination and the disqualification must be submitted within 30 calendar days of the individual's receipt of the notice of disqualification under section 245A.04, subdivision 3a.

(b) Except as provided under paragraphs (e) and (f), if the investigating agency denies the request or fails to act upon the request within 15 calendar days after receiving the request for reconsideration, the person or facility entitled to a fair hearing under section 256.045 may submit to the commissioner of human services or the commissioner of children, families, and learning a written request for a hearing under that section. Section 256.045 also governs hearings requested to contest a final determination of the commissioner of children, families, and learning. For reports involving maltreatment of a child in a facility, an interested person acting on behalf of the child may request a review by the child maltreatment review panel under section 256.022 if the investigating agency denies the request or fails to act upon the request or if the interested person contests a reconsidered determination. The investigating agency shall notify persons who request reconsideration of their rights under this paragraph. The request must be submitted in writing to the review panel and a copy sent to the investigating agency within 30 calendar days of receipt of notice of a denial of a request for reconsideration or of a reconsidered determination. The request must specifically identify the aspects of the agency determination with which the person is dissatisfied.

(c) If, as a result of a reconsideration or review, the investigating agency changes the final determination of maltreatment, that agency shall notify the parties specified in subdivisions 10b, 10d, and 10f.

(d) Except as provided under paragraph (f), if an individual or facility contests the investigating agency's final determination regarding maltreatment by requesting a fair hearing under section 256.045, the commissioner of human services shall assure that the hearing is conducted and a decision is reached within 90 days of receipt of the request for a hearing. The time for action on the decision may be extended for as many days as the hearing is postponed or the record is held open for the benefit of either party.

(e) Effective January 1, 2002, if an individual was disqualified under section 245A.04, subdivision 3d, on the basis of a determination of maltreatment, which was serious or recurring, and the individual has requested reconsideration of the maltreatment determination under paragraph (a) and requested reconsideration of the disqualification under section 245A.04, subdivision 3b, reconsideration of the maltreatment determination and reconsideration of the disqualification shall be consolidated into a single reconsideration. If reconsideration of the maltreatment determination is denied or the disqualification is not set aside or rescinded under section 245A.04, subdivision 3b, the individual may request a fair hearing under section 256.045. If an individual ~~disqualified on the basis of a determination of maltreatment, which was serious or recurring~~ requests a fair hearing ~~under paragraph (b) on the maltreatment determination and the disqualification~~, the scope of the fair hearing shall include both the maltreatment determination and the disqualification.

(f) Effective January 1, 2002, if a maltreatment determination or a disqualification based on serious or recurring maltreatment is the basis for a denial of a license under section 245A.05 or a licensing sanction under section 245A.07, the license holder has the right to a contested case hearing under chapter 14 and Minnesota Rules, parts 1400.8510 to 1400.8612 and successor rules. As provided for under section 245A.08, subdivision 2a, the scope of the contested case hearing shall include the maltreatment determination, disqualification, and licensing sanction or denial of a license. In such cases, a fair hearing regarding the maltreatment determination shall not be conducted under paragraph (b). If the disqualified subject is an individual other than the license holder and upon whom a background study must be conducted under section 245A.04, subdivision 3, the hearings of all parties may be consolidated into a single contested case hearing upon consent of all parties and the administrative law judge.

(g) For purposes of this subdivision, "interested person acting on behalf of the child" means a parent or legal guardian; stepparent; grandparent; guardian ad litem; adult stepbrother, stepsister, or sibling; or adult aunt or uncle; unless the person has been determined to be the perpetrator of the maltreatment.

Sec. 22. Minnesota Statutes 2000, section 626.557, subdivision 3a, is amended to read:

Subd. 3a. [REPORT NOT REQUIRED.] The following events are not required to be reported under this section:

(a) A circumstance where federal law specifically prohibits a person from disclosing patient identifying information in connection with a report of suspected maltreatment, unless the vulnerable adult, or the vulnerable adult's guardian, conservator, or legal representative, has consented to disclosure in a manner which conforms to federal requirements. Facilities whose patients or residents are covered by such a federal law shall seek consent to the disclosure of suspected maltreatment from each patient or resident, or a guardian, conservator, or legal representative, upon the patient's or resident's admission to the facility. Persons who are prohibited by federal law from reporting an incident of suspected maltreatment shall immediately seek consent to make a report.

(b) Verbal or physical aggression occurring between patients, residents, or clients of a facility, or self-abusive behavior by these persons does not constitute abuse unless the behavior causes serious harm. The operator of the facility or a designee shall record incidents of aggression and self-abusive behavior to facilitate review by licensing agencies and county and local welfare agencies.

(c) Accidents as defined in section 626.5572, subdivision 3.

(d) Events occurring in a facility that result from an individual's ~~single mistake~~ error in the provision of therapeutic conduct to a vulnerable adult, as ~~defined~~ provided in section 626.5572, subdivision 17, paragraph (c), clause (4).

(e) Nothing in this section shall be construed to require a report of financial exploitation, as defined in section 626.5572, subdivision 9, solely on the basis of the transfer of money or property by gift or as compensation for services rendered.

Sec. 23. Minnesota Statutes 2001 Supplement, section 626.557, subdivision 9d, is amended to read:

Subd. 9d. [ADMINISTRATIVE RECONSIDERATION OF FINAL DISPOSITION OF MALTREATMENT AND DISQUALIFICATION BASED ON SERIOUS OR RECURRING MALTREATMENT; REVIEW PANEL.] (a) Except as provided under paragraph (e), any individual or facility which a lead agency determines has maltreated a vulnerable adult, or the vulnerable adult or an interested person acting on behalf of the vulnerable adult, regardless of the lead agency's determination, who contests the lead agency's final disposition of an allegation of maltreatment, may request the lead agency to reconsider its final disposition. The request for reconsideration must be submitted in writing to the lead agency within 15 calendar days after receipt of notice of final disposition or, if the request is made by an interested person who is not entitled to notice, within 15 days after receipt of the notice by the vulnerable adult or the vulnerable adult's legal guardian. An individual who was determined to have maltreated a vulnerable adult under this section and who was disqualified on the basis of serious or recurring maltreatment under section 245A.04, subdivision 3d, may request reconsideration of the maltreatment determination and the disqualification. The request for reconsideration of the maltreatment determination and the disqualification must be submitted within 30 calendar days of the individual's receipt of the notice of disqualification under section 245A.04, subdivision 3a.

(b) Except as provided under paragraphs (e) and (f), if the lead agency denies the request or fails to act upon the request within 15 calendar days after receiving the request for reconsideration, the person or facility entitled to a fair hearing under section 256.045, may submit to the commissioner of human services a written request for a hearing under that statute. The vulnerable adult, or an interested person acting on behalf of the vulnerable adult, may request a review by the vulnerable adult maltreatment review panel under section 256.021 if the lead agency denies the request or fails to act upon the request, or if the vulnerable adult or interested person contests a reconsidered disposition. The lead agency shall notify persons who request reconsideration of their rights under this paragraph. The request must be submitted in writing to the review panel and a copy sent to the lead agency within 30 calendar days of receipt of notice of a denial of a request for reconsideration or of a reconsidered disposition. The request must specifically identify the aspects of the agency determination with which the person is dissatisfied.

(c) If, as a result of a reconsideration or review, the lead agency changes the final disposition, it shall notify the parties specified in subdivision 9c, paragraph (d).

(d) For purposes of this subdivision, "interested person acting on behalf of the vulnerable adult" means a person designated in writing by the vulnerable adult to act on behalf of the vulnerable adult, or a legal guardian or conservator or other legal representative, a proxy or health care agent appointed under chapter 145B or 145C, or an individual who is related to the vulnerable adult, as defined in section 245A.02, subdivision 13.

(e) If an individual was disqualified under section 245A.04, subdivision 3d, on the basis of a determination of maltreatment, which was serious or recurring, and the individual has requested reconsideration of the maltreatment determination under paragraph (a) and reconsideration of the disqualification under section 245A.04, subdivision 3b, reconsideration of the maltreatment determination and requested reconsideration of the disqualification shall be consolidated into a single reconsideration. If reconsideration of the maltreatment determination is denied or if the disqualification is not set aside or rescinded under section 245A.04, subdivision 3b, the individual may request a fair hearing under section 256.045. If an individual ~~who was disqualified on the basis of serious or recurring maltreatment~~ requests a fair hearing under paragraph (b) on the maltreatment determination and the disqualification, the scope of the fair hearing shall include both the maltreatment determination and the disqualification.

(f) If a maltreatment determination or a disqualification based on serious or recurring maltreatment is the basis for a denial of a license under section 245A.05 or a licensing sanction under section 245A.07, the license holder has the right to a contested case hearing under chapter 14 and Minnesota Rules, parts 1400.8510 to 1400.8612 and successor rules. As provided for under section 245A.08, the scope of the contested case hearing shall include the

maltreatment determination, disqualification, and licensing sanction or denial of a license. In such cases, a fair hearing shall not be conducted under paragraph (b). If the disqualified subject is an individual other than the license holder and upon whom a background study must be conducted under section 245A.04, subdivision 3, the hearings of all parties may be consolidated into a single contested case hearing upon consent of all parties and the administrative law judge.

(g) Until August 1, 2002, an individual or facility that was determined by the commissioner of human services or the commissioner of health to be responsible for neglect under section 626.5572, subdivision 17, after October 1, 1995, and before August 1, 2001, that believes that the finding of neglect does not meet an amended definition of neglect may request a reconsideration of the determination of neglect. The commissioner of human services or the commissioner of health shall mail a notice to the last known address of individuals who are eligible to seek this reconsideration. The request for reconsideration must state how the established findings no longer meet the elements of the definition of neglect. The commissioner shall review the request for reconsideration and make a determination within 15 calendar days. The commissioner's decision on this reconsideration is the final agency action.

(1) For purposes of compliance with the data destruction schedule under subdivision 12b, paragraph (d), when a finding of substantiated maltreatment has been changed as a result of a reconsideration under this paragraph, the date of the original finding of a substantiated maltreatment must be used to calculate the destruction date.

(2) For purposes of any background studies under section 245A.04, when a determination of substantiated maltreatment has been changed as a result of a reconsideration under this paragraph, any prior disqualification of the individual under section 245A.04 that was based on this determination of maltreatment shall be rescinded, and for future background studies under section 245A.04 the commissioner must not use the previous determination of substantiated maltreatment as a basis for disqualification or as a basis for referring the individual's maltreatment history to a health-related licensing board under section 245A.04, subdivision 3d, paragraph (b).

ARTICLE 2

CONTINUING CARE AND HEALTH CARE

Section 1. Minnesota Statutes 2001 Supplement, section 144A.071, subdivision 1a, is amended to read:

Subd. 1a. [DEFINITIONS.] For purposes of sections 144A.071 to 144A.073, the following terms have the meanings given them:

(a) "Attached fixtures" has the meaning given in Minnesota Rules, part 9549.0020, subpart 6.

(b) "Buildings" has the meaning given in Minnesota Rules, part 9549.0020, subpart 7.

(c) "Capital assets" has the meaning given in section 256B.421, subdivision 16.

(d) "Commenced construction" means that all of the following conditions were met: the final working drawings and specifications were approved by the commissioner of health; the construction contracts were let; a timely construction schedule was developed, stipulating dates for beginning, achieving various stages, and completing construction; and all zoning and building permits were applied for.

(e) "Completion date" means the date on which a certificate of occupancy is issued for a construction project, or if a certificate of occupancy is not required, the date on which the construction project is available for facility use.

(f) "Construction" means any erection, building, alteration, reconstruction, modernization, or improvement necessary to comply with the nursing home licensure rules.

(g) "Construction project" means:

(1) a capital asset addition to, or replacement of a nursing home or certified boarding care home that results in new space or the remodeling of or renovations to existing facility space;

(2) the remodeling or renovation of existing facility space the use of which is modified as a result of the project described in clause (1). This existing space and the project described in clause (1) must be used for the functions as designated on the construction plans on completion of the project described in clause (1) for a period of not less than 24 months; or

(3) capital asset additions or replacements that are completed within 12 months before or after the completion date of the project described in clause (1).

(h) "New licensed" or "new certified beds" means:

(1) newly constructed beds in a facility or the construction of a new facility that would increase the total number of licensed nursing home beds or certified boarding care or nursing home beds in the state; or

(2) newly licensed nursing home beds or newly certified boarding care or nursing home beds that result from remodeling of the facility that involves relocation of beds but does not result in an increase in the total number of beds, except when the project involves the upgrade of boarding care beds to nursing home beds, as defined in section 144A.073, subdivision 1. "Remodeling" includes any of the type of conversion, renovation, replacement, or upgrading projects as defined in section 144A.073, subdivision 1.

(i) "Project construction costs" means the cost of the facility capital asset additions, replacements, renovations, or remodeling projects, construction site preparation costs, and related soft costs. Project construction costs include the cost of any remodeling or renovation of existing facility space which is modified as a result of the construction project. Project construction costs also includes the cost of new technology implemented as part of the construction project. Project construction costs also include the cost of new technology implemented as part of the construction project and depreciable equipment directly identified to the project. Any new technology and depreciable equipment included in the project construction costs shall, at the written election of the facility, be included in the facility's appraised value for purposes of Minnesota Rules, part 9549.0020, subpart 5, and debt incurred for its purchase shall be included as allowable debt for purposes of Minnesota Rules, part 9549.0060, subpart 5, items A and C. Any new technology and depreciable equipment included in the project construction costs that the facility elects not to include in its appraised value and allowable debt shall be treated as provided in section 256B.431, subdivision 17, paragraph (b). Written election under this paragraph must be included in the facility's request for the rate change related to the project, and this election may not be changed.

(j) "Technology" means information systems or devices that make documentation, charting, and staff time more efficient or encourage and allow for care through alternative settings including, but not limited to, touch screens, monitors, hand-helds, swipe cards, motion detectors, pagers, telemedicine, medication dispensers, and equipment to monitor vital signs and self-injections, and to observe skin and other conditions.

Sec. 2. Minnesota Statutes 2001 Supplement, section 144A.36, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] "Eligible nursing home" means any nursing home licensed under sections 144A.01 to 144A.155 ~~and or any boarding care facility~~, certified by the appropriate authority under United States Code, title 42, sections 1396-1396p, to participate as a vendor in the medical assistance program established under chapter 256B.

Sec. 3. Minnesota Statutes 2000, section 144D.01, subdivision 4, is amended to read:

Subd. 4. [HOUSING WITH SERVICES ESTABLISHMENT OR ESTABLISHMENT.] (a) "Housing with services establishment" or "establishment" means:

(1) an establishment providing sleeping accommodations to one or more adult residents, at least 80 percent of which are 55 years of age or older, and offering or providing, for a fee, one or more regularly scheduled health-related services or two or more regularly scheduled supportive services, whether offered or provided directly by the establishment or by another entity arranged for by the establishment; or

(2) an establishment that registers under section 144D.025.

(b) Housing with services establishment does not include:

- (1) a nursing home licensed under chapter 144A;
- (2) a hospital, certified boarding care home, or supervised living facility licensed under sections 144.50 to 144.56;
- (3) a board and lodging establishment licensed under chapter 157 and Minnesota Rules, parts 9520.0500 to 9520.0670, 9525.0215 to 9525.0355, 9525.0500 to 9525.0660, or 9530.4100 to 9530.4450, or under chapter 245B;
- (4) a board and lodging establishment which serves as a shelter for battered women or other similar purpose;
- (5) a family adult foster care home licensed by the department of human services;
- (6) private homes in which the residents are related by kinship, law, or affinity with the providers of services;
- (7) residential settings for persons with mental retardation or related conditions in which the services are licensed under Minnesota Rules, parts 9525.2100 to 9525.2140, or applicable successor rules or laws;
- (8) a home-sharing arrangement such as when an elderly or disabled person or single-parent family makes lodging in a private residence available to another person in exchange for services or rent, or both;
- (9) a duly organized condominium, cooperative, common interest community, or owners' association of the foregoing where at least 80 percent of the units that comprise the condominium, cooperative, or common interest community are occupied by individuals who are the owners, members, or shareholders of the units; or
- (10) services for persons with developmental disabilities that are provided under a license according to Minnesota Rules, parts 9525.2000 to 9525.2140 in effect until January 1, 1998, or under chapter 245B.

Sec. 4. [144D.025] [OPTIONAL REGISTRATION.]

An establishment that meets all the requirements of this chapter except that fewer than 80 percent of the adult residents are age 55 or older may, at its option, register as a housing with services establishment.

Sec. 5. Minnesota Statutes 2000, section 245.462, subdivision 4, is amended to read:

Subd. 4. [CASE MANAGEMENT SERVICE PROVIDER.] (a) "Case management service provider" means a case manager or case manager associate employed by the county or other entity authorized by the county board to provide case management services specified in section 245.4711.

(b) A case manager must:

- (1) be skilled in the process of identifying and assessing a wide range of client needs;
- (2) be knowledgeable about local community resources and how to use those resources for the benefit of the client;

(3) have a bachelor's degree in one of the behavioral sciences or related fields including, but not limited to, social work, psychology, or nursing from an accredited college or university or meet the requirements of paragraph (c); and

(4) meet the supervision and continuing education requirements described in paragraphs (d), (e), and (f), as applicable.

(c) Case managers without a bachelor's degree must meet one of the requirements in clauses (1) to (3):

(1) have three or four years of experience as a case manager associate as defined in this section;

(2) be a registered nurse without a bachelor's degree and have a combination of specialized training in psychiatry and work experience consisting of community interaction and involvement or community discharge planning in a mental health setting totaling three years; or

(3) be a person who qualified as a case manager under the 1998 department of human service waiver provision and meet the continuing education and mentoring requirements in this section.

(d) A case manager with at least 2,000 hours of supervised experience in the delivery of services to adults with mental illness must receive regular ongoing supervision and clinical supervision totaling 38 hours per year of which at least one hour per month must be clinical supervision regarding individual service delivery with a case management supervisor. The remaining 26 hours of supervision may be provided by a case manager with two years of experience. Group supervision may not constitute more than one-half of the required supervision hours. Clinical supervision must be documented in the client record.

(e) A case manager without 2,000 hours of supervised experience in the delivery of services to adults with mental illness must:

(1) receive clinical supervision regarding individual service delivery from a mental health professional at least one hour per week until the requirement of 2,000 hours of experience is met; and

(2) complete 40 hours of training approved by the commissioner in case management skills and the characteristics and needs of adults with serious and persistent mental illness.

(f) A case manager who is not licensed, registered, or certified by a health-related licensing board must receive 30 hours of continuing education and training in mental illness and mental health services ~~annually~~ every two years.

(g) A case manager associate (CMA) must:

(1) work under the direction of a case manager or case management supervisor;

(2) be at least 21 years of age;

(3) have at least a high school diploma or its equivalent; and

(4) meet one of the following criteria:

(i) have an associate of arts degree in one of the behavioral sciences or human services;

(ii) be a registered nurse without a bachelor's degree;

(iii) within the previous ten years, have three years of life experience with serious and persistent mental illness as defined in section 245.462, subdivision 20; or as a child had severe emotional disturbance as defined in section 245.4871, subdivision 6; or have three years life experience as a primary caregiver to an adult with serious and persistent mental illness within the previous ten years;

- (iv) have 6,000 hours work experience as a nondegreed state hospital technician; or
- (v) be a mental health practitioner as defined in section 245.462, subdivision 17, clause (2).

Individuals meeting one of the criteria in items (i) to (iv), may qualify as a case manager after four years of supervised work experience as a case manager associate. Individuals meeting the criteria in item (v), may qualify as a case manager after three years of supervised experience as a case manager associate.

(h) A case management associate must meet the following supervision, mentoring, and continuing education requirements:

- (1) have 40 hours of preservice training described under paragraph (e), clause (2);
- (2) receive at least 40 hours of continuing education in mental illness and mental health services annually; and
- (3) receive at least five hours of mentoring per week from a case management mentor.

A "case management mentor" means a qualified, practicing case manager or case management supervisor who teaches or advises and provides intensive training and clinical supervision to one or more case manager associates. Mentoring may occur while providing direct services to consumers in the office or in the field and may be provided to individuals or groups of case manager associates. At least two mentoring hours per week must be individual and face-to-face.

(i) A case management supervisor must meet the criteria for mental health professionals, as specified in section 245.462, subdivision 18.

(j) An immigrant who does not have the qualifications specified in this subdivision may provide case management services to adult immigrants with serious and persistent mental illness who are members of the same ethnic group as the case manager if the person:

- (1) is currently enrolled in and is actively pursuing credits toward the completion of a bachelor's degree in one of the behavioral sciences or a related field including, but not limited to, social work, psychology, or nursing from an accredited college or university;
- (2) completes 40 hours of training as specified in this subdivision; and
- (3) receives clinical supervision at least once a week until the requirements of this subdivision are met.

Sec. 6. Minnesota Statutes 2000, section 245.4871, subdivision 4, is amended to read:

Subd. 4. [CASE MANAGEMENT SERVICE PROVIDER.] (a) "Case management service provider" means a case manager or case manager associate employed by the county or other entity authorized by the county board to provide case management services specified in subdivision 3 for the child with severe emotional disturbance and the child's family.

(b) A case manager must:

- (1) have experience and training in working with children;
- (2) have at least a bachelor's degree in one of the behavioral sciences or a related field including, but not limited to, social work, psychology, or nursing from an accredited college or university or meet the requirements of paragraph (d);
- (3) have experience and training in identifying and assessing a wide range of children's needs;

(4) be knowledgeable about local community resources and how to use those resources for the benefit of children and their families; and

(5) meet the supervision and continuing education requirements of paragraphs (e), (f), and (g), as applicable.

(c) A case manager may be a member of any professional discipline that is part of the local system of care for children established by the county board.

(d) A case manager without a bachelor's degree must meet one of the requirements in clauses (1) to (3):

(1) have three or four years of experience as a case manager associate;

(2) be a registered nurse without a bachelor's degree who has a combination of specialized training in psychiatry and work experience consisting of community interaction and involvement or community discharge planning in a mental health setting totaling three years; or

(3) be a person who qualified as a case manager under the 1998 department of human services waiver provision and meets the continuing education, supervision, and mentoring requirements in this section.

(e) A case manager with at least 2,000 hours of supervised experience in the delivery of mental health services to children must receive regular ongoing supervision and clinical supervision totaling 38 hours per year, of which at least one hour per month must be clinical supervision regarding individual service delivery with a case management supervisor. The other 26 hours of supervision may be provided by a case manager with two years of experience. Group supervision may not constitute more than one-half of the required supervision hours.

(f) A case manager without 2,000 hours of supervised experience in the delivery of mental health services to children with emotional disturbance must:

(1) begin 40 hours of training approved by the commissioner of human services in case management skills and in the characteristics and needs of children with severe emotional disturbance before beginning to provide case management services; and

(2) receive clinical supervision regarding individual service delivery from a mental health professional at least one hour each week until the requirement of 2,000 hours of experience is met.

(g) A case manager who is not licensed, registered, or certified by a health-related licensing board must receive 30 hours of continuing education and training in severe emotional disturbance and mental health services ~~annually~~ every two years.

(h) Clinical supervision must be documented in the child's record. When the case manager is not a mental health professional, the county board must provide or contract for needed clinical supervision.

(i) The county board must ensure that the case manager has the freedom to access and coordinate the services within the local system of care that are needed by the child.

(j) A case manager associate (CMA) must:

(1) work under the direction of a case manager or case management supervisor;

(2) be at least 21 years of age;

(3) have at least a high school diploma or its equivalent; and

(4) meet one of the following criteria:

- (i) have an associate of arts degree in one of the behavioral sciences or human services;
- (ii) be a registered nurse without a bachelor's degree;
- (iii) have three years of life experience as a primary caregiver to a child with serious emotional disturbance as defined in section 245.4871, subdivision 6, within the previous ten years;
- (iv) have 6,000 hours work experience as a nondegreed state hospital technician; or
- (v) be a mental health practitioner as defined in subdivision 26, clause (2).

Individuals meeting one of the criteria in items (i) to (iv) may qualify as a case manager after four years of supervised work experience as a case manager associate. Individuals meeting the criteria in item (v) may qualify as a case manager after three years of supervised experience as a case manager associate.

(k) Case manager associates must meet the following supervision, mentoring, and continuing education requirements;

- (1) have 40 hours of preservice training described under paragraph (f), clause (1);
- (2) receive at least 40 hours of continuing education in severe emotional disturbance and mental health service annually; and
- (3) receive at least five hours of mentoring per week from a case management mentor. A "case management mentor" means a qualified, practicing case manager or case management supervisor who teaches or advises and provides intensive training and clinical supervision to one or more case manager associates. Mentoring may occur while providing direct services to consumers in the office or in the field and may be provided to individuals or groups of case manager associates. At least two mentoring hours per week must be individual and face-to-face.

(l) A case management supervisor must meet the criteria for a mental health professional as specified in section 245.4871, subdivision 27.

(m) An immigrant who does not have the qualifications specified in this subdivision may provide case management services to child immigrants with severe emotional disturbance of the same ethnic group as the immigrant if the person:

- (1) is currently enrolled in and is actively pursuing credits toward the completion of a bachelor's degree in one of the behavioral sciences or related fields at an accredited college or university;
- (2) completes 40 hours of training as specified in this subdivision; and
- (3) receives clinical supervision at least once a week until the requirements of obtaining a bachelor's degree and 2,000 hours of supervised experience are met.

Sec. 7. Minnesota Statutes 2000, section 245.50, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given them.

- (a) "Bordering state" means Iowa, North Dakota, South Dakota, or Wisconsin.
- (b) "Receiving agency or facility" means a public or private hospital, mental health center, or other person or organization authorized by a state to provide which provides mental health services under this section to individuals from a state other than the state in which the agency is located.

(c) "Receiving state" means the state in which a receiving agency is located.

(d) "Sending agency" means a state or county agency which sends an individual to a bordering state for treatment under this section.

(e) "Sending state" means the state in which the sending agency is located.

Sec. 8. Minnesota Statutes 2000, section 245.50, subdivision 2, is amended to read:

Subd. 2. [PURPOSE AND AUTHORITY.] (a) The purpose of this section is to enable appropriate treatment to be provided to individuals, across state lines from the individual's state of residence, in qualified facilities that are closer to the homes of individuals than are facilities available in the individual's home state.

(b) Unless prohibited by another law and subject to the exceptions listed in subdivision 3, a county board or the commissioner of human services may contract with an agency or facility in a bordering state for mental health services for residents of Minnesota, and a Minnesota mental health agency or facility may contract to provide services to residents of bordering states. Except as provided in subdivision 5, a person who receives services in another state under this section is subject to the laws of the state in which services are provided. A person who will receive services in another state under this section must be informed of the consequences of receiving services in another state, including the implications of the differences in state laws, to the extent the individual will be subject to the laws of the receiving state.

Sec. 9. Minnesota Statutes 2000, section 245.50, subdivision 5, is amended to read:

Subd. 5. [SPECIAL CONTRACTS; WISCONSIN BORDERING STATES.] ~~The commissioner of the Minnesota department of human services must enter into negotiations with appropriate personnel at the Wisconsin department of health and social services and must develop an agreement that conforms to the requirements of subdivision 4, to enable the placement in Minnesota of patients who are on emergency holds or who have been involuntarily committed as mentally ill or chemically dependent in Wisconsin and to enable the temporary placement in Wisconsin of patients who are on emergency holds in Minnesota under section 253B.05, provided that the Minnesota courts retain jurisdiction over Minnesota patients, and the state of Wisconsin affords to Minnesota patients the rights under Minnesota law. Persons committed by the Wisconsin courts and placed in Minnesota facilities shall continue to be in the legal custody of Wisconsin and Wisconsin's laws governing length of commitment, reexaminations, and extension of commitment shall continue to apply to these residents. In all other respects, Wisconsin residents placed in Minnesota facilities are subject to Minnesota laws. The agreement must specify that responsibility for payment for the cost of care of Wisconsin residents shall remain with the state of Wisconsin and the cost of care of Minnesota residents shall remain with the state of Minnesota. The commissioner shall be assisted by attorneys from the Minnesota attorney general's office in negotiating and finalizing this agreement. The agreement shall be completed so as to permit placement of Wisconsin residents in Minnesota facilities and Minnesota residents in Wisconsin facilities beginning July 1, 1994.~~ (a) An individual who is detained, committed, or placed on an involuntary basis under chapter 253B may be confined or treated in a bordering state pursuant to a contract under this section. An individual who is detained, committed, or placed on an involuntary basis under the civil law of a bordering state may be confined or treated in Minnesota pursuant to a contract under this section. A peace or health officer who is acting under the authority of the sending state may transport an individual to a receiving agency that provides services pursuant to a contract under this section and may transport the individual back to the sending state under the laws of the sending state. Court orders valid under the law of the sending state are granted recognition and reciprocity in the receiving state for individuals covered by a contract under this section to the extent that the court orders relate to confinement for treatment or care of mental illness. Such treatment or care may address other conditions that may be co-occurring with the mental illness. These court orders are not subject to legal challenge in the courts of the receiving state. Individuals who are detained, committed, or placed under the law of a sending state and who are transferred to a receiving state under this section continue to be in the legal custody of the authority responsible for them under the law of the sending state. Except in emergencies, those individuals may not be transferred, removed, or furloughed from a receiving agency without the specific approval of the authority responsible for them under the law of the sending state.

(b) While in the receiving state pursuant to a contract under this section, an individual shall be subject to the sending state's laws and rules relating to length of confinement, reexaminations, and extensions of confinement. No individual may be sent to another state pursuant to a contract under this section until the receiving state has enacted a law recognizing the validity and applicability of this section.

(c) If an individual receiving services pursuant to a contract under this section leaves the receiving agency without permission and the individual is subject to involuntary confinement under the law of the sending state, the receiving agency shall use all reasonable means to return the individual to the receiving agency. The receiving agency shall immediately report the absence to the sending agency. The receiving state has the primary responsibility for, and the authority to direct, the return of these individuals within its borders and is liable for the cost of the action to the extent that it would be liable for costs of its own resident.

(d) Responsibility for payment for the cost of care remains with the sending agency.

(e) This subdivision also applies to county contracts under subdivision 2 which include emergency care and treatment provided to a county resident in a bordering state.

Sec. 10. Minnesota Statutes 2001 Supplement, section 256.01, subdivision 2, as amended by Laws 2002, chapter 220, article 15, section 4, is amended to read:

Subd. 2. [SPECIFIC POWERS.] Subject to the provisions of section 241.021, subdivision 2, the commissioner of human services shall:

(1) Administer and supervise all forms of public assistance provided for by state law and other welfare activities or services as are vested in the commissioner. Administration and supervision of human services activities or services includes, but is not limited to, assuring timely and accurate distribution of benefits, completeness of service, and quality program management. In addition to administering and supervising human services activities vested by law in the department, the commissioner shall have the authority to:

(a) require county agency participation in training and technical assistance programs to promote compliance with statutes, rules, federal laws, regulations, and policies governing human services;

(b) monitor, on an ongoing basis, the performance of county agencies in the operation and administration of human services, enforce compliance with statutes, rules, federal laws, regulations, and policies governing welfare services and promote excellence of administration and program operation;

(c) develop a quality control program or other monitoring program to review county performance and accuracy of benefit determinations;

(d) require county agencies to make an adjustment to the public assistance benefits issued to any individual consistent with federal law and regulation and state law and rule and to issue or recover benefits as appropriate;

(e) delay or deny payment of all or part of the state and federal share of benefits and administrative reimbursement according to the procedures set forth in section 256.017;

(f) make contracts with and grants to public and private agencies and organizations, both profit and nonprofit, and individuals, using appropriated funds; and

(g) enter into contractual agreements with federally recognized Indian tribes with a reservation in Minnesota to the extent necessary for the tribe to operate a federally approved family assistance program or any other program under the supervision of the commissioner. The commissioner shall consult with the affected county or counties in the contractual agreement negotiations, if the county or counties wish to be included, in order to avoid the duplication of county and tribal assistance program services. The commissioner may establish necessary accounts for the purposes of receiving and disbursing funds as necessary for the operation of the programs.

(2) Inform county agencies, on a timely basis, of changes in statute, rule, federal law, regulation, and policy necessary to county agency administration of the programs.

(3) Administer and supervise all child welfare activities; promote the enforcement of laws protecting handicapped, dependent, neglected and delinquent children, and children born to mothers who were not married to the children's fathers at the times of the conception nor at the births of the children; license and supervise child-caring and child-placing agencies and institutions; supervise the care of children in boarding and foster homes or in private institutions; and generally perform all functions relating to the field of child welfare now vested in the state board of control.

(4) Administer and supervise all noninstitutional service to handicapped persons, including those who are visually impaired, hearing impaired, or physically impaired or otherwise handicapped. The commissioner may provide and contract for the care and treatment of qualified indigent children in facilities other than those located and available at state hospitals when it is not feasible to provide the service in state hospitals.

(5) Assist and actively cooperate with other departments, agencies and institutions, local, state, and federal, by performing services in conformity with the purposes of Laws 1939, chapter 431.

(6) Act as the agent of and cooperate with the federal government in matters of mutual concern relative to and in conformity with the provisions of Laws 1939, chapter 431, including the administration of any federal funds granted to the state to aid in the performance of any functions of the commissioner as specified in Laws 1939, chapter 431, and including the promulgation of rules making uniformly available medical care benefits to all recipients of public assistance, at such times as the federal government increases its participation in assistance expenditures for medical care to recipients of public assistance, the cost thereof to be borne in the same proportion as are grants of aid to said recipients.

(7) Establish and maintain any administrative units reasonably necessary for the performance of administrative functions common to all divisions of the department.

(8) Act as designated guardian of both the estate and the person of all the wards of the state of Minnesota, whether by operation of law or by an order of court, without any further act or proceeding whatever, except as to persons committed as mentally retarded. For children under the guardianship of the commissioner whose interests would be best served by adoptive placement, the commissioner may contract with a licensed child-placing agency or a Minnesota tribal social services agency to provide adoption services. A contract with a licensed child-placing agency must be designed to supplement existing county efforts and may not replace existing county programs, unless the replacement is agreed to by the county board and the appropriate exclusive bargaining representative or the commissioner has evidence that child placements of the county continue to be substantially below that of other counties. Funds encumbered and obligated under an agreement for a specific child shall remain available until the terms of the agreement are fulfilled or the agreement is terminated.

(9) Act as coordinating referral and informational center on requests for service for newly arrived immigrants coming to Minnesota.

(10) The specific enumeration of powers and duties as hereinabove set forth shall in no way be construed to be a limitation upon the general transfer of powers herein contained.

(11) Establish county, regional, or statewide schedules of maximum fees and charges which may be paid by county agencies for medical, dental, surgical, hospital, nursing and nursing home care and medicine and medical supplies under all programs of medical care provided by the state and for congregate living care under the income maintenance programs.

(12) Have the authority to conduct and administer experimental projects to test methods and procedures of administering assistance and services to recipients or potential recipients of public welfare. To carry out such experimental projects, it is further provided that the commissioner of human services is authorized to waive the

enforcement of existing specific statutory program requirements, rules, and standards in one or more counties. The order establishing the waiver shall provide alternative methods and procedures of administration, shall not be in conflict with the basic purposes, coverage, or benefits provided by law, and in no event shall the duration of a project exceed four years. It is further provided that no order establishing an experimental project as authorized by the provisions of this section shall become effective until the following conditions have been met:

(a) The secretary of health and human services of the United States has agreed, for the same project, to waive state plan requirements relative to statewide uniformity.

(b) A comprehensive plan, including estimated project costs, shall be approved by the legislative advisory commission and filed with the commissioner of administration.

(13) According to federal requirements, establish procedures to be followed by local welfare boards in creating citizen advisory committees, including procedures for selection of committee members.

(14) Allocate federal fiscal disallowances or sanctions which are based on quality control error rates for the aid to families with dependent children program formerly codified in sections 256.72 to 256.87, medical assistance, or food stamp program in the following manner:

(a) One-half of the total amount of the disallowance shall be borne by the county boards responsible for administering the programs. For the medical assistance and the AFDC program formerly codified in sections 256.72 to 256.87, disallowances shall be shared by each county board in the same proportion as that county's expenditures for the sanctioned program are to the total of all counties' expenditures for the AFDC program formerly codified in sections 256.72 to 256.87, and medical assistance programs. For the food stamp program, sanctions shall be shared by each county board, with 50 percent of the sanction being distributed to each county in the same proportion as that county's administrative costs for food stamps are to the total of all food stamp administrative costs for all counties, and 50 percent of the sanctions being distributed to each county in the same proportion as that county's value of food stamp benefits issued are to the total of all benefits issued for all counties. Each county shall pay its share of the disallowance to the state of Minnesota. When a county fails to pay the amount due hereunder, the commissioner may deduct the amount from reimbursement otherwise due the county, or the attorney general, upon the request of the commissioner, may institute civil action to recover the amount due.

(b) Notwithstanding the provisions of paragraph (a), if the disallowance results from knowing noncompliance by one or more counties with a specific program instruction, and that knowing noncompliance is a matter of official county board record, the commissioner may require payment or recover from the county or counties, in the manner prescribed in paragraph (a), an amount equal to the portion of the total disallowance which resulted from the noncompliance, and may distribute the balance of the disallowance according to paragraph (a).

(15) Develop and implement special projects that maximize reimbursements and result in the recovery of money to the state. For the purpose of recovering state money, the commissioner may enter into contracts with third parties. Any recoveries that result from projects or contracts entered into under this paragraph shall be deposited in the state treasury and credited to a special account until the balance in the account reaches \$1,000,000. When the balance in the account exceeds \$1,000,000, the excess shall be transferred and credited to the general fund. All money in the account is appropriated to the commissioner for the purposes of this paragraph.

(16) Have the authority to make direct payments to facilities providing shelter to women and their children according to section 256D.05, subdivision 3. Upon the written request of a shelter facility that has been denied payments under section 256D.05, subdivision 3, the commissioner shall review all relevant evidence and make a determination within 30 days of the request for review regarding issuance of direct payments to the shelter facility. Failure to act within 30 days shall be considered a determination not to issue direct payments.

(17) Have the authority to establish and enforce the following county reporting requirements:

(a) The commissioner shall establish fiscal and statistical reporting requirements necessary to account for the expenditure of funds allocated to counties for human services programs. When establishing financial and statistical reporting requirements, the commissioner shall evaluate all reports, in consultation with the counties, to determine if the reports can be simplified or the number of reports can be reduced.

(b) The county board shall submit monthly or quarterly reports to the department as required by the commissioner. Monthly reports are due no later than 15 working days after the end of the month. Quarterly reports are due no later than 30 calendar days after the end of the quarter, unless the commissioner determines that the deadline must be shortened to 20 calendar days to avoid jeopardizing compliance with federal deadlines or risking a loss of federal funding. Only reports that are complete, legible, and in the required format shall be accepted by the commissioner.

(c) If the required reports are not received by the deadlines established in clause (b), the commissioner may delay payments and withhold funds from the county board until the next reporting period. When the report is needed to account for the use of federal funds and the late report results in a reduction in federal funding, the commissioner shall withhold from the county boards with late reports an amount equal to the reduction in federal funding until full federal funding is received.

(d) A county board that submits reports that are late, illegible, incomplete, or not in the required format for two out of three consecutive reporting periods is considered noncompliant. When a county board is found to be noncompliant, the commissioner shall notify the county board of the reason the county board is considered noncompliant and request that the county board develop a corrective action plan stating how the county board plans to correct the problem. The corrective action plan must be submitted to the commissioner within 45 days after the date the county board received notice of noncompliance.

(e) The final deadline for fiscal reports or amendments to fiscal reports is one year after the date the report was originally due. If the commissioner does not receive a report by the final deadline, the county board forfeits the funding associated with the report for that reporting period and the county board must repay any funds associated with the report received for that reporting period.

(f) The commissioner may not delay payments, withhold funds, or require repayment under paragraph (c) or (e) if the county demonstrates that the commissioner failed to provide appropriate forms, guidelines, and technical assistance to enable the county to comply with the requirements. If the county board disagrees with an action taken by the commissioner under paragraph (c) or (e), the county board may appeal the action according to sections 14.57 to 14.69.

(g) Counties subject to withholding of funds under paragraph (c) or forfeiture or repayment of funds under paragraph (e) shall not reduce or withhold benefits or services to clients to cover costs incurred due to actions taken by the commissioner under paragraph (c) or (e).

(18) Allocate federal fiscal disallowances or sanctions for audit exceptions when federal fiscal disallowances or sanctions are based on a statewide random sample for the foster care program under title IV-E of the Social Security Act, United States Code, title 42, in direct proportion to each county's title IV-E foster care maintenance claim for that period.

(19) Be responsible for ensuring the detection, prevention, investigation, and resolution of fraudulent activities or behavior by applicants, recipients, and other participants in the human services programs administered by the department.

(20) Require county agencies to identify overpayments, establish claims, and utilize all available and cost-beneficial methodologies to collect and recover these overpayments in the human services programs administered by the department.

(21) Have the authority to administer a drug rebate program for drugs purchased pursuant to the prescription drug program established under section 256.955 after the beneficiary's satisfaction of any deductible established in the program. The commissioner shall require a rebate agreement from all manufacturers of covered drugs as defined in section 256B.0625, subdivision 13. Rebate agreements for prescription drugs delivered on or after July 1, 2002, must include rebates for individuals covered under the prescription drug program who are under 65 years of age. For each drug, the amount of the rebate shall be equal to the basic rebate as defined for purposes of the federal rebate program in United States Code, title 42, section 1396r-8(c)(1). This basic rebate shall be applied to single-source and multiple-source drugs. The manufacturers must provide full payment within 30 days of receipt of the state invoice for the rebate within the terms and conditions used for the federal rebate program established pursuant to section 1927 of title XIX of the Social Security Act. The manufacturers must provide the commissioner with any information necessary to verify the rebate determined per drug. The rebate program shall utilize the terms and conditions used for the federal rebate program established pursuant to section 1927 of title XIX of the Social Security Act.

(22) Have the authority to administer the federal drug rebate program for drugs purchased under the medical assistance program as allowed by section 1927 of title XIX of the Social Security Act and according to the terms and conditions of section 1927. Rebates shall be collected for all drugs that have been dispensed or administered in an outpatient setting and that are from manufacturers who have signed a rebate agreement with the United States Department of Health and Human Services.

(23) Have the authority to administer a supplemental drug rebate program for drugs purchased under the medical assistance program ~~and under the prescription drug program established in section 256.955~~. The commissioner may enter into supplemental rebate contracts with pharmaceutical manufacturers and may require prior authorization for drugs that are from manufacturers that have not signed a supplemental rebate contract. Prior authorization of drugs shall be subject to the provisions of section 256B.0625, subdivision 13, ~~paragraph (b)~~.

(24) Operate the department's communication systems account established in Laws 1993, First Special Session chapter 1, article 1, section 2, subdivision 2, to manage shared communication costs necessary for the operation of the programs the commissioner supervises. A communications account may also be established for each regional treatment center which operates communications systems. Each account must be used to manage shared communication costs necessary for the operations of the programs the commissioner supervises. The commissioner may distribute the costs of operating and maintaining communication systems to participants in a manner that reflects actual usage. Costs may include acquisition, licensing, insurance, maintenance, repair, staff time and other costs as determined by the commissioner. Nonprofit organizations and state, county, and local government agencies involved in the operation of programs the commissioner supervises may participate in the use of the department's communications technology and share in the cost of operation. The commissioner may accept on behalf of the state any gift, bequest, devise or personal property of any kind, or money tendered to the state for any lawful purpose pertaining to the communication activities of the department. Any money received for this purpose must be deposited in the department's communication systems accounts. Money collected by the commissioner for the use of communication systems must be deposited in the state communication systems account and is appropriated to the commissioner for purposes of this section.

(25) Receive any federal matching money that is made available through the medical assistance program for the consumer satisfaction survey. Any federal money received for the survey is appropriated to the commissioner for this purpose. The commissioner may expend the federal money received for the consumer satisfaction survey in either year of the biennium.

(26) Incorporate cost reimbursement claims from First Call Minnesota and Greater Twin Cities United Way into the federal cost reimbursement claiming processes of the department according to federal law, rule, and regulations. Any reimbursement received is appropriated to the commissioner and shall be disbursed to First Call Minnesota and Greater Twin Cities United Way according to normal department payment schedules.

(27) Develop recommended standards for foster care homes that address the components of specialized therapeutic services to be provided by foster care homes with those services.

Sec. 11. Minnesota Statutes 2000, section 256.01, is amended by adding a subdivision to read:

Subd. 20. [RYAN WHITE COMPREHENSIVE AIDS RESOURCES EMERGENCY ACT.] The commissioner shall act as the designated state agent for carrying out responsibilities required under Title II of the federal Ryan White Comprehensive AIDS Resources Emergency (CARE) Act. These responsibilities include:

- (1) coordinating statewide HIV/AIDS needs assessment activities;
- (2) developing the state's plan to meet identified health and support service needs of people living with HIV/AIDS;
- (3) administering federal funds designed to provide comprehensive health and support services to persons living with HIV/AIDS;
- (4) administering federal funds designated for the AIDS drug assistance program (ADAP);
- (5) collecting rebates from pharmaceutical manufacturers on drugs purchased with federal ADAP funds; and
- (6) utilizing ADAP rebate funds in accordance with guidelines of the federal Health Resources and Services Administration.

Rebates collected under this subdivision shall be deposited into the ADAP account in the special revenue fund and are appropriated to the commissioner for purposes of this subdivision.

Sec. 12. Minnesota Statutes 2000, section 256.9657, subdivision 1, as amended by Laws 2002, chapter 220, article 14, section 5, is amended to read:

Subdivision 1. [NURSING HOME LICENSE SURCHARGE.] (a) Effective July 1, 1993, each non-state-operated nursing home licensed under chapter 144A shall pay to the commissioner an annual surcharge according to the schedule in subdivision 4. The surcharge shall be calculated as \$620 per licensed bed. If the number of licensed beds is reduced, the surcharge shall be based on the number of remaining licensed beds the second month following the receipt of timely notice by the commissioner of human services that beds have been delicensed. The nursing home must notify the commissioner of health in writing when beds are delicensed. The commissioner of health must notify the commissioner of human services within ten working days after receiving written notification. If the notification is received by the commissioner of human services by the 15th of the month, the invoice for the second following month must be reduced to recognize the delicensing of beds. Beds on layaway status continue to be subject to the surcharge. The commissioner of human services must acknowledge a medical care surcharge appeal within 30 days of receipt of the written appeal from the provider.

(b) Effective July 1, 1994, the surcharge in paragraph (a) shall be increased to \$625.

(c) Effective August 15, 2003, the surcharge under paragraph (b) shall be increased by an amount necessary to ensure a net gain to the general fund of \$9,620,000 during fiscal year 2004 as a result of:

- (1) the total transfers anticipated during the fiscal year ending June 30, 2004, under section 256B.19, subdivision 1d, paragraph (c);
- (2) the county nursing home payment adjustments under section 256B.431, subdivision 23, paragraph (c);
- (3) the surcharges under this paragraph; and
- (4) the nursing facility rate increases under section 256B.431, subdivision 37.

The increase under this paragraph shall not exceed \$365 per bed.

(d) Effective August 15, 2004, the surcharge under paragraph (c) shall be equal to an amount necessary to ensure a net gain to the general fund each fiscal year of \$10,228,000 as a result of:

- (1) the total transfers anticipated during the fiscal year under section 256B.19, subdivision 1d, paragraph (c);
- (2) the county nursing home payment adjustments under section 256B.431, subdivision 23, paragraph (c);
- (3) the surcharges under this paragraph; and
- (4) the nursing facility rate increases under section 256B.431, subdivision 37.

The surcharge under this paragraph shall not exceed \$365 per bed.

(e) Between April 1, 2002, and August 15, 2003, a facility governed by this subdivision may elect to assume full participation in the medical assistance program by agreeing to comply with all of the requirements of the medical assistance program, including the rate equalization law in section 256B.48, subdivision 1, paragraph (a), and all other requirements established in law or rule, and to begin intake of new medical assistance recipients. Rates will be determined under Minnesota Rules, parts 9549.0010 to 9549.0080. Notwithstanding section 256B.431, subdivision 27, paragraph (i), rate calculations will be subject to limits as prescribed in rule and law. Other than the adjustments in sections 256B.431, subdivisions 30 and 32; 256B.437, subdivision 3, paragraph (b), Minnesota Rules, part 9549.0057, and any other applicable legislation enacted prior to the finalization of rates, facilities assuming full participation in medical assistance under this paragraph are not eligible for any rate adjustments until the July 1 following their settle-up period.

[EFFECTIVE DATE.] This section is effective April 1, 2002.

Sec. 13. Minnesota Statutes 2001 Supplement, section 256B.0625, subdivision 13, as amended by Laws 2002, chapter 220, article 15, section 13, is amended to read:

Subd. 13. [DRUGS.] (a) Medical assistance covers drugs, except for fertility drugs when specifically used to enhance fertility, if prescribed by a licensed practitioner and dispensed by a licensed pharmacist, by a physician enrolled in the medical assistance program as a dispensing physician, or by a physician or a nurse practitioner employed by or under contract with a community health board as defined in section 145A.02, subdivision 5, for the purposes of communicable disease control. The commissioner, after receiving recommendations from professional medical associations and professional pharmacist associations, shall designate a formulary committee to advise the commissioner on the names of drugs for which payment is made, recommend a system for reimbursing providers on a set fee or charge basis rather than the present system, and develop methods encouraging use of generic drugs when they are less expensive and equally effective as trademark drugs. The formulary committee shall consist of nine members, four of whom shall be physicians who are not employed by the department of human services, and a majority of whose practice is for persons paying privately or through health insurance, three of whom shall be pharmacists who are not employed by the department of human services, and a majority of whose practice is for persons paying privately or through health insurance, a consumer representative, and a nursing home representative. Committee members shall serve three-year terms and shall serve without compensation. Members may be reappointed once.

(b) The commissioner shall establish a drug formulary. Its establishment and publication shall not be subject to the requirements of the Administrative Procedure Act, but the formulary committee shall review and comment on the formulary contents.

The formulary shall not include:

- (i) drugs or products for which there is no federal funding;
- (ii) over-the-counter drugs, except for antacids, acetaminophen, family planning products, aspirin, insulin, products for the treatment of lice, vitamins for adults with documented vitamin deficiencies, vitamins for children under the age of seven and pregnant or nursing women, and any other over-the-counter drug identified by the

commissioner, in consultation with the drug formulary committee, as necessary, appropriate, and cost-effective for the treatment of certain specified chronic diseases, conditions or disorders, and this determination shall not be subject to the requirements of chapter 14;

(iii) anorectics, except that medically necessary anorectics shall be covered for a recipient previously diagnosed as having pickwickian syndrome and currently diagnosed as having diabetes and being morbidly obese;

(iv) drugs for which medical value has not been established; and

(v) drugs from manufacturers who have not signed a rebate agreement with the Department of Health and Human Services pursuant to section 1927 of title XIX of the Social Security Act.

The commissioner shall publish conditions for prohibiting payment for specific drugs after considering the formulary committee's recommendations. An honorarium of \$100 per meeting and reimbursement for mileage shall be paid to each committee member in attendance.

(c) The basis for determining the amount of payment shall be the lower of the actual acquisition costs of the drugs plus a fixed dispensing fee; the maximum allowable cost set by the federal government or by the commissioner plus the fixed dispensing fee; or the usual and customary price charged to the public. The pharmacy dispensing fee shall be \$3.65, except that the dispensing fee for intravenous solutions which must be compounded by the pharmacist shall be \$8 per bag, \$14 per bag for cancer chemotherapy products, and \$30 per bag for total parenteral nutritional products dispensed in one liter quantities, or \$44 per bag for total parenteral nutritional products dispensed in quantities greater than one liter. Actual acquisition cost includes quantity and other special discounts except time and cash discounts. The actual acquisition cost of a drug shall be estimated by the commissioner, at average wholesale price minus nine percent, except that where a drug has had its wholesale price reduced as a result of the actions of the National Association of Medicaid Fraud Control Units, the estimated actual acquisition cost shall be the reduced average wholesale price, without the nine percent deduction. The maximum allowable cost of a multisource drug may be set by the commissioner and it shall be comparable to, but no higher than, the maximum amount paid by other third-party payors in this state who have maximum allowable cost programs. The commissioner shall set maximum allowable costs for multisource drugs that are not on the federal upper limit list as described in United States Code, title 42, chapter 7, section 1396r-8(e), the Social Security Act, and Code of Federal Regulations, title 42, part 447, section 447.332. Establishment of the amount of payment for drugs shall not be subject to the requirements of the Administrative Procedure Act. An additional dispensing fee of \$.30 may be added to the dispensing fee paid to pharmacists for legend drug prescriptions dispensed to residents of long-term care facilities when a unit dose blister card system, approved by the department, is used. Under this type of dispensing system, the pharmacist must dispense a 30-day supply of drug. The National Drug Code (NDC) from the drug container used to fill the blister card must be identified on the claim to the department. The unit dose blister card containing the drug must meet the packaging standards set forth in Minnesota Rules, part 6800.2700, that govern the return of unused drugs to the pharmacy for reuse. The pharmacy provider will be required to credit the department for the actual acquisition cost of all unused drugs that are eligible for reuse. Over-the-counter medications must be dispensed in the manufacturer's unopened package. The commissioner may permit the drug clozapine to be dispensed in a quantity that is less than a 30-day supply. Whenever a generically equivalent product is available, payment shall be on the basis of the actual acquisition cost of the generic drug, unless the prescriber specifically indicates "dispense as written - brand necessary" on the prescription as required by section 151.21, subdivision 2.

(d) For purposes of this subdivision, "multisource drugs" means covered outpatient drugs, excluding innovator multisource drugs for which there are two or more drug products, which:

(1) are related as therapeutically equivalent under the Food and Drug Administration's most recent publication of "Approved Drug Products with Therapeutic Equivalence Evaluations";

(2) are pharmaceutically equivalent and bioequivalent as determined by the Food and Drug Administration; and

(3) are sold or marketed in Minnesota.

"Innovator multisource drug" means a multisource drug that was originally marketed under an original new drug application approved by the Food and Drug Administration.

(e) The formulary committee shall review and recommend drugs which require prior authorization. The formulary committee may recommend drugs for prior authorization directly to the commissioner, as long as opportunity for public input is provided. Prior authorization may be requested by the commissioner based on medical and clinical criteria and on cost before certain drugs are eligible for payment. Before a drug may be considered for prior authorization at the request of the commissioner:

(1) the drug formulary committee must develop criteria to be used for identifying drugs; the development of these criteria is not subject to the requirements of chapter 14, but the formulary committee shall provide opportunity for public input in developing criteria;

(2) the drug formulary committee must hold a public forum and receive public comment for an additional 15 days;
~~and~~

(3) the drug formulary committee must consider data from the state Medicaid program if such data is available;
~~and~~

(4) the commissioner must provide information to the formulary committee on the impact that placing the drug on prior authorization will have on the quality of patient care and on program costs, and information regarding whether the drug is subject to clinical abuse or misuse.

Prior authorization may be required by the commissioner before certain formulary drugs are eligible for payment. If prior authorization of a drug is required by the commissioner, the commissioner must provide a 30-day notice period before implementing the prior authorization. If a prior authorization request is denied by the department, the recipient may appeal the denial in accordance with section 256.045. If an appeal is filed, the drug must be provided without prior authorization until a decision is made on the appeal.

(f) The basis for determining the amount of payment for drugs administered in an outpatient setting shall be the lower of the usual and customary cost submitted by the provider; the average wholesale price minus five percent; or the maximum allowable cost set by the federal government under United States Code, title 42, chapter 7, section 1396r-8(e), and Code of Federal Regulations, title 42, section 447.332, or by the commissioner under paragraph (c).

(g) Prior authorization shall not be required or utilized for any antipsychotic drug prescribed for the treatment of mental illness where there is no generically equivalent drug available unless the commissioner determines that prior authorization is necessary for patient safety. This paragraph applies to any supplemental drug rebate program established or administered by the commissioner.

(h) Prior authorization shall not be required or utilized for any antihemophilic factor drug prescribed for the treatment of hemophilia and blood disorders where there is no generically equivalent drug available unless the commissioner determines that prior authorization is necessary for patient safety. This paragraph applies to any supplemental drug rebate program established or administered by the commissioner. This paragraph expires July 1, 2003.

Sec. 14. Minnesota Statutes 2000, section 256B.0625, subdivision 26, as amended by Laws 2002, chapter 294, section 6, is amended to read:

Subd. 26. [SPECIAL EDUCATION SERVICES.] (a) Medical assistance covers medical services identified in a recipient's individualized education plan and covered under the medical assistance state plan. Covered services include occupational therapy, physical therapy, speech-language therapy, clinical psychological services, nursing services, school psychological services, school social work services, personal care assistants serving as management aides, assistive technology devices, transportation services, health assessments, and other services covered under the medical assistance state plan. Mental health services eligible for medical assistance reimbursement must be provided

or coordinated through a children's mental health collaborative where a collaborative exists if the child is included in the collaborative operational target population. The provision or coordination of services does not require that the individual education plan be developed by the collaborative.

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

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

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

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

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

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

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

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

(f) The commissioner shall develop a cost-based payment structure for payment of these services.

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

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

[EFFECTIVE DATE.] This section is effective for services provided on or after April 1, 2002, upon federal approval, if federal approval is required.

Sec. 15. Minnesota Statutes 2000, section 256B.0625, subdivision 35, is amended to read:

Subd. 35. [FAMILY COMMUNITY SUPPORT SERVICES.] (a) Medical assistance covers family community support services as defined in section 245.4871, subdivision 17. In addition to the provisions of section 245.4871, and to the extent authorized by rules promulgated by the state agency, medical assistance covers the following services as family community support services:

(1) services identified in an individual treatment plan when provided by a trained mental health behavioral aide under the direction of a mental health practitioner or mental health professional;

(2) mental health crisis intervention and crisis stabilization services provided outside of hospital inpatient settings; and

(3) the therapeutic components of preschool and therapeutic camp programs.

(b) Notwithstanding the provisions of Minnesota Rules, parts 9505.0324, subpart 2, 9505.0326, subpart 2, and 9505.0327, subpart 2, a provider of family community support services, home-based mental health services, or therapeutic support of foster care services under contract with a county may continue to provide existing services, and may provide new services, to a child if that child is placed in foster care, or the child and family relocate, outside the original county of residence.

Sec. 16. Minnesota Statutes 2000, section 256B.0625, is amended by adding a subdivision to read:

Subd. 44. [TARGETED CASE MANAGEMENT SERVICES.] Medical assistance covers case management services for vulnerable adults and adults with developmental disabilities, as provided under section 256B.0924.

Sec. 17. Minnesota Statutes 2001 Supplement, section 256B.0627, subdivision 10, is amended to read:

Subd. 10. [FISCAL INTERMEDIARY OPTION AVAILABLE FOR PERSONAL CARE ASSISTANT SERVICES.] (a) The commissioner may allow a recipient of personal care assistant services to use a fiscal intermediary to assist the recipient in paying and accounting for medically necessary covered personal care assistant services authorized in subdivision 4 and within the payment parameters of subdivision 5. Unless otherwise provided in this subdivision, all other statutory and regulatory provisions relating to personal care assistant services apply to a recipient using the fiscal intermediary option.

(b) The recipient or responsible party shall:

(1) recruit, hire, and terminate a qualified professional, if a qualified professional is requested by the recipient or responsible party;

(2) verify and document the credentials of the qualified professional, if a qualified professional is requested by the recipient or responsible party;

(3) develop a service plan based on physician orders and public health nurse assessment with the assistance of a qualified professional, if a qualified professional is requested by the recipient or responsible party, that addresses the health and safety of the recipient;

(4) recruit, hire, and terminate the personal care assistant;

(5) orient and train the personal care assistant with assistance as needed from the qualified professional;

(6) supervise and evaluate the personal care assistant with assistance as needed from the recipient's physician or the qualified professional;

(7) monitor and verify in writing and report to the fiscal intermediary the number of hours worked by the personal care assistant and the qualified professional; and

(8) enter into a written agreement, as specified in paragraph (f).

(c) The duties of the fiscal intermediary shall be to:

(1) bill the medical assistance program for personal care assistant and qualified professional services;

(2) request and secure background checks on personal care assistants and qualified professionals according to section 245A.04;

(3) pay the personal care assistant and qualified professional based on actual hours of services provided;

(4) withhold and pay all applicable federal and state taxes;

(5) verify and keep records of hours worked by the personal care assistant and qualified professional;

(6) make the arrangements and pay unemployment insurance, taxes, workers' compensation, liability insurance, and other benefits, if any;

(7) enroll in the medical assistance program as a fiscal intermediary; and

(8) enter into a written agreement as specified in paragraph (f) before services are provided.

(d) The fiscal intermediary:

(1) may not be related to the recipient, qualified professional, or the personal care assistant;

(2) must ensure arm's length transactions with the recipient and personal care assistant; and

(3) shall be considered a joint employer of the personal care assistant and qualified professional to the extent specified in this section.

The fiscal intermediary or owners of the entity that provides fiscal intermediary services under this subdivision must pass a criminal background check as required in section 256B.0627, subdivision 1, paragraph (e).

(e) If the recipient or responsible party requests a qualified professional, the qualified professional providing assistance to the recipient shall meet the qualifications specified in section 256B.0625, subdivision 19c. The qualified professional shall assist the recipient in developing and revising a plan to meet the recipient's needs, as assessed by the public health nurse. In performing this function, the qualified professional must visit the recipient in the recipient's home at least once annually. The qualified professional must report any suspected abuse, neglect, or financial exploitation of the recipient to the appropriate authorities.

(f) The fiscal intermediary, recipient or responsible party, personal care assistant, and qualified professional shall enter into a written agreement before services are started. The agreement shall include:

(1) the duties of the recipient, qualified professional, personal care assistant, and fiscal agent based on paragraphs (a) to (e);

(2) the salary and benefits for the personal care assistant and the qualified professional;

(3) the administrative fee of the fiscal intermediary and services paid for with that fee, including background check fees;

(4) procedures to respond to billing or payment complaints; and

(5) procedures for hiring and terminating the personal care assistant and the qualified professional.

(g) The rates paid for personal care assistant services, ~~shared care services~~, qualified professional services, and fiscal intermediary services under this subdivision shall be the same rates paid for personal care assistant services and qualified professional services under subdivision 2 respectively. Except for the administrative fee of the fiscal intermediary specified in paragraph (f), the remainder of the rates paid to the fiscal intermediary must be used to pay for the salary and benefits for the personal care assistant or the qualified professional.

(h) As part of the assessment defined in subdivision 1, the following conditions must be met to use or continue use of a fiscal intermediary:

(1) the recipient must be able to direct the recipient's own care, or the responsible party for the recipient must be readily available to direct the care of the personal care assistant;

(2) the recipient or responsible party must be knowledgeable of the health care needs of the recipient and be able to effectively communicate those needs;

(3) a face-to-face assessment must be conducted by the local county public health nurse at least annually, or when there is a significant change in the recipient's condition or change in the need for personal care assistant services;

~~(4) the recipient cannot select the shared services option as specified in subdivision 8 recipients who choose to use the shared care option as specified in subdivision 8 must utilize the same fiscal intermediary;~~ and

(5) parties must be in compliance with the written agreement specified in paragraph (f).

(i) The commissioner shall deny, revoke, or suspend the authorization to use the fiscal intermediary option if:

(1) it has been determined by the qualified professional or local county public health nurse that the use of this option jeopardizes the recipient's health and safety;

(2) the parties have failed to comply with the written agreement specified in paragraph (f); or

(3) the use of the option has led to abusive or fraudulent billing for personal care assistant services.

The recipient or responsible party may appeal the commissioner's action according to section 256.045. The denial, revocation, or suspension to use the fiscal intermediary option shall not affect the recipient's authorized level of personal care assistant services as determined in subdivision 5.

Sec. 18. Minnesota Statutes 2001 Supplement, section 256B.0911, subdivision 4b, is amended to read:

Subd. 4b. [EXEMPTIONS AND EMERGENCY ADMISSIONS.] (a) Exemptions from the federal screening requirements outlined in subdivision 4a, paragraphs (b) and (c), are limited to:

(1) a person who, having entered an acute care facility from a certified nursing facility, is returning to a certified nursing facility; ~~and~~

(2) a person transferring from one certified nursing facility in Minnesota to another certified nursing facility in Minnesota; and

(3) a person, 21 years of age or older, who satisfies the following criteria, as specified in Code of Federal Regulations, title 42, section 483.106(b)(2):

(i) the person is admitted to a nursing facility directly from a hospital after receiving acute inpatient care at the hospital;

(ii) the person requires nursing facility services for the same condition for which care was provided in the hospital; and

(iii) the attending physician has certified before the nursing facility admission that the person is likely to receive less than 30 days of nursing facility services.

(b) Persons who are exempt from preadmission screening for purposes of level of care determination include:

(1) persons described in paragraph (a);

(2) an individual who has a contractual right to have nursing facility care paid for indefinitely by the veterans' administration;

(3) an individual enrolled in a demonstration project under section 256B.69, subdivision 8, at the time of application to a nursing facility;

(4) an individual currently being served under the alternative care program or under a home and community-based services waiver authorized under section 1915(c) of the federal Social Security Act; and

(5) individuals admitted to a certified nursing facility for a short-term stay, which is expected to be 14 days or less in duration based upon a physician's certification, and who have been assessed and approved for nursing facility admission within the previous six months. This exemption applies only if the consultation team member determines at the time of the initial assessment of the six-month period that it is appropriate to use the nursing facility for short-term stays and that there is an adequate plan of care for return to the home or community-based setting. If a stay exceeds 14 days, the individual must be referred no later than the first county working day following the 14th resident day for a screening, which must be completed within five working days of the referral. The payment limitations in subdivision 7 apply to an individual found at screening to not meet the level of care criteria for admission to a certified nursing facility.

(c) Persons admitted to a Medicaid-certified nursing facility from the community on an emergency basis as described in paragraph (d) or from an acute care facility on a nonworking day must be screened the first working day after admission.

(d) Emergency admission to a nursing facility prior to screening is permitted when all of the following conditions are met:

(1) a person is admitted from the community to a certified nursing or certified boarding care facility during county nonworking hours;

(2) a physician has determined that delaying admission until preadmission screening is completed would adversely affect the person's health and safety;

(3) there is a recent precipitating event that precludes the client from living safely in the community, such as sustaining an injury, sudden onset of acute illness, or a caregiver's inability to continue to provide care;

(4) the attending physician has authorized the emergency placement and has documented the reason that the emergency placement is recommended; and

(5) the county is contacted on the first working day following the emergency admission.

Transfer of a patient from an acute care hospital to a nursing facility is not considered an emergency except for a person who has received hospital services in the following situations: hospital admission for observation, care in an emergency room without hospital admission, or following hospital 24-hour bed care.

(e) A nursing facility must provide a written notice to persons who satisfy the criteria in paragraph (a), clause (3), regarding the person's right to request and receive long-term care consultation services as defined in subdivision 1a. The notice must be provided prior to the person's discharge from the facility and in a format specified by the commissioner.

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

Sec. 19. Minnesota Statutes 2001 Supplement, section 256B.0911, subdivision 4d, is amended to read:

Subd. 4d. [PREADMISSION SCREENING OF INDIVIDUALS UNDER 65 YEARS OF AGE.] (a) It is the policy of the state of Minnesota to ensure that individuals with disabilities or chronic illness are served in the most integrated setting appropriate to their needs and have the necessary information to make informed choices about home and community-based service options.

(b) Individuals under 65 years of age who are admitted to a nursing facility from a hospital must be screened prior to admission as outlined in subdivisions 4a through 4c.

(c) Individuals under 65 years of age who are admitted to nursing facilities with only a telephone screening must receive a face-to-face assessment from the long-term care consultation team member of the county in which the facility is located or from the recipient's county case manager within 20 working days of admission.

(d) Individuals under 65 years of age who are admitted to a nursing facility without preadmission screening according to the exemption described in subdivision 4b, paragraph (a), clause (3), and who remain in the facility longer than 30 days must receive a face-to-face assessment within 40 days of admission.

(e) At the face-to-face assessment, the long-term care consultation team member or county case manager must perform the activities required under subdivision 3b.

~~(f)~~ (f) For individuals under 21 years of age, a screening interview which recommends nursing facility admission must be face-to-face and approved by the commissioner before the individual is admitted to the nursing facility.

~~(g)~~ (g) In the event that an individual under 65 years of age is admitted to a nursing facility on an emergency basis, the county must be notified of the admission on the next working day, and a face-to-face assessment as described in paragraph (c) must be conducted within 20 working days of admission.

~~(h)~~ (h) At the face-to-face assessment, the long-term care consultation team member or the case manager must present information about home and community-based options so the individual can make informed choices. If the individual chooses home and community-based services, the long-term care consultation team member or case manager must complete a written relocation plan within 20 working days of the visit. The plan shall describe the services needed to move out of the facility and a time line for the move which is designed to ensure a smooth transition to the individual's home and community.

~~(i)~~ (i) An individual under 65 years of age residing in a nursing facility shall receive a face-to-face assessment at least every 12 months to review the person's service choices and available alternatives unless the individual indicates, in writing, that annual visits are not desired. In this case, the individual must receive a face-to-face assessment at least once every 36 months for the same purposes.

~~(j)~~ (j) Notwithstanding the provisions of subdivision 6, the commissioner may pay county agencies directly for face-to-face assessments for individuals under 65 years of age who are being considered for placement or residing in a nursing facility.

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

Sec. 20. Minnesota Statutes 2001 Supplement, section 256B.0913, subdivision 4, is amended to read:

Subd. 4. [ELIGIBILITY FOR FUNDING FOR SERVICES FOR NONMEDICAL ASSISTANCE RECIPIENTS.]

(a) Funding for services under the alternative care program is available to persons who meet the following criteria:

(1) the person has been determined by a community assessment under section 256B.0911 to be a person who would require the level of care provided in a nursing facility, but for the provision of services under the alternative care program;

(2) the person is age 65 or older;

(3) the person would be eligible for medical assistance within 180 days of admission to a nursing facility;

(4) the person is not ineligible for the medical assistance program due to an asset transfer penalty;

(5) the person needs services that are not funded through other state or federal funding; and

(6) the monthly cost of the alternative care services funded by the program for this person does not exceed 75 percent of the statewide weighted average monthly nursing facility rate of the case mix resident class to which the individual alternative care client would be assigned under Minnesota Rules, parts 9549.0050 to 9549.0059, less the recipient's maintenance needs allowance as described in section 256B.0915, subdivision 1d, paragraph (a), until the first day of the state fiscal year in which the resident assessment system, under section 256B.437, for nursing home rate determination is implemented. Effective on the first day of the state fiscal year in which a resident assessment system, under section 256B.437, for nursing home rate determination is implemented and the first day of each subsequent state fiscal year, the monthly cost of alternative care services for this person shall not exceed the alternative care monthly cap for the case mix resident class to which the alternative care client would be assigned under Minnesota Rules, parts 9549.0050 to 9549.0059, which was in effect on the last day of the previous state fiscal year, and adjusted by the greater of any legislatively adopted home and community-based services cost-of-living percentage increase or any legislatively adopted statewide percent rate increase for nursing facilities. This monthly limit does not prohibit the alternative care client from payment for additional services, but in no case may the cost of additional services purchased under this section exceed the difference between the client's monthly service limit defined under section 256B.0915, subdivision 3, and the alternative care program monthly service limit defined in this paragraph. If medical supplies and equipment or environmental modifications are or will be purchased for an alternative care services recipient, the costs may be prorated on a monthly basis for up to 12 consecutive months beginning with the month of purchase. If the monthly cost of a recipient's other alternative care services exceeds the monthly limit established in this paragraph, the annual cost of the alternative care services shall be determined. In this event, the annual cost of alternative care services shall not exceed 12 times the monthly limit described in this paragraph.

(b) Alternative care funding under this subdivision is not available for a person who is a medical assistance recipient or who would be eligible for medical assistance without a spenddown or waiver obligation. A person whose initial application for medical assistance is being processed may be served under the alternative care program for a period up to 60 days. If the individual is found to be eligible for medical assistance, medical assistance must be billed for services payable under the federally approved elderly waiver plan and delivered from the date the individual was found eligible for the federally approved elderly waiver plan. Notwithstanding this provision, upon federal approval, alternative care funds may not be used to pay for any service the cost of which is payable by medical assistance or which is used by a recipient to meet a medical assistance income spenddown or waiver obligation.

(c) Alternative care funding is not available for a person who resides in a licensed nursing home, certified boarding care home, hospital, or intermediate care facility, except for case management services which are provided in support of the discharge planning process to a nursing home resident or certified boarding care home resident ~~who is ineligible for case management funded by medical assistance.~~

Sec. 21. Minnesota Statutes 2001 Supplement, section 256B.0913, subdivision 5, is amended to read:

Subd. 5. [SERVICES COVERED UNDER ALTERNATIVE CARE.] (a) Alternative care funding may be used for payment of costs of:

- (1) adult foster care;
 - (2) adult day care;
 - (3) home health aide;
 - (4) homemaker services;
 - (5) personal care;
 - (6) case management;
 - (7) respite care;
 - (8) assisted living;
 - (9) residential care services;
 - (10) care-related supplies and equipment;
 - (11) meals delivered to the home;
 - (12) transportation;
 - (13) ~~skilled~~ nursing services;
 - (14) chore services;
 - (15) companion services;
 - (16) nutrition services;
 - (17) training for direct informal caregivers;
 - (18) ~~telemedicine~~ telehome care devices to monitor recipients in their own homes as an alternative to hospital care, nursing home care, or home visits;
 - (19) other services which includes discretionary funds and direct cash payments to clients, following approval by the commissioner, subject to the provisions of paragraph (j). Total annual payments for "other services" for all clients within a county may not exceed ~~either ten~~ 25 percent of that county's annual alternative care program base allocation ~~or \$5,000, whichever is greater. In no case shall this amount exceed the county's total annual alternative care program base allocation;~~ and
 - (20) environmental modifications.
- (b) The county agency must ensure that the funds are not used to supplant services available through other public assistance or services programs.

(c) Unless specified in statute, the services, service definitions, and standards for alternative care services shall be the same as the services, service definitions, and standards specified in the federally approved elderly waiver plan. Except for the county agencies' approval of direct cash payments to clients as described in paragraph (j) or for a provider of supplies and equipment when the monthly cost of the supplies and equipment is less than \$250, persons or agencies must be employed by or under a contract with the county agency or the public health nursing agency of the local board of health in order to receive funding under the alternative care program. Supplies and equipment may be purchased from a vendor not certified to participate in the Medicaid program if the cost for the item is less than that of a Medicaid vendor.

(d) The adult foster care rate shall be considered a difficulty of care payment and shall not include room and board. The adult foster care rate shall be negotiated between the county agency and the foster care provider. The alternative care payment for the foster care service in combination with the payment for other alternative care services, including case management, must not exceed the limit specified in subdivision 4, paragraph (a), clause (6).

(e) Personal care services must meet the service standards defined in the federally approved elderly waiver plan, except that a county agency may contract with a client's relative who meets the relative hardship waiver requirement as defined in section 256B.0627, subdivision 4, paragraph (b), clause (10), to provide personal care services if the county agency ensures supervision of this service by a ~~registered nurse or mental health practitioner~~ qualified professional as defined in section 256B.0625, subdivision 19c.

(f) For purposes of this section, residential care services are services which are provided to individuals living in residential care homes. Residential care homes are currently licensed as board and lodging establishments and are registered with the department of health as providing special services under section 157.17 and are not subject to registration under chapter 144D. Residential care services are defined as "supportive services" and "health-related services." "Supportive services" means the provision of up to 24-hour supervision and oversight. Supportive services includes: (1) transportation, when provided by the residential care home only; (2) socialization, when socialization is part of the plan of care, has specific goals and outcomes established, and is not diversional or recreational in nature; (3) assisting clients in setting up meetings and appointments; (4) assisting clients in setting up medical and social services; (5) providing assistance with personal laundry, such as carrying the client's laundry to the laundry room. Assistance with personal laundry does not include any laundry, such as bed linen, that is included in the room and board rate. "Health-related services" are limited to minimal assistance with dressing, grooming, and bathing and providing reminders to residents to take medications that are self-administered or providing storage for medications, if requested. Individuals receiving residential care services cannot receive homemaking services funded under this section.

(g) For the purposes of this section, "assisted living" refers to supportive services provided by a single vendor to clients who reside in the same apartment building of three or more units which are not subject to registration under chapter 144D and are licensed by the department of health as a class A home care provider or a class E home care provider. Assisted living services are defined as up to 24-hour supervision, and oversight, supportive services as defined in clause (1), individualized home care aide tasks as defined in clause (2), and individualized home management tasks as defined in clause (3) provided to residents of a residential center living in their units or apartments with a full kitchen and bathroom. A full kitchen includes a stove, oven, refrigerator, food preparation counter space, and a kitchen utensil storage compartment. Assisted living services must be provided by the management of the residential center or by providers under contract with the management or with the county.

(1) Supportive services include:

(i) socialization, when socialization is part of the plan of care, has specific goals and outcomes established, and is not diversional or recreational in nature;

(ii) assisting clients in setting up meetings and appointments; and

(iii) providing transportation, when provided by the residential center only.

(2) Home care aide tasks means:

- (i) preparing modified diets, such as diabetic or low sodium diets;
- (ii) reminding residents to take regularly scheduled medications or to perform exercises;
- (iii) household chores in the presence of technically sophisticated medical equipment or episodes of acute illness or infectious disease;
- (iv) household chores when the resident's care requires the prevention of exposure to infectious disease or containment of infectious disease; and
- (v) assisting with dressing, oral hygiene, hair care, grooming, and bathing, if the resident is ambulatory, and if the resident has no serious acute illness or infectious disease. Oral hygiene means care of teeth, gums, and oral prosthetic devices.

(3) Home management tasks means:

- (i) housekeeping;
- (ii) laundry;
- (iii) preparation of regular snacks and meals; and
- (iv) shopping.

Individuals receiving assisted living services shall not receive both assisted living services and homemaking services. Individualized means services are chosen and designed specifically for each resident's needs, rather than provided or offered to all residents regardless of their illnesses, disabilities, or physical conditions. Assisted living services as defined in this section shall not be authorized in boarding and lodging establishments licensed according to sections 157.011 and 157.15 to 157.22.

(h) For establishments registered under chapter 144D, assisted living services under this section means either the services described in paragraph (g) and delivered by a class E home care provider licensed by the department of health or the services described under section 144A.4605 and delivered by an assisted living home care provider or a class A home care provider licensed by the commissioner of health.

(i) Payment for assisted living services and residential care services shall be a monthly rate negotiated and authorized by the county agency based on an individualized service plan for each resident and may not cover direct rent or food costs.

(1) The individualized monthly negotiated payment for assisted living services as described in paragraph (g) or (h), and residential care services as described in paragraph (f), shall not exceed the nonfederal share in effect on July 1 of the state fiscal year for which the rate limit is being calculated of the greater of either the statewide or any of the geographic groups' weighted average monthly nursing facility payment rate of the case mix resident class to which the alternative care eligible client would be assigned under Minnesota Rules, parts 9549.0050 to 9549.0059, less the maintenance needs allowance as described in section 256B.0915, subdivision 1d, paragraph (a), until the first day of the state fiscal year in which a resident assessment system, under section 256B.437, of nursing home rate determination is implemented. Effective on the first day of the state fiscal year in which a resident assessment system, under section 256B.437, of nursing home rate determination is implemented and the first day of each subsequent state fiscal year, the individualized monthly negotiated payment for the services described in this clause shall not exceed the limit described in this clause which was in effect on the last day of the previous state fiscal year and which has been adjusted by the greater of any legislatively adopted home and community-based services cost-of-living percentage increase or any legislatively adopted statewide percent rate increase for nursing facilities.

(2) The individualized monthly negotiated payment for assisted living services described under section 144A.4605 and delivered by a provider licensed by the department of health as a class A home care provider or an assisted living home care provider and provided in a building that is registered as a housing with services establishment under chapter 144D and that provides 24-hour supervision in combination with the payment for other alternative care services, including case management, must not exceed the limit specified in subdivision 4, paragraph (a), clause (6).

(j) A county agency may make payment from their alternative care program allocation for "other services" which include use of "discretionary funds" for services that are not otherwise defined in this section and direct cash payments to the client for the purpose of purchasing the services. The following provisions apply to payments under this paragraph:

(1) a cash payment to a client under this provision cannot exceed ~~80 percent~~ of the monthly payment limit for that client as specified in subdivision 4, paragraph (a), clause (6);

(2) a county may not approve any cash payment for a client who meets either of the following:

(i) has been assessed as having a dependency in orientation, unless the client has an authorized representative. An "authorized representative" means an individual who is at least 18 years of age and is designated by the person or the person's legal representative to act on the person's behalf. This individual may be a family member, guardian, representative payee, or other individual designated by the person or the person's legal representative, if any, to assist in purchasing and arranging for supports; or

(ii) is concurrently receiving adult foster care, residential care, or assisted living services;

(3) cash payments to a person or a person's family will be provided through a monthly payment and be in the form of cash, voucher, or direct county payment to a vendor. Fees or premiums assessed to the person for eligibility for health and human services are not reimbursable through this service option. Services and goods purchased through cash payments must be identified in the person's individualized care plan and must meet all of the following criteria:

(i) they must be over and above the normal cost of caring for the person if the person did not have functional limitations;

(ii) they must be directly attributable to the person's functional limitations;

(iii) they must have the potential to be effective at meeting the goals of the program;

(iv) they must be consistent with the needs identified in the individualized service plan. The service plan shall specify the needs of the person and family, the form and amount of payment, the items and services to be reimbursed, and the arrangements for management of the individual grant; and

(v) the person, the person's family, or the legal representative shall be provided sufficient information to ensure an informed choice of alternatives. The local agency shall document this information in the person's care plan, including the type and level of expenditures to be reimbursed;

(4) the state of Minnesota, county, lead agency under contract, or tribal government under contract to administer the alternative care program shall not be liable for damages, injuries, or liabilities sustained through the purchase of direct supports or goods by the person, the person's family, or the authorized representative with funds received through the cash payments under this section. Liabilities include, but are not limited to, workers' compensation, the Federal Insurance Contributions Act (FICA), or the Federal Unemployment Tax Act (FUTA);

(5) persons receiving grants under this section shall have the following responsibilities:

(i) spend the grant money in a manner consistent with their individualized service plan with the local agency;

(ii) notify the local agency of any necessary changes in the grant expenditures;

(iii) arrange and pay for supports; and

(iv) inform the local agency of areas where they have experienced difficulty securing or maintaining supports; and

(6) the county shall report client outcomes, services, and costs under this paragraph in a manner prescribed by the commissioner.

~~(k) Upon implementation of direct cash payments to clients under this section, any person determined eligible for the alternative care program who chooses a cash payment approved by the county agency shall receive the cash payment under this section and not under section 256.476 unless the person was receiving a consumer support grant under section 256.476 before implementation of direct cash payments under this section.~~

Sec. 22. Minnesota Statutes 2001 Supplement, section 256B.0913, subdivision 8, is amended to read:

Subd. 8. [REQUIREMENTS FOR INDIVIDUAL CARE PLAN.] (a) The case manager shall implement the plan of care for each alternative care client and ensure that a client's service needs and eligibility are reassessed at least every 12 months. The plan shall include any services prescribed by the individual's attending physician as necessary to allow the individual to remain in a community setting. In developing the individual's care plan, the case manager should include the use of volunteers from families and neighbors, religious organizations, social clubs, and civic and service organizations to support the formal home care services. The county shall be held harmless for damages or injuries sustained through the use of volunteers under this subdivision including workers' compensation liability. The lead agency shall provide documentation in each individual's plan of care and, if requested, to the commissioner that the most cost-effective alternatives available have been offered to the individual and that the individual was free to choose among available qualified providers, both public and private. The case manager must give the individual a ten-day written notice of any ~~decrease in or~~ denial, termination, or reduction of alternative care services.

(b) If the county administering alternative care services is different than the county of financial responsibility, the care plan may be implemented without the approval of the county of financial responsibility.

Sec. 23. Minnesota Statutes 2001 Supplement, section 256B.0913, subdivision 10, is amended to read:

Subd. 10. [ALLOCATION FORMULA.] (a) The alternative care appropriation for fiscal years 1992 and beyond shall cover only alternative care eligible clients. ~~Prior to~~ By July 1 of each year, the commissioner shall allocate to county agencies the state funds available for alternative care for persons eligible under subdivision 2.

(b) The adjusted base for each county is the county's current fiscal year base allocation plus any targeted funds approved during the current fiscal year. Calculations for paragraphs (c) and (d) are to be made as follows: for each county, the determination of alternative care program expenditures shall be based on payments for services rendered from April 1 through March 31 in the base year, to the extent that claims have been submitted and paid by June 1 of that year.

(c) If the alternative care program expenditures as defined in paragraph (b) are 95 percent or more of the county's adjusted base allocation, the allocation for the next fiscal year is 100 percent of the adjusted base, plus inflation to the extent that inflation is included in the state budget.

(d) If the alternative care program expenditures as defined in paragraph (b) are less than 95 percent of the county's adjusted base allocation, the allocation for the next fiscal year is the adjusted base allocation less the amount of unspent funds below the 95 percent level.

(e) If the annual legislative appropriation for the alternative care program is inadequate to fund the combined county allocations for a biennium, the commissioner shall distribute to each county the entire annual appropriation as that county's percentage of the computed base as calculated in paragraphs (c) and (d).

Sec. 24. Minnesota Statutes 2001 Supplement, section 256B.0913, subdivision 12, is amended to read:

Subd. 12. [CLIENT PREMIUMS.] (a) A premium is required for all alternative care eligible clients to help pay for the cost of participating in the program. The amount of the premium for the alternative care client shall be determined as follows:

(1) when the alternative care client's income less recurring and predictable medical expenses is greater than the recipient's maintenance needs allowance as defined in section 256B.0915, subdivision 1d, paragraph (a), but less than 150 percent of the federal poverty guideline effective on July 1 of the state fiscal year in which the premium is being computed, and total assets are less than \$10,000, the fee is zero;

(2) when the alternative care client's income less recurring and predictable medical expenses is greater than 150 percent of the federal poverty guideline effective on July 1 of the state fiscal year in which the premium is being computed, and total assets are less than \$10,000, the fee is 25 percent of the cost of alternative care services or the difference between 150 percent of the federal poverty guideline effective on July 1 of the state fiscal year in which the premium is being computed and the client's income less recurring and predictable medical expenses, whichever is less; and

(3) when the alternative care client's total assets are greater than \$10,000, the fee is 25 percent of the cost of alternative care services.

For married persons, total assets are defined as the total marital assets less the estimated community spouse asset allowance, under section 256B.059, if applicable. For married persons, total income is defined as the client's income less the monthly spousal allotment, under section 256B.058.

All alternative care services except case management shall be included in the estimated costs for the purpose of determining 25 percent of the costs.

~~The monthly premium shall be calculated based on the cost of the first full month of alternative care services and shall continue unaltered until the next reassessment is completed or at the end of 12 months, whichever comes first.~~ Premiums are due and payable each month alternative care services are received unless the actual cost of the services is less than the premium.

(b) The fee shall be waived by the commissioner when:

(1) a person who is residing in a nursing facility is receiving case management only;

(2) a person is applying for medical assistance;

(3) a married couple is requesting an asset assessment under the spousal impoverishment provisions;

(4) a person is found eligible for alternative care, but is not yet receiving alternative care services; or

(5) a person's fee under paragraph (a) is less than \$25.

(c) The county agency must record in the state's receivable system the client's assessed premium amount or the reason the premium has been waived. The commissioner will bill and collect the premium from the client. Money collected must be deposited in the general fund and is appropriated to the commissioner for the alternative care program. The client must supply the county with the client's social security number at the time of application. The county shall supply the commissioner with the client's social security number and other information the commissioner requires to collect the premium from the client. The commissioner shall collect unpaid premiums using the Revenue Recapture Act in chapter 270A and other methods available to the commissioner. The commissioner may require counties to inform clients of the collection procedures that may be used by the state if a

premium is not paid. This paragraph does not apply to alternative care pilot projects authorized in Laws 1993, First Special Session chapter 1, article 5, section 133, if a county operating under the pilot project reports the following dollar amounts to the commissioner quarterly:

- (1) total premiums billed to clients;
- (2) total collections of premiums billed; and
- (3) balance of premiums owed by clients.

If a county does not adhere to these reporting requirements, the commissioner may terminate the billing, collecting, and remitting portions of the pilot project and require the county involved to operate under the procedures set forth in this paragraph.

~~(d) The commissioner shall begin to adopt emergency or permanent rules governing client premiums within 30 days after July 1, 1991, including criteria for determining when services to a client must be terminated due to failure to pay a premium.~~

Sec. 25. Minnesota Statutes 2001 Supplement, section 256B.0913, subdivision 14, is amended to read:

Subd. 14. [PROVIDER REQUIREMENTS, PAYMENT, AND RATE ADJUSTMENTS.] (a) Unless otherwise specified in statute, providers must be enrolled as Minnesota health care program providers and abide by the requirements for provider participation according to Minnesota Rules, part 9505.0195.

(b) Payment for provided alternative care services as approved by the client's case manager shall ~~be~~ occur through the invoice processing procedures of the department's Medicaid Management Information System (MMIS). To receive payment, the county or vendor must submit invoices within 12 months following the date of service. The county agency and its vendors under contract shall not be reimbursed for services which exceed the county allocation.

~~(b)~~ (c) The county shall negotiate individual rates with vendors and may authorize service payment for actual costs up to the county's current approved rate. Notwithstanding any other rule or statutory provision to the contrary, the commissioner shall not be authorized to increase rates by an annual inflation factor, unless so authorized by the legislature. To improve access to community services and eliminate payment disparities between the alternative care program and the elderly waiver program, the commissioner shall establish statewide maximum service rate limits and eliminate county-specific service rate limits.

(1) Effective July 1, 2001, for service rate limits, except those in subdivision 5, paragraphs (d) and (i), the rate limit for each service shall be the greater of the alternative care statewide maximum rate or the elderly waiver statewide maximum rate.

(2) Counties may negotiate individual service rates with vendors for actual costs up to the statewide maximum service rate limit.

Sec. 26. Minnesota Statutes 2001 Supplement, section 256B.0915, subdivision 3, is amended to read:

Subd. 3. [LIMITS OF CASES, RATES, PAYMENTS, AND FORECASTING.] (a) The number of medical assistance waiver recipients that a county may serve must be allocated according to the number of medical assistance waiver cases open on July 1 of each fiscal year. Additional recipients may be served with the approval of the commissioner.

(b) The monthly limit for the cost of waived services to an individual elderly waiver client shall be the weighted average monthly nursing facility rate of the case mix resident class to which the elderly waiver client would be assigned under Minnesota Rules, parts 9549.0050 to 9549.0059, less the recipient's maintenance needs allowance as described in subdivision 1d, paragraph (a), until the first day of the state fiscal year in which the resident

assessment system as described in section 256B.437 for nursing home rate determination is implemented. Effective on the first day of the state fiscal year in which the resident assessment system as described in section 256B.437 for nursing home rate determination is implemented and the first day of each subsequent state fiscal year, the monthly limit for the cost of waived services to an individual elderly waiver client shall be the rate of the case mix resident class to which the waiver client would be assigned under Minnesota Rules, parts 9549.0050 to 9549.0059, in effect on the last day of the previous state fiscal year, adjusted by the greater of any legislatively adopted home and community-based services cost-of-living percentage increase or any legislatively adopted statewide percent rate increase for nursing facilities.

(c) If extended medical supplies and equipment or environmental modifications are or will be purchased for an elderly waiver client, the costs may be prorated for up to 12 consecutive months beginning with the month of purchase. If the monthly cost of a recipient's waived services exceeds the monthly limit established in paragraph (b), the annual cost of all waived services shall be determined. In this event, the annual cost of all waived services shall not exceed 12 times the monthly limit of waived services as described in paragraph (b).

(d) For a person who is a nursing facility resident at the time of requesting a determination of eligibility for elderly waived services, a monthly conversion limit for the cost of elderly waived services may be requested. The monthly conversion limit for the cost of elderly waiver services shall be the resident class assigned under Minnesota Rules, parts 9549.0050 to 9549.0059, for that resident in the nursing facility where the resident currently resides until July 1 of the state fiscal year in which the resident assessment system as described in section 256B.437 for nursing home rate determination is implemented. Effective on July 1 of the state fiscal year in which the resident assessment system as described in section 256B.437 for nursing home rate determination is implemented, the monthly conversion limit for the cost of elderly waiver services shall be the per diem nursing facility rate as determined by the resident assessment system as described in section 256B.437 for that resident in the nursing facility where the resident currently resides multiplied by 365 and divided by 12, less the recipient's maintenance needs allowance as described in subdivision 1d. The initially approved conversion rate may be adjusted by the greater of any subsequent legislatively adopted home and community-based services cost-of-living percentage increase or any subsequent legislatively adopted statewide percentage rate increase for nursing facilities. The limit under this clause only applies to persons discharged from a nursing facility after a minimum 30-day stay and found eligible for waived services on or after July 1, 1997. The following costs must be included in determining the total monthly costs for the waiver client:

(1) cost of all waived services, including extended medical supplies and equipment and environmental modifications; and

(2) cost of skilled nursing, home health aide, and personal care services reimbursable by medical assistance.

(e) Medical assistance funding for skilled nursing services, private duty nursing, home health aide, and personal care services for waiver recipients must be approved by the case manager and included in the individual care plan.

(f) A county is not required to contract with a provider of supplies and equipment if the monthly cost of the supplies and equipment is less than \$250.

(g) The adult foster care rate shall be considered a difficulty of care payment and shall not include room and board. The adult foster care service rate shall be negotiated between the county agency and the foster care provider. The elderly waiver payment for the foster care service in combination with the payment for all other elderly waiver services, including case management, must not exceed the limit specified in paragraph (b).

(h) Payment for assisted living service shall be a monthly rate negotiated and authorized by the county agency based on an individualized service plan for each resident and may not cover direct rent or food costs.

(1) The individualized monthly negotiated payment for assisted living services as described in section 256B.0913, subdivision 5, paragraph (g) or (h), and residential care services as described in section 256B.0913, subdivision 5, paragraph (f), shall not exceed the nonfederal share, in effect on July 1 of the state fiscal year for which the rate limit

is being calculated, of the greater of either the statewide or any of the geographic groups' weighted average monthly nursing facility rate of the case mix resident class to which the elderly waiver eligible client would be assigned under Minnesota Rules, parts 9549.0050 to 9549.0059, less the maintenance needs allowance as described in subdivision 1d, paragraph (a), until the July 1 of the state fiscal year in which the resident assessment system as described in section 256B.437 for nursing home rate determination is implemented. Effective on July 1 of the state fiscal year in which the resident assessment system as described in section 256B.437 for nursing home rate determination is implemented and July 1 of each subsequent state fiscal year, the individualized monthly negotiated payment for the services described in this clause shall not exceed the limit described in this clause which was in effect on June 30 of the previous state fiscal year and which has been adjusted by the greater of any legislatively adopted home and community-based services cost-of-living percentage increase or any legislatively adopted statewide percent rate increase for nursing facilities.

(2) The individualized monthly negotiated payment for assisted living services described in section 144A.4605 and delivered by a provider licensed by the department of health as a class A home care provider or an assisted living home care provider and provided in a building that is registered as a housing with services establishment under chapter 144D and that provides 24-hour supervision in combination with the payment for other elderly waiver services, including case management, must not exceed the limit specified in paragraph (b).

(i) The county shall negotiate individual service rates with vendors and may authorize payment for actual costs up to the county's current approved rate. Persons or agencies must be employed by or under a contract with the county agency or the public health nursing agency of the local board of health in order to receive funding under the elderly waiver program, except as a provider of supplies and equipment when the monthly cost of the supplies and equipment is less than \$250.

(j) Reimbursement for the medical assistance recipients under the approved waiver shall be made from the medical assistance account through the invoice processing procedures of the department's Medicaid Management Information System (MMIS), only with the approval of the client's case manager. The budget for the state share of the Medicaid expenditures shall be forecasted with the medical assistance budget, and shall be consistent with the approved waiver.

(k) To improve access to community services and eliminate payment disparities between the alternative care program and the elderly waiver, the commissioner shall establish statewide maximum service rate limits and eliminate county-specific service rate limits.

(1) Effective July 1, 2001, for service rate limits, except those described or defined in paragraphs (g) and (h), the rate limit for each service shall be the greater of the alternative care statewide maximum rate or the elderly waiver statewide maximum rate.

(2) Counties may negotiate individual service rates with vendors for actual costs up to the statewide maximum service rate limit.

(1) Beginning July 1, 1991, the state shall reimburse counties according to the payment schedule in section 256.025 for the county share of costs incurred under this subdivision on or after January 1, 1991, for individuals who are receiving medical assistance.

Sec. 27. Minnesota Statutes 2000, section 256B.0915, subdivision 4, is amended to read:

Subd. 4. [TERMINATION NOTICE.] The case manager must give the individual a ten-day written notice of any ~~decrease in~~ denial, reduction, or termination of waived services.

Sec. 28. Minnesota Statutes 2001 Supplement, section 256B.0915, subdivision 5, is amended to read:

Subd. 5. [ASSESSMENTS AND REASSESSMENTS FOR WAIVER CLIENTS.] Each client shall receive an initial assessment of strengths, informal supports, and need for services in accordance with section 256B.0911, subdivisions 3, 3a, and 3b. A reassessment of a client served under the elderly waiver must be conducted at least every 12 months and at other times when the case manager determines that there has been significant change in the client's functioning. This may include instances where the client is discharged from the hospital.

Sec. 29. Minnesota Statutes 2000, section 256B.0915, subdivision 6, is amended to read:

Subd. 6. [IMPLEMENTATION OF CARE PLAN.] Each elderly waiver client shall be provided a copy of a written care plan that meets the requirements outlined in section 256B.0913, subdivision 8. If the county administering waived services is different than the county of financial responsibility, the care plan may be implemented without the approval of the county of financial responsibility.

Sec. 30. Minnesota Statutes 2000, section 256B.0915, is amended by adding a subdivision to read:

Subd. 8. [SERVICES AND SUPPORTS.] (a) Services and supports shall meet the requirements set out in United States Code, title 42, section 1396n.

(b) Services and supports shall promote consumer choice and be arranged and provided consistent with individualized, written care plans.

(c) The state of Minnesota, county, or tribal government under contract to administer the elderly waiver shall not be liable for damages, injuries, or liabilities sustained through the purchase of direct supports or goods by the person, the person's family, or the authorized representatives with funds received through consumer-directed community support services under the federally approved waiver plan. Liabilities include, but are not limited to, workers' compensation liability, the Federal Insurance Contributions Act (FICA), or the Federal Unemployment Tax Act (FUTA).

Sec. 31. Minnesota Statutes 2001 Supplement, section 256B.0924, subdivision 6, is amended to read:

Subd. 6. [PAYMENT FOR TARGETED CASE MANAGEMENT.] (a) Medical assistance and MinnesotaCare payment for targeted case management shall be made on a monthly basis. In order to receive payment for an eligible adult, the provider must document at least one contact per month and not more than two consecutive months without a face-to-face contact with the adult or the adult's legal representative, family, primary caregiver, or other relevant persons identified as necessary to the development or implementation of the goals of the personal service plan.

(b) Payment for targeted case management provided by county staff under this subdivision shall be based on the monthly rate methodology under section 256B.094, subdivision 6, paragraph (b), calculated as one combined average rate together with adult mental health case management under section 256B.0625, subdivision 20, except for calendar year 2002. In calendar year 2002, the rate for case management under this section shall be the same as the rate for adult mental health case management in effect as of December 31, 2001. Billing and payment must identify the recipient's primary population group to allow tracking of revenues.

(c) Payment for targeted case management provided by county-contracted vendors shall be based on a monthly rate negotiated by the host county. The negotiated rate must not exceed the rate charged by the vendor for the same service to other payers. If the service is provided by a team of contracted vendors, the county may negotiate a team rate with a vendor who is a member of the team. The team shall determine how to distribute the rate among its members. No reimbursement received by contracted vendors shall be returned to the county, except to reimburse the county for advance funding provided by the county to the vendor.

(d) If the service is provided by a team that includes contracted vendors and county staff, the costs for county staff participation on the team shall be included in the rate for county-provided services. In this case, the contracted vendor and the county may each receive separate payment for services provided by each entity in the same month. In order to prevent duplication of services, the county must document, in the recipient's file, the need for team targeted case management and a description of the different roles of the team members.

(e) Notwithstanding section 256B.19, subdivision 1, the nonfederal share of costs for targeted case management shall be provided by the recipient's county of responsibility, as defined in sections 256G.01 to 256G.12, from sources other than federal funds or funds used to match other federal funds.

(f) The commissioner may suspend, reduce, or terminate reimbursement to a provider that does not meet the reporting or other requirements of this section. The county of responsibility, as defined in sections 256G.01 to 256G.12, is responsible for any federal disallowances. The county may share this responsibility with its contracted vendors.

(g) The commissioner shall set aside five percent of the federal funds received under this section for use in reimbursing the state for costs of developing and implementing this section.

(h) Notwithstanding section 256.025, subdivision 2, payments to counties for targeted case management expenditures under this section shall only be made from federal earnings from services provided under this section. Payments to contracted vendors shall include both the federal earnings and the county share.

(i) Notwithstanding section 256B.041, county payments for the cost of case management services provided by county staff shall not be made to the state treasurer. For the purposes of targeted case management services provided by county staff under this section, the centralized disbursement of payments to counties under section 256B.041 consists only of federal earnings from services provided under this section.

(j) If the recipient is a resident of a nursing facility, intermediate care facility, or hospital, and the recipient's institutional care is paid by medical assistance, payment for targeted case management services under this subdivision is limited to the last 180 days of the recipient's residency in that facility and may not exceed more than six months in a calendar year.

(k) Payment for targeted case management services under this subdivision shall not duplicate payments made under other program authorities for the same purpose.

(l) Any growth in targeted case management services and cost increases under this section shall be the responsibility of the counties.

Sec. 32. Minnesota Statutes 2001 Supplement, section 256B.0951, subdivision 7, is amended to read:

Subd. 7. [WAIVER OF RULES.] ~~If a federal waiver is approved under subdivision 8, the commissioner of health may exempt residents of intermediate care facilities for persons with mental retardation (ICFs/MR) who participate in the three-year alternative quality assurance pilot project established in section 256B.095 from the requirements of Minnesota Rules, chapter 4665; upon approval by the federal government of a waiver of federal certification requirements for ICFs/MR.~~

Sec. 33. Minnesota Statutes 2001 Supplement, section 256B.0951, subdivision 8, is amended to read:

Subd. 8. [FEDERAL WAIVER.] ~~The commissioner of human services shall seek federal authority to waive provisions of intermediate care facilities for persons with mental retardation (ICFs/MR) regulations to enable the demonstration and evaluation of the alternative quality assurance system for ICFs/MR under the project. The commissioner of human services shall apply for any necessary waivers as soon as practicable; a federal waiver to allow intermediate care facilities for persons with mental retardation (ICFs/MR) in region 10 of Minnesota to participate in the alternative licensing system. If it is necessary for purposes of participation in this alternative licensing system for a facility to be decertified as an ICF/MR facility according to the terms of the federal waiver, when the facility seeks recertification under the provisions of ICF/MR regulations at the end of the demonstration project, it will not be considered a new ICF/MR as defined under section 252.291 provided the licensed capacity of the facility did not increase during its participation in the alternative licensing system. The provisions of sections 252.82, 252.292, and 256B.5011 to 256B.5015 will remain applicable for counties in region 10 of Minnesota and the ICFs/MR located within those counties notwithstanding a county's participation in the alternative licensing system.~~

Sec. 34. Minnesota Statutes 2000, section 256B.19, subdivision 1, as amended by Laws 2002, chapter 220, article 14, section 7, is amended to read:

Subdivision 1. [DIVISION OF COST.] The state and county share of medical assistance costs not paid by federal funds shall be as follows:

- (1) ~~ninety~~ 90 percent state funds and ten percent county funds, unless otherwise provided below;
- (2) beginning January 1, 1992, 50 percent state funds and 50 percent county funds for the cost of placement of severely emotionally disturbed children in regional treatment centers; and
- (3) beginning January 1, 2003, 80 percent state funds and 20 percent county funds for the costs of nursing facility placements of persons with disabilities under the age of 65 that have exceeded 90 days. This clause shall be subject to chapter 256G and shall not apply to placements in facilities not certified to participate in medical assistance.

For counties that participate in a Medicaid demonstration project under sections 256B.69 and 256B.71, the division of the nonfederal share of medical assistance expenses for payments made to prepaid health plans or for payments made to health maintenance organizations in the form of prepaid capitation payments, this division of medical assistance expenses shall be 95 percent by the state and five percent by the county of financial responsibility.

In counties where prepaid health plans are under contract to the commissioner to provide services to medical assistance recipients, the cost of court ordered treatment ordered without consulting the prepaid health plan that does not include diagnostic evaluation, recommendation, and referral for treatment by the prepaid health plan is the responsibility of the county of financial responsibility.

Sec. 35. Minnesota Statutes 2001 Supplement, section 256B.431, subdivision 2e, is amended to read:

Subd. 2e. [CONTRACTS FOR SERVICES FOR VENTILATOR-DEPENDENT PERSONS.] The commissioner may ~~contract~~ negotiate with a nursing facility eligible to receive medical assistance payments to provide services to a ventilator-dependent person identified by the commissioner according to criteria developed by the commissioner, including:

- (1) nursing facility care has been recommended for the person by a preadmission screening team;
- (2) the person has been hospitalized and no longer requires inpatient acute care hospital services; and
- (3) the commissioner has determined that necessary services for the person cannot be provided under existing nursing facility rates.

~~The commissioner may issue a request for proposals to provide services to a ventilator-dependent person to nursing facilities eligible to receive medical assistance payments and shall select nursing facilities from among respondents according to criteria developed by the commissioner, including:~~

- ~~(1) the cost-effectiveness and appropriateness of services;~~
- ~~(2) the nursing facility's compliance with federal and state licensing and certification standards; and~~
- ~~(3) the proximity of the nursing facility to a ventilator-dependent person identified by the commissioner who requires nursing facility placement.~~

The commissioner may negotiate an adjustment to the operating cost payment rate for a nursing facility ~~selected by the commissioner from among respondents to the request for proposals with a resident who is ventilator-dependent, for that resident.~~ The negotiated adjustment must reflect only the actual additional cost of meeting the specialized care needs of a ventilator-dependent person identified by the commissioner for whom

necessary services cannot be provided under existing nursing facility rates and which are not otherwise covered under Minnesota Rules, parts 9549.0010 to 9549.0080 or 9505.0170 to 9505.0475. For persons who are initially admitted to a nursing facility before July 1, 2001, and have their payment rate under this subdivision negotiated after July 1, 2001, the negotiated payment rate must not exceed 200 percent of the highest multiple bedroom payment rate for the facility, as initially established by the commissioner for the rate year for case mix classification K; or, upon implementation of the RUGs-based case mix system, 200 percent of the highest RUGs rate. For persons initially admitted to a nursing facility on or after July 1, 2001, the negotiated payment rate must not exceed 300 percent of the facility's multiple bedroom payment rate for case mix classification K; or, upon implementation of the RUGs-based case mix system, 300 percent of the highest RUGs rate. The negotiated adjustment shall not affect the payment rate charged to private paying residents under the provisions of section 256B.48, subdivision 1.

Sec. 36. Minnesota Statutes 2000, section 256B.431, subdivision 14, is amended to read:

Subd. 14. [LIMITATIONS ON SALES OF NURSING FACILITIES.] (a) For rate periods beginning on October 1, 1992, and for rate years beginning after June 30, 1993, a nursing facility's property-related payment rate as established under subdivision 13 shall be adjusted by either paragraph (b) or (c) for the sale of the nursing facility, including sales occurring after June 30, 1992, as provided in this subdivision.

(b) If the nursing facility's property-related payment rate under subdivision 13 prior to sale is greater than the nursing facility's rental rate under Minnesota Rules, parts 9549.0010 to 9549.0080, and this section prior to sale, the nursing facility's property-related payment rate after sale shall be the greater of its property-related payment rate under subdivision 13 prior to sale or its rental rate under Minnesota Rules, parts 9549.0010 to 9549.0080, and this section calculated after sale.

(c) If the nursing facility's property-related payment rate under subdivision 13 prior to sale is equal to or less than the nursing facility's rental rate under Minnesota Rules, parts 9549.0010 to 9549.0080, and this section prior to sale, the nursing facility's property-related payment rate after sale shall be the nursing facility's property-related payment rate under subdivision 13 plus the difference between its rental rate calculated under Minnesota Rules, parts 9549.0010 to 9549.0080, and this section prior to sale and its rental rate calculated under Minnesota Rules, parts 9549.0010 to 9549.0080, and this section calculated after sale.

(d) For purposes of this subdivision, "sale" means the purchase of a nursing facility's capital assets with cash or debt. The term sale does not include a stock purchase of a nursing facility or any of the following transactions:

- (1) a sale and leaseback to the same licensee that does not constitute a change in facility license;
- (2) a transfer of an interest to a trust;
- (3) gifts or other transfers for no consideration;
- (4) a merger of two or more related organizations;
- (5) a change in the legal form of doing business, other than a publicly held organization that becomes privately held or vice versa;
- (6) the addition of a new partner, owner, or shareholder who owns less than 20 percent of the nursing facility or the issuance of stock; and
- (7) a sale, merger, reorganization, or any other transfer of interest between related organizations other than those permitted in this section.

(e) For purposes of this subdivision, "sale" includes the sale or transfer of a nursing facility to a close relative as defined in Minnesota Rules, part 9549.0020, subpart 38, item C, upon the death of an owner, due to serious illness or disability, as defined under the Social Security Act, under United States Code, title 42, section 423(d)(1)(A), or

upon retirement of an owner from the business of owning or operating a nursing home at 62 years of age or older. For sales to a close relative allowed under this paragraph, otherwise nonallowable debt resulting from seller financing of all or a portion of the debt resulting from the sale shall be allowed and shall not be subject to Minnesota Rules, part 9549.0060, subpart 5, item E, provided that in addition to existing requirements for allowance of debt and interest, the debt is subject to repayment through annual principal payments and the interest rate on the related organization debt does not exceed three percentage points above the posted yield for standard conventional fixed rate mortgages of the Federal Home Loan Mortgage Corporation for delivery in 60 days in effect on the day of sale. If at any time, the seller forgives the related organization debt allowed under this paragraph for other than equal amount of payment on that debt, then the buyer shall pay to the state the total revenue received by the nursing facility after the sale attributable to the amount of allowable debt which has been forgiven. Any assignment, sale, or transfer of the debt instrument entered into by the close relatives, either directly or indirectly, which grants to the close relative buyer the right to receive all or a portion of the payments under the debt instrument shall, effective on the date of the transfer, result in the prospective reduction in the corresponding portion of the allowable debt and interest expense. Upon the death of the close relative seller, any remaining balance of the close relative debt must be refinanced and such refinancing shall be subject to the provisions of Minnesota Rules, part 9549.0060, subpart 7, item G. This paragraph shall not apply to sales occurring on or after June 30, 1997.

(f) For purposes of this subdivision, "effective date of sale" means the later of either the date on which legal title to the capital assets is transferred or the date on which closing for the sale occurred.

(g) The effective day for the property-related payment rate determined under this subdivision shall be the first day of the month following the month in which the effective date of sale occurs or October 1, 1992, whichever is later, provided that the notice requirements under section 256B.47, subdivision 2, have been met.

(h) Notwithstanding Minnesota Rules, part 9549.0060, subparts 5, item A, subitems (3) and (4), and 7, items E and F, the commissioner shall limit the total allowable debt and related interest for sales occurring after June 30, 1992, to the sum of clauses (1) to (3):

(1) the historical cost of capital assets, as of the nursing facility's most recent previous effective date of sale or, if there has been no previous sale, the nursing facility's initial historical cost of constructing capital assets;

(2) the average annual capital asset additions after deduction for capital asset deletions, not including depreciations; and

(3) one-half of the allowed inflation on the nursing facility's capital assets. The commissioner shall compute the allowed inflation as described in paragraph ~~(f)~~ (i).

(i) For purposes of computing the amount of allowed inflation, the commissioner must apply the following principles:

(1) the lesser of the Consumer Price Index for all urban consumers or the Dodge Construction Systems Costs for Nursing Homes for any time periods during which both are available must be used. If the Dodge Construction Systems Costs for Nursing Homes becomes unavailable, the commissioner shall substitute the index in subdivision 3f, or such other index as the secretary of the health care financing administration may designate;

(2) the amount of allowed inflation to be applied to the capital assets in paragraph (g), clauses (1) and (2), must be computed separately;

(3) the amount of allowed inflation must be determined on an annual basis, prorated on a monthly basis for partial years and if the initial month of use is not determinable for a capital asset, then one-half of that calendar year shall be used for purposes of prorating;

(4) the amount of allowed inflation to be applied to the capital assets in paragraph (g), clauses (1) and (2), must not exceed 300 percent of the total capital assets in any one of those clauses; and

(5) the allowed inflation must be computed starting with the month following the nursing facility's most recent previous effective date of sale or, if there has been no previous sale, the month following the date of the nursing facility's initial occupancy, and ending with the month preceding the effective date of sale.

(j) If the historical cost of a capital asset is not readily available for the date of the nursing facility's most recent previous sale or if there has been no previous sale for the date of the nursing facility's initial occupancy, then the commissioner shall limit the total allowable debt and related interest after sale to the extent recognized by the Medicare intermediary after the sale. For a nursing facility that has no historical capital asset cost data available and does not have allowable debt and interest calculated by the Medicare intermediary, the commissioner shall use the historical cost of capital asset data from the point in time for which capital asset data is recorded in the nursing facility's audited financial statements.

(k) The limitations in this subdivision apply only to debt resulting from a sale of a nursing facility occurring after June 30, 1992, including debt assumed by the purchaser of the nursing facility.

Sec. 37. Minnesota Statutes 2000, section 256B.431, subdivision 30, is amended to read:

Subd. 30. [BED LAYAWAY AND DELICENSURE.] (a) For rate years beginning on or after July 1, 2000, a nursing facility reimbursed under this section which has placed beds on layaway shall, for purposes of application of the downsizing incentive in subdivision 3a, paragraph ~~(c)~~ (c), and calculation of the rental per diem, have those beds given the same effect as if the beds had been delicensed so long as the beds remain on layaway. At the time of a layaway, a facility may change its single bed election for use in calculating capacity days under Minnesota Rules, part 9549.0060, subpart 11. The property payment rate increase shall be effective the first day of the month following the month in which the layaway of the beds becomes effective under section 144A.071, subdivision 4b.

(b) For rate years beginning on or after July 1, 2000, notwithstanding any provision to the contrary under section 256B.434, a nursing facility reimbursed under that section which has placed beds on layaway shall, for so long as the beds remain on layaway, be allowed to:

(1) aggregate the applicable investment per bed limits based on the number of beds licensed immediately prior to entering the alternative payment system;

(2) retain or change the facility's single bed election for use in calculating capacity days under Minnesota Rules, part 9549.0060, subpart 11; and

(3) establish capacity days based on the number of beds immediately prior to the layaway and the number of beds after the layaway.

The commissioner shall increase the facility's property payment rate by the incremental increase in the rental per diem resulting from the recalculation of the facility's rental per diem applying only the changes resulting from the layaway of beds and clauses (1), (2), and (3). If a facility reimbursed under section 256B.434 completes a moratorium exception project after its base year, the base year property rate shall be the moratorium project property rate. The base year rate shall be inflated by the factors in section 256B.434, subdivision 4, paragraph (c). The property payment rate increase shall be effective the first day of the month following the month in which the layaway of the beds becomes effective.

(c) If a nursing facility removes a bed from layaway status in accordance with section 144A.071, subdivision 4b, the commissioner shall establish capacity days based on the number of licensed and certified beds in the facility not on layaway and shall reduce the nursing facility's property payment rate in accordance with paragraph (b).

(d) For the rate years beginning on or after July 1, 2000, notwithstanding any provision to the contrary under section 256B.434, a nursing facility reimbursed under that section, which has delicensed beds after July 1, 2000, by giving notice of the delicensure to the commissioner of health according to the notice requirements in section 144A.071, subdivision 4b, shall be allowed to:

(1) aggregate the applicable investment per bed limits based on the number of beds licensed immediately prior to entering the alternative payment system;

(2) retain or change the facility's single bed election for use in calculating capacity days under Minnesota Rules, part 9549.0060, subpart 11; and

(3) establish capacity days based on the number of beds immediately prior to the delicensure and the number of beds after the delicensure.

The commissioner shall increase the facility's property payment rate by the incremental increase in the rental per diem resulting from the recalculation of the facility's rental per diem applying only the changes resulting from the delicensure of beds and clauses (1), (2), and (3). If a facility reimbursed under section 256B.434 completes a moratorium exception project after its base year, the base year property rate shall be the moratorium project property rate. The base year rate shall be inflated by the factors in section 256B.434, subdivision 4, paragraph (c). The property payment rate increase shall be effective the first day of the month following the month in which the delicensure of the beds becomes effective.

(e) For nursing facilities reimbursed under this section or section 256B.434, any beds placed on layaway shall not be included in calculating facility occupancy as it pertains to leave days defined in Minnesota Rules, part 9505.0415.

(f) For nursing facilities reimbursed under this section or section 256B.434, the rental rate calculated after placing beds on layaway may not be less than the rental rate prior to placing beds on layaway.

(g) A nursing facility receiving a rate adjustment as a result of this section shall comply with section 256B.47, subdivision 2.

(h) A facility that does not utilize the space made available as a result of bed layaway or delicensure under this subdivision to reduce the number of beds per room or provide more common space for nursing facility uses or perform other activities related to the operation of the nursing facility shall have its property rate increase calculated under this subdivision reduced by the ratio of the square footage made available that is not used for these purposes to the total square footage made available as a result of bed layaway or delicensure.

Sec. 38. Minnesota Statutes 2001 Supplement, section 256B.431, subdivision 33, is amended to read:

Subd. 33. [STAGED REDUCTION IN RATE DISPARITIES.] (a) For the rate years beginning July 1, 2001, and July 1, 2002, the commissioner shall adjust the operating payment rates for low-rate nursing facilities reimbursed under this section or section 256B.434.

(b) For the rate year beginning July 1, 2001, for each case mix level, if the amount computed under subdivision ~~32~~ 31 is less than the amount in clause (1), the commissioner shall make available the lesser of the amount in clause (1) or an increase of ten percent over the rate in effect on June 30, 2001, as an adjustment to the operating payment rate. For the rate year beginning July 1, 2002, for each case mix level, if the amount computed under subdivision ~~32~~ 31 is less than the amount in clause (2), the commissioner shall make available the lesser of the amount in clause (2) or an increase of ten percent over the rate in effect on June 30, 2002, as an adjustment to the operating payment rate. For purposes of this subdivision, nursing facilities shall be considered to be metro if they are located in Anoka, Carver, Dakota, Hennepin, Olmsted, Ramsey, Scott, or Washington counties; or in the cities of Moorhead or Breckenridge; or in St. Louis county, north of Toivola and south of Cook; or in Itasca county, east of a north south line two miles west of Grand Rapids:

(1) Operating Payment Rate Target Level for July 1, 2001:

Case Mix Classification	Metro	Nonmetro
A	\$76.00	\$68.13
B	\$83.40	\$74.46
C	\$91.67	\$81.63
D	\$99.51	\$88.04
E	\$107.46	\$94.87
F	\$107.96	\$95.29
G	\$114.67	\$100.98
H	\$126.99	\$111.31
I	\$131.42	\$115.06
J	\$138.34	\$120.85
K	\$152.26	\$133.10

(2) Operating Payment Rate Target Level for July 1, 2002:

Case Mix Classification	Metro	Nonmetro
A	\$78.28	\$70.51
B	\$85.91	\$77.16
C	\$94.42	\$84.62
D	\$102.50	\$91.42
E	\$110.68	\$98.40
F	\$111.20	\$98.84
G	\$118.11	\$104.77
H	\$130.80	\$115.64
I	\$135.38	\$119.50
J	\$142.49	\$125.38
K	\$156.85	\$137.77

Sec. 39. Minnesota Statutes 2001 Supplement, section 256B.437, subdivision 3, is amended to read:

Subd. 3. [APPLICATIONS FOR PLANNED CLOSURE OF NURSING FACILITIES.] (a) By August 15, 2001, the commissioner of human services shall implement and announce a program for closure or partial closure of nursing facilities. Names and identifying information provided in response to the announcement shall remain private unless approved, according to the timelines established in the plan. The announcement must specify:

- (1) the criteria in subdivision 4 that will be used by the commissioner to approve or reject applications;
- (2) ~~a requirement for the submission of a letter of intent before the submission of an application;~~
- (3) the information that must accompany an application; and
- (4) (3) that applications may combine planned closure rate adjustments with moratorium exception funding, in which case a single application may serve both purposes.

Between August 1, 2001, and June 30, 2003, the commissioner may approve planned closures of up to 5,140 nursing facility beds, less the number of ~~licensed~~ beds delicensed in facilities ~~that close~~ during the same time period without approved closure plans or that have notified the commissioner of health of their intent to close without an approved closure plan.

(b) A facility or facilities reimbursed under section 256B.431 or 256B.434 with a closure plan approved by the commissioner under subdivision 5 may assign a planned closure rate adjustment to another facility or facilities that are not closing or in the case of a partial closure, to the facility undertaking the partial closure. A facility may also elect to have a planned closure rate adjustment shared equally by the five nursing facilities with the lowest total operating payment rates in the state development region designated under section 462.385, in which the facility that is closing is located. The planned closure rate adjustment must be calculated under subdivision 6. Facilities that ~~close~~ delicense beds without a closure plan, or whose closure plan is not approved by the commissioner, are not eligible to assign a planned closure rate adjustment under subdivision 6, unless they are delicensing five or fewer beds, or less than six percent of their total licensed bed capacity, whichever is greater, are located in a county in the top three quartiles of beds per 1,000 persons aged 65 or older, and have not delicensed beds in the prior three months. Facilities meeting these criteria are eligible to assign the amount calculated under subdivision 6 to themselves. If a facility is delicensing the greater of six or more beds, or six percent or more of its total licensed bed capacity, and does not have an approved closure plan or is not eligible for the adjustment under subdivision 6, the commissioner shall calculate the amount the facility would have been eligible to assign under subdivision 6, and shall use this amount to provide equal rate adjustments to the five nursing facilities with the lowest total operating payment rates in the state development region designated under section 462.385, in which the facility that ~~closed~~ delicensed beds is located.

(c) To be considered for approval, an application must include:

- (1) a description of the proposed closure plan, which must include identification of the facility or facilities to receive a planned closure rate adjustment ~~and the amount and timing of a planned closure rate adjustment proposed for each facility;~~
- (2) the proposed timetable for any proposed closure, including the proposed dates for announcement to residents, commencement of closure, and completion of closure;
- (3) ~~if available,~~ if available, the proposed relocation plan for current residents of any facility designated for closure. ~~The proposed~~ If a relocation plan is not available, the application must include a statement agreeing to develop a relocation plan must be designed to comply with all applicable state and federal statutes and regulations, including, but not limited to, section 144A.161;
- (4) a description of the relationship between the nursing facility that is proposed for closure and the nursing facility or facilities proposed to receive the planned closure rate adjustment. If these facilities are not under common ownership, copies of any contracts, purchase agreements, or other documents establishing a relationship or proposed relationship must be provided;
- (5) documentation, in a format approved by the commissioner, that all the nursing facilities receiving a planned closure rate adjustment under the plan have accepted joint and several liability for recovery of overpayments under section 256B.0641, subdivision 2, for the facilities designated for closure under the plan; and

(6) an explanation of how the application coordinates with planning efforts under subdivision 2. If the planning group does not support a level of nursing facility closures that the commissioner considers to be reasonable, the commissioner may approve a planned closure proposal without its support.

(d) The application must address the criteria listed in subdivision 4.

Sec. 40. Minnesota Statutes 2001 Supplement, section 256B.437, subdivision 6, is amended to read:

Subd. 6. [PLANNED CLOSURE RATE ADJUSTMENT.] (a) The commissioner of human services shall calculate the amount of the planned closure rate adjustment available under subdivision 3, paragraph (b), for up to 5,140 beds according to clauses (1) to (4):

(1) the amount available is the net reduction of nursing facility beds multiplied by \$2,080;

(2) the total number of beds in the nursing facility or facilities receiving the planned closure rate adjustment must be identified;

(3) capacity days are determined by multiplying the number determined under clause (2) by 365; and

(4) the planned closure rate adjustment is the amount available in clause (1), divided by capacity days determined under clause (3).

(b) A planned closure rate adjustment under this section is effective on the first day of the month following completion of closure of the facility designated for closure in the application and becomes part of the nursing facility's total operating payment rate.

(c) Applicants may use the planned closure rate adjustment to allow for a property payment for a new nursing facility or an addition to an existing nursing facility or as an operating payment rate adjustment. Applications approved under this subdivision are exempt from other requirements for moratorium exceptions under section 144A.073, subdivisions 2 and 3.

(d) Upon the request of a closing facility, the commissioner must allow the facility a closure rate adjustment as provided under section 144A.161, subdivision 10.

(e) A facility that has received a planned closure rate adjustment may reassign it to another facility that is under the same ownership at any time within three years of its effective date. The amount of the adjustment shall be computed according to paragraph (a).

(f) If the per bed dollar amount specified in paragraph (a), clause (1), is increased, the commissioner shall recalculate planned closure rate adjustments for facilities that delicense beds under this section on or after July 1, 2001, to reflect the increase in the per bed dollar amount. The recalculated planned closure rate adjustment shall be effective from the date the per bed dollar amount is increased.

Sec. 41. Minnesota Statutes 2001 Supplement, section 256B.438, subdivision 1, is amended to read:

Subdivision 1. [SCOPE.] This section establishes the method and criteria used to determine resident reimbursement classifications based upon the assessments of residents of nursing homes and boarding care homes whose payment rates are established under section 256B.431, 256B.434, or 256B.435. Resident reimbursement classifications shall be established according to the 34 group, resource utilization groups, version III or RUG-III model as described in section 144.0724. Reimbursement classifications established under this section shall be implemented after June 30, 2002, but no later than January 1, 2003. Reimbursement classifications established under this section shall be implemented no earlier than six weeks after the commissioner mails notices of payment rates to the facilities.

Sec. 42. Minnesota Statutes 2000, section 256B.5012, subdivision 2, is amended to read:

Subd. 2. [OPERATING PAYMENT RATE.] (a) The operating payment rate equals the facility's total payment rate in effect on September 30, 2000, minus the property rate. The operating payment rate includes the special operating rate and the efficiency incentive in effect as of September 30, 2000. Within the limits of appropriations specifically for this purpose, the operating payment shall be increased for each rate year by the annual percentage change in the Employment Cost Index for Private Industry Workers - Total Compensation, as forecasted by the commissioner of finance's economic consultant, in the second quarter of the calendar year preceding the start of each rate year. In the case of the initial rate year beginning October 1, 2000, and continuing through December 31, 2001, the percentage change shall be based on the percentage change in the Employment Cost Index for Private Industry Workers - Total Compensation for the 15-month period beginning October 1, 2000, as forecast by Data Resources, Inc., in the first quarter of 2000.

(b) Effective October 1, 2000, the operating payment rate shall be adjusted to reflect an occupancy rate equal to 100 percent of the facility's capacity days as of September 30, 2000.

(c) Effective July 1, 2001, the operating payment rate shall be adjusted for the increases in the department of health licensing fees that were authorized in Laws 2001, First Special Session chapter 9, article 1, section 30.

Sec. 43. Minnesota Statutes 2000, section 256B.69, subdivision 5a, as amended by Laws 2002, chapter 220, article 15, section 15, is amended to read:

Subd. 5a. [MANAGED CARE CONTRACTS.] (a) Managed care contracts under this section and sections 256L.12 and 256D.03, shall be entered into or renewed on a calendar year basis beginning January 1, 1996. Managed care contracts which were in effect on June 30, 1995, and set to renew on July 1, 1995, shall be renewed for the period July 1, 1995 through December 31, 1995 at the same terms that were in effect on June 30, 1995.

(b) A prepaid health plan providing covered health services for eligible persons pursuant to chapters 256B, 256D, and 256L, is responsible for complying with the terms of its contract with the commissioner. Requirements applicable to managed care programs under chapters 256B, 256D, and 256L, established after the effective date of a contract with the commissioner take effect when the contract is next issued or renewed.

(c) Effective for services rendered on or after January 1, 2003, the commissioner shall withhold five percent of managed care plan payments under this section for the prepaid medical assistance and general assistance medical care programs pending completion of performance targets. The withheld funds ~~will~~ must be returned no sooner than July of the following year if performance targets in the contract are achieved. The commissioner may exclude special demonstration projects under subdivision 23. A managed care plan may include as admitted assets under section 62D.044 any amount withheld under this paragraph that is reasonably expected to be returned.

Sec. 44. Minnesota Statutes 2001 Supplement, section 256B.76, is amended to read:

256B.76 [PHYSICIAN AND DENTAL REIMBURSEMENT.]

(a) Effective for services rendered on or after October 1, 1992, the commissioner shall make payments for physician services as follows:

(1) payment for level one Health Care Finance Administration's common procedural coding system (HCPCS) codes titled "office and other outpatient services," "preventive medicine new and established patient," "delivery, antepartum, and postpartum care," "critical care," cesarean delivery and pharmacologic management provided to psychiatric patients, and HCPCS level three codes for enhanced services for prenatal high risk, shall be paid at the lower of (i) submitted charges, or (ii) 25 percent above the rate in effect on June 30, 1992. If the rate on any procedure code within these categories is different than the rate that would have been paid under the methodology in section 256B.74, subdivision 2, then the larger rate shall be paid;

(2) payments for all other services shall be paid at the lower of (i) submitted charges, or (ii) 15.4 percent above the rate in effect on June 30, 1992;

(3) all physician rates shall be converted from the 50th percentile of 1982 to the 50th percentile of 1989, less the percent in aggregate necessary to equal the above increases except that payment rates for home health agency services shall be the rates in effect on September 30, 1992;

(4) effective for services rendered on or after January 1, 2000, payment rates for physician and professional services shall be increased by three percent over the rates in effect on December 31, 1999, except for home health agency and family planning agency services; and

(5) the increases in clause (4) shall be implemented January 1, 2000, for managed care.

(b) Effective for services rendered on or after October 1, 1992, the commissioner shall make payments for dental services as follows:

(1) dental services shall be paid at the lower of (i) submitted charges, or (ii) 25 percent above the rate in effect on June 30, 1992;

(2) dental rates shall be converted from the 50th percentile of 1982 to the 50th percentile of 1989, less the percent in aggregate necessary to equal the above increases;

(3) effective for services rendered on or after January 1, 2000, payment rates for dental services shall be increased by three percent over the rates in effect on December 31, 1999;

(4) the commissioner shall award grants to community clinics or other nonprofit community organizations, political subdivisions, professional associations, or other organizations that demonstrate the ability to provide dental services effectively to public program recipients. Grants may be used to fund the costs related to coordinating access for recipients, developing and implementing patient care criteria, upgrading or establishing new facilities, acquiring furnishings or equipment, recruiting new providers, or other development costs that will improve access to dental care in a region. In awarding grants, the commissioner shall give priority to applicants that plan to serve areas of the state in which the number of dental providers is not currently sufficient to meet the needs of recipients of public programs or uninsured individuals. The commissioner shall consider the following in awarding the grants:

(i) potential to successfully increase access to an underserved population;

(ii) the ability to raise matching funds;

(iii) the long-term viability of the project to improve access beyond the period of initial funding;

(iv) the efficiency in the use of the funding; and

(v) the experience of the proposers in providing services to the target population.

The commissioner shall monitor the grants and may terminate a grant if the grantee does not increase dental access for public program recipients. The commissioner shall consider grants for the following:

(i) implementation of new programs or continued expansion of current access programs that have demonstrated success in providing dental services in underserved areas;

(ii) a pilot program for utilizing hygienists outside of a traditional dental office to provide dental hygiene services; and

(iii) a program that organizes a network of volunteer dentists, establishes a system to refer eligible individuals to volunteer dentists, and through that network provides donated dental care services to public program recipients or uninsured individuals;

(5) beginning October 1, 1999, the payment for tooth sealants and fluoride treatments shall be the lower of (i) submitted charge, or (ii) 80 percent of median 1997 charges;

(6) the increases listed in clauses (3) and (5) shall be implemented January 1, 2000, for managed care; and

(7) effective for services provided on or after January 1, 2002, payment for diagnostic examinations and dental x-rays provided to children under age 21 shall be the lower of (i) the submitted charge, or (ii) 85 percent of median 1999 charges.

(c) Effective for dental services rendered on or after January 1, 2002, the commissioner may, within the limits of available appropriation, increase reimbursements to dentists and dental clinics deemed by the commissioner to be critical access dental providers. Reimbursement to a critical access dental provider may be increased by not more than 50 percent above the reimbursement rate that would otherwise be paid to the provider. Payments to health plan companies shall be adjusted to reflect increased reimbursements to critical access dental providers as approved by the commissioner. In determining which dentists and dental clinics shall be deemed critical access dental providers, the commissioner shall review:

(1) the utilization rate in the service area in which the dentist or dental clinic operates for dental services to patients covered by medical assistance, general assistance medical care, or MinnesotaCare as their primary source of coverage;

(2) the level of services provided by the dentist or dental clinic to patients covered by medical assistance, general assistance medical care, or MinnesotaCare as their primary source of coverage; and

(3) whether the level of services provided by the dentist or dental clinic is critical to maintaining adequate levels of patient access within the service area.

In the absence of a critical access dental provider in a service area, the commissioner may designate a dentist or dental clinic as a critical access dental provider if the dentist or dental clinic is willing to provide care to patients covered by medical assistance, general assistance medical care, or MinnesotaCare at a level which significantly increases access to dental care in the service area.

(d) Effective July 1, 2001, the medical assistance rates for outpatient mental health services provided by an entity that operates:

(1) a Medicare-certified comprehensive outpatient rehabilitation facility; and

(2) a facility that was certified prior to January 1, 1993, with at least 33 percent of the clients receiving rehabilitation services in the most recent calendar year who are medical assistance recipients, will be increased by 38 percent, when those services are provided within the comprehensive outpatient rehabilitation facility and provided to residents of nursing facilities owned by the entity.

(e) An entity that operates both a Medicare certified comprehensive outpatient rehabilitation facility and a facility which was certified prior to January 1, 1993, that is licensed under Minnesota Rules, parts 9570.2000 to 9570.3600, and for whom at least 33 percent of the clients receiving rehabilitation services in the most recent calendar year are medical assistance recipients, shall be reimbursed by the commissioner for rehabilitation services at rates that are 38 percent greater than the maximum reimbursement rate allowed under paragraph (a), clause (2), when those services are (1) provided within the comprehensive outpatient rehabilitation facility and (2) provided to residents of nursing facilities owned by the entity.

Sec. 45. Minnesota Statutes 2000, section 256I.04, subdivision 2a, is amended to read:

Subd. 2a. [LICENSE REQUIRED.] A county agency may not enter into an agreement with an establishment to provide group residential housing unless:

(1) the establishment is licensed by the department of health as a hotel and restaurant; a board and lodging establishment; a residential care home; a boarding care home before March 1, 1985; or a supervised living facility, and the service provider for residents of the facility is licensed under chapter 245A. However, an establishment licensed by the department of health to provide lodging need not also be licensed to provide board if meals are being supplied to residents under a contract with a food vendor who is licensed by the department of health;

(2) the residence is licensed by the commissioner of human services under Minnesota Rules, parts 9555.5050 to 9555.6265, or certified by a county human services agency prior to July 1, 1992, using the standards under Minnesota Rules, parts 9555.5050 to 9555.6265; or

(3) the establishment is registered under chapter 144D and provides three meals a day, except that an establishment registered under section 144D.025 is not eligible for an agreement to provide group residential housing.

The requirements under clauses (1), (2), and (3) do not apply to establishments exempt from state licensure because they are located on Indian reservations and subject to tribal health and safety requirements.

Sec. 46. Minnesota Statutes 2000, section 256L.12, subdivision 9, as amended by Laws 2002, chapter 220, article 15, section 23, is amended to read:

Subd. 9. [RATE SETTING.] (a) Rates will be prospective, per capita, where possible. The commissioner may allow health plans to arrange for inpatient hospital services on a risk or nonrisk basis. The commissioner shall consult with an independent actuary to determine appropriate rates.

(b) For services rendered on or after January 1, 2003, the commissioner shall withhold .5 percent of managed care plan payments under this section pending completion of performance targets. The withheld funds will must be returned no sooner than July 1 and no later than July 31 of the following year if performance targets in the contract are achieved. A managed care plan may include as admitted assets under section 62D.044 any amount withheld under this paragraph that is reasonably expected to be returned.

Sec. 47. Laws 2002, chapter 220, article 17, section 2, subdivision 6, is amended to read:

Subd. 6. Continuing Care Grants

General	(8,907,000)	(26,227,000)
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The amounts that may be spent from this appropriation for each purpose are as follows:

(a) Aging Adult Service Grants

General	-0-	(2,638,000)
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[PLANNING AND SERVICE DEVELOPMENT.] The planning and service development grant from Laws 2001, First Special Session chapter 9, article 17, section 2, subdivision 9, is eliminated for fiscal year 2003. Base funding for the 2004-2005 biennium shall be \$550,000 each year. Notwithstanding Laws 2001, First Special Session chapter 9, article 17, section 2,

subdivision 9, beginning in fiscal year 2004, the commissioner shall annually distribute \$5,000 to each county. Counties with more than 10,000 persons over age 65 shall receive a distribution of an additional 25 cents for each person over age 65. The amount distributed to each area agency on aging shall be \$2,500.

[COMMUNITY SERVICES DEVELOPMENT GRANTS.] For fiscal year 2003, base level funding for community services development grants under Minnesota Statutes, section 256.9754, is reduced by \$1,478,000. For fiscal year 2004, base level funding for these grants is reduced by \$768,000. For fiscal year 2005, base level funding shall be \$3,000,000, and this amount shall be the base funding level for these grants for the biennium beginning July 1, 2005. Notwithstanding section 5, this provision shall not expire.

(b) Medical Assistance Long-Term Care Waivers and Home Care Grants

General	18,471,000	12,833,000
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(c) Medical Assistance Long-Term Care Facilities Grants

General	(27,382,000)	(31,922,000)
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(d) Group Residential Housing Grants

General	4,000	574,000
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~~[FEDERAL FUNDING FOR GROUP RESIDENTIAL HOUSING COSTS.] The commissioner shall seek federal funding to offset costs for group residential housing services under Minnesota Statutes, chapter 256I. Any federal funding received shall be distributed to counties on a pro rata basis according to county spending under Minnesota Statutes, section 256B.19, subdivision 1, clause (3), for the costs of nursing facility placements of persons with disabilities under the age of 65 that have exceeded 90 days. The commissioner shall report to the legislature by January 15, 2003, on the status of additional federal funding for group residential housing costs.~~

(e) Chemical Dependency Entitlement Grants

General	-0-	(84,000)
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[CONSOLIDATED CHEMICAL DEPENDENCY TREATMENT FUND RESERVE TRANSFER.] In fiscal year 2003, \$8,544,000 of funds available in the consolidated chemical dependency treatment fund general reserve account is transferred to the general fund.

(f) Community Social Services Block Grants

General	-0-	(4,990,000)
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[CSSA TRADITIONAL APPROPRIATION REDUCTION.] For fiscal year 2003, base level funding for community social service aids under Minnesota Statutes, section 256E.06, subdivisions 1 and 2, is reduced by \$4,700,000. This reduction shall become part of base level funding for the biennium beginning July 1, 2003. Notwithstanding section 5, this provision shall not expire.

[CSSA GRANTS FOR FORMER GRH RECIPIENTS.] For fiscal year 2003, base level funding for community social service aids under Minnesota Statutes, section 256E.06, subdivision 2b, is reduced by \$290,000. This reduction shall become part of base level funding for the biennium beginning July 1, 2003. These reductions shall be made on a pro rata basis to each affected county. Notwithstanding section 5, this provision shall not expire.

Sec. 48. [CASE MANAGEMENT STUDY.]

The commissioner of human services shall study case management services for persons with disabilities, in consultation with consumers, providers, consumer advocates, and local social service and public health agencies. The commissioner shall report to the chairs and ranking minority members of the house and senate committees having jurisdiction over health and human services policy and funding, by January 15, 2003, on strategies that:

- (1) streamline administration;
- (2) improve case management service availability across the state;
- (3) enhance consumer access to needed services and supports;
- (4) improve accountability and the use of performance measures;
- (5) provide for consumer choice of vendor; and
- (6) improve the financing of case management services.

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

Sec. 49. [MENTAL HEALTH SERVICES RATE INCREASE PASS-THROUGH.]

Prepaid health plans must pass through to service providers the rate increases provided under Minnesota Statutes, section 256B.761.

Sec. 50. [COMMUNITY SERVICES DEVELOPMENT GRANTS USAGE.]

For fiscal year 2003, the commissioner of human services may make grants under the community services development grants program in Minnesota Statutes, section 256.9754, for the development of housing options for persons under age 65 residing in nursing facilities.

Sec. 51. [ACCESS TO AFFORDABLE HOUSING.]

The commissioners of human services and the Minnesota housing finance agency shall make recommendations to the long-term care task force by January 15, 2003, on ways to increase the ability of persons with disabilities to access affordable housing. The recommendations shall include:

- (1) income supplement or housing subsidy options that support efforts to relocate persons under the age of 65 from nursing facilities or to divert them from a nursing facility placement;

(2) an analysis of the impacts of the state using a fixed amount attributable to room and board costs for home and community-based waiver recipients in group residential settings;

(3) options to maximize federal funding that result in no additional costs to the state. These options may include the transfer of state funds between income maintenance programs and the Medicaid program. These options may be implemented prior to the report to the task force. Any additional funds made available through implementation of these options and not utilized to support persons relocating from nursing facilities shall be used to reduce the county share enacted in Laws 2002, chapter 220, article 14, section 8; and

(4) alternatives that provide additional incentives to county agencies that successfully discharge persons with disabilities under the age of 65 from nursing facilities.

Sec. 52. [PRIOR AUTHORIZATION REPORT.]

The commissioner of human services shall review prior authorization of prescription drugs in the fee-for-service medical assistance program in terms of the cost effectiveness achieved through prior authorization on prescription drug costs and on other medical assistance costs and evaluate the effect that placing a drug on prior authorization has had on the quality of patient care. The commissioner shall submit the results to the chairs and ranking minority members of the senate and house of representatives committees having jurisdiction over human services funding by January 15, 2004.

Sec. 53. [PILOT PROGRAM FOR DEAF-BLIND SERVICES.]

(a) The commissioners of human services; children, families, and learning; and state services for the blind shall meet with deaf-blind citizens, parents of deaf-blind children, and the Minnesota commission serving deaf and hard-of-hearing individuals to determine which agency can most efficiently and effectively develop and administer a pilot program for consumer-directed services to provide needed services to deaf-blind adults, children, and families.

(b) The planning for this pilot program must proceed using current appropriations. The agency that develops the pilot program described in paragraph (a) shall provide a report to the senate and house of representatives policy and fiscal committees having jurisdiction over human services issues by January 1, 2003, that addresses future funding for the program. The report shall include the program proposal, recommendations, and a fiscal note.

Sec. 54. [SERVICES FOR DEAF-BLIND PERSONS.]

(a) Effective for fiscal years beginning on or after July 1, 2003, the commissioner of human services shall combine the existing \$1,000,000 biennial base level funding for deaf-blind services into a single grant program. Within the limits of the appropriation for this purpose, each biennium at least \$350,000 shall be awarded for services to deaf-blind children and their families and at least \$250,000 shall be awarded for services to deaf-blind adults.

(b) The commissioner may make grants:

(1) for services provided by organizations; and

(2) to develop and administer consumer-directed services.

(c) Any entity that is able to satisfy the grant criteria is eligible to receive a grant under paragraph (a).

(d) Deaf-blind service providers are not required to, but may, provide intervenor services as part of the service package provided with grant funds under this section.

Sec. 55. [FEASIBILITY ASSESSMENT OF MEDICAL ASSISTANCE EXPANSION TO COVER DEAF-BLIND SERVICES.]

(a) The commissioner of human services shall study and report to the legislature by January 15, 2003, with a feasibility assessment of the costs and policy implications, including the necessity of federal waivers, to expand benefits covered under medical assistance and under medical assistance waiver programs to include the following services for deaf-blind persons:

- (1) sign language interpreters;
- (2) intervenors;
- (3) support service persons;
- (4) orientation and mobility services; and
- (5) rehabilitation teaching services.

(b) Notwithstanding Laws 2001, First Special Session chapter 9, article 17, section 10, subdivision 3, the commissioner may transfer \$20,000 of deaf and hard-of-hearing grants to operations for purposes of paragraph (a). The study and report under paragraph (a) is exempt from the consulting contract moratorium in Laws 2002, chapter 220, article 10, section 37.

Sec. 56. [REPEALER; TARGETED CASE MANAGEMENT.]

Minnesota Statutes 2001 Supplement, section 256B.0621, subdivision 1, is repealed.

ARTICLE 3

MISCELLANEOUS

Section 1. Minnesota Statutes 2000, section 62J.692, subdivision 4, as amended by Laws 2002, chapter 220, article 15, section 1, is amended to read:

Subd. 4. [DISTRIBUTION OF FUNDS.] (a) The commissioner shall annually distribute medical education funds to all qualifying applicants based on the following criteria:

- (1) total medical education funds available for distribution;
- (2) total number of eligible trainee FTEs in each clinical medical education program; and
- (3) the statewide average cost per trainee as determined by the application information provided in the first year of the biennium, by type of trainee, in each clinical medical education program.

(b) Funds distributed shall not be used to displace current funding appropriations from federal or state sources.

(c) Funds shall be distributed to the sponsoring institutions indicating the amount to be distributed to each of the sponsor's clinical medical education programs based on the criteria in this subdivision and in accordance with the commissioner's approval letter. Each clinical medical education program must distribute funds to the training sites as specified in the commissioner's approval letter. Sponsoring institutions, which are accredited through an organization recognized by the department of education or the health care financing administration, may contract directly with training sites to provide clinical training. To ensure the quality of clinical training, those accredited sponsoring institutions must:

(1) develop contracts specifying the terms, expectations, and outcomes of the clinical training conducted at sites; and

(2) take necessary action if the contract requirements are not met. Action may include the withholding of payments under this section or the removal of students from the site.

(d) Any funds not distributed in accordance with the commissioner's approval letter must be returned to the medical education and research fund within 30 days of receiving notice from the commissioner. The commissioner shall distribute returned funds to the appropriate training sites in accordance with the commissioner's approval letter.

(e) The commissioner shall distribute ~~no later than~~ by June 30 of each year an amount equal to the funds transferred under section 62J.694, subdivision 2a, paragraph (b), plus five percent interest ~~at a rate equal to the average earnings paid under section 62J.694, subdivision 2a;~~ to the University of Minnesota board of regents for the costs of the academic health center as specified under section 62J.694, subdivision 2a, paragraph (a).

Sec. 2. Minnesota Statutes 2001 Supplement, section 125A.515, is amended to read:

125A.515 [PLACEMENT OF ~~CHILDREN WITHOUT DISABILITIES~~ STUDENTS; APPROVAL OF EDUCATION PROGRAM.]

Subdivision 1. [APPROVAL OF EDUCATION PROGRAMS.] The commissioner shall approve education programs ~~in care and treatment facilities~~ for placement of children ~~without disabilities~~ and youth ~~in care and treatment facilities including detention centers,~~ before being licensed by the department of human services under Minnesota Rules, parts 9545.0905 to 9545.1125 and 9545.1400 to 9545.1480, or the department of corrections under Minnesota Rules, chapters 2925, 2930, 2935, and 2950. ~~For the purposes of this section, care and treatment facilities includes adult facilities that admit children and provide an education program specifically designed for children who are residents of the facility including chemical dependency and other substance abuse programs, shelter care facilities, hospitals, correctional facilities, mental health programs, and detention facilities. Education programs in these facilities shall conform to state and federal education laws including the Individuals with Disabilities Education Act (IDEA).~~

Subd. 2. [DEFINITION OF CARE AND TREATMENT PLACEMENT.] Students placed in the following public or private facilities are considered to be placed for care and treatment:

- (1) group foster home, department of corrections;
- (2) secure juvenile detention facilities, department of corrections;
- (3) juvenile residential facilities, department of corrections;
- (4) temporary holdover - eight day, department of corrections;
- (5) group homes, department of human services;
- (6) residential academies, department of human services;
- (7) transitional programs, department of human services;
- (8) shelter care, department of human services and department of corrections;
- (9) shelter for homeless, department of human services;
- (10) adult facilities that admit persons under the age of 22; and
- (11) residential treatment programs.

Subd. 3. [RESPONSIBILITIES FOR PROVIDING EDUCATION.] (a) The district in which the facility is located must provide education services, including special education if eligible, to all students placed in a facility for care and treatment.

(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.

(c) Placement for care and treatment does not automatically make a student eligible for special education. A student placed in a care and treatment facility is eligible for special education under state and federal law including the Individuals with Disabilities Education Act under United States Code, title 20, chapter 33.

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 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 FACILITIES FOR CARE AND TREATMENT.] (a) When a student is placed in a care and treatment facility that has an on-site education program, the providing district, upon notice from the care and treatment 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 plan (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 for care and treatment has been identified as having a disability and has an individual education plan in the resident district:

(1) the providing agency must conduct an individualized education plan meeting to reach an agreement about continuing or modifying special education services in accordance with the current individualized education plan 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 plan 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 care and treatment 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 care and treatment facility 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.] 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 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 for care and treatment 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 PLACED IN CARE AND TREATMENT FACILITIES.] Students who are absent from, or predicted to be absent from, school for 15 consecutive or intermittent days, at home or in facilities not licensed by the departments of corrections or human services are not students placed for care and treatment. 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. These students are entitled to education services through their district of residence.

Sec. 3. Minnesota Statutes 2000, section 125A.76, subdivision 5, is amended to read:

Subd. 5. [SCHOOL DISTRICT SPECIAL EDUCATION AID.] (a) A school district's special education aid for fiscal year 2000 and later equals the state total special education aid, minus the amount determined under paragraphs (b) and (c), times the ratio of the district's adjusted special education base revenue to the state total adjusted special education base revenue. If the commissioner of children, families, and learning modifies its rules for special education in a manner that increases a district's special education obligations or service requirements, the commissioner shall annually increase each district's special education aid by the amount necessary to compensate for the increased service requirements. The additional aid equals the cost in the current year attributable to rule changes not reflected in the computation of special education base revenue, multiplied by the appropriate percentages from subdivision 2.

(b) Notwithstanding paragraph (a), if the special education base revenue for a district equals zero, the special education aid equals the amount computed according to subdivision 2 using current year data.

(c) Notwithstanding paragraphs (a) and (b), if the special education base revenue for a district is greater than zero, and the base year amount for the district under subdivision 2, paragraph (a), clause (7), equals zero, the special education aid equals the sum of the amount computed according to paragraph (a), plus the amount computed according to subdivision 2, paragraph (a), clause (7), using current year data.

(d) A charter school under section 124D.10 shall generate state special education aid based on current year expenditures for its first four years of operation and only in its fifth and later years shall paragraphs (a), (b), and (c) apply.

[EFFECTIVE DATE.] This section is effective July 1, 2002.

Sec. 4. Minnesota Statutes 2000, section 144.05, is amended by adding a subdivision to read:

Subd. 4. [IDENTIFICATION OF DECEASED INDIVIDUALS.] Upon receiving notice under section 149A.90, subdivision 1, of the death of an individual who cannot be identified, the commissioner must post on the department's Web site information regarding the individual for purposes of obtaining information that may aid in identifying the individual and for purposes of notifying relatives who may be seeking the individual. The information must remain on the Web site continuously until the person's identity is determined.

Sec. 5. Minnesota Statutes 2001 Supplement, section 144.148, subdivision 2, is amended to read:

Subd. 2. [PROGRAM.] (a) The commissioner of health shall award rural hospital capital improvement grants to eligible rural hospitals. Except as provided in paragraph (b), a grant shall not exceed \$500,000 per hospital. Prior to the receipt of any grant, the hospital must certify to the commissioner that at least one-quarter of the grant amount, which may include in-kind services, is available for the same purposes from nonstate resources. Notwithstanding any law to the contrary, funds awarded to grantees in a grant agreement do not lapse until expended by the grantee.

(b) A grant shall not exceed \$1,500,000 per eligible rural hospital that also satisfies the following criteria:

- (1) is the only hospital in a county;
- (2) has 25 or fewer licensed hospital beds with a net hospital operating margin not greater than an average of two percent over the three fiscal years prior to application;
- (3) is located in a medically underserved community (MUC) or a health professional shortage area (HPSA);
- (4) is located near a migrant worker employment site and regularly treats significant numbers of migrant workers and their families; and
- (5) has not previously received a grant under this section prior to July 1, 1999.

Sec. 6. Minnesota Statutes 2000, section 144.335, subdivision 5, is amended to read:

Subd. 5. [COSTS.] (a) When a patient requests a copy of the patient's record for purposes of reviewing current medical care, the provider must not charge a fee.

(b) When a provider or its representative makes copies of patient records upon a patient's request under this section, the provider or its representative may charge the patient or the patient's representative no more than 75 cents per page, plus \$10 for time spent retrieving and copying the records, unless other law or a rule or contract provide for a lower maximum charge. This limitation does not apply to x-rays. The provider may charge a patient no more than the actual cost of reproducing X-rays, plus no more than \$10 for the time spent retrieving and copying the x-rays.

(c) The respective maximum charges of 75 cents per page and \$10 for time provided in this subdivision are in effect for calendar year 1992 and may be adjusted annually each calendar year as provided in this subdivision. The permissible maximum charges shall change each year by an amount that reflects the change, as compared to the previous year, in the consumer price index for all urban consumers, Minneapolis-St. Paul (CPI-U), published by the department of labor.

(d) A provider or its representative must not charge a fee to provide copies of records requested by a patient or the patient's authorized representative if the request for copies of records is for purposes of appealing a denial of social security disability income or social security disability benefits under title II or title XVI of the Social Security Act. For the purpose of further appeals, a patient may receive no more than two medical record updates without charge, but only for medical record information previously not provided. For purposes of this paragraph, a patient's authorized representative does not include units of state government engaged in the adjudication of social security disability claims.

Sec. 7. Minnesota Statutes 2000, section 144.417, subdivision 1, is amended to read:

Subdivision 1. [RULES.] (a) The state commissioner of health shall adopt rules necessary and reasonable to implement the provisions of sections 144.411 to 144.417, except as provided for in section 144.414.

(b) Rules implementing sections 144.411 to 144.417 adopted after January 1, 2002, may not take effect until approved by a law enacted after January 1, 2002. This paragraph does not apply to a rule or severable portion of a rule governing smoking in office buildings, factories, warehouses, or similar places of work, or in health care facilities. This paragraph does not apply to a rule changing the definition of "restaurant" to make it the same as the definition in section 157.15, subdivision 12.

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

Sec. 8. Minnesota Statutes 2000, section 147B.02, subdivision 9, is amended to read:

Subd. 9. [RENEWAL.] (a) To renew a license an applicant must:

- (1) annually, or as determined by the board, complete a renewal application on a form provided by the board;
- (2) submit the renewal fee;
- ~~(3) provide evidence annually of one hour of continuing education in the subject of infection control, including blood-borne pathogen diseases;~~
- ~~(4) provide documentation of current and active NCCAOM certification; or~~
- ~~(5) (4) if licensed under subdivision 5 or 6, meet the same NCCAOM professional development activity requirements as those licensed under subdivision 7.~~

(b) An applicant shall submit any additional information requested by the board to clarify information presented in the renewal application. The information must be submitted within 30 days after the board's request, or the renewal request is nullified.

Sec. 9. Minnesota Statutes 2001 Supplement, section 149A.90, subdivision 1, is amended to read:

Subdivision 1. [DEATH RECORD.] (a) Except as provided in this section, a death record must be completed and filed for every known death by the mortician, funeral director, or other person lawfully in charge of the disposition of the body.

(b) If the body is that of an individual whose identity is unknown, the person in charge of the disposition of the body must notify the commissioner for purposes of compliance with section 144.05, subdivision 4.

Sec. 10. Minnesota Statutes 2000, section 261.063, is amended to read:

261.063 [TAX LEVY FOR SOCIAL SERVICES; BOARD DUTY; PENALTY.]

(a) The board of county commissioners of each county shall annually levy taxes and fix a rate sufficient to produce the full amount required for poor relief, general assistance, Minnesota family investment program, county share of county and state supplemental aid to supplemental security income applicants or recipients, and any other social security measures wherein there is now or may hereafter be county participation, sufficient to produce the full amount necessary for each such item, including administrative expenses, for the ensuing year, within the time fixed by law in addition to all other tax levies and tax rates, however fixed or determined, and any commissioner who shall fail to comply herewith shall be guilty of a gross misdemeanor and shall be immediately removed from office by the governor. For the purposes of this paragraph, "poor relief" means county services provided under sections 261.035, 261.04, and 261.21 to 261.231.

(b) Nothing within the provisions of this section shall be construed as requiring a county agency to provide income support or cash assistance to needy persons when they are no longer eligible for assistance under general assistance, the Minnesota family investment program, or Minnesota supplemental aid.

Sec. 11. [REPEALER.]

Minnesota Statutes 2000, section 147B.01, subdivisions 8 and 15, are repealed."

Delete the title and insert:

"A bill for an act relating to human services; modifying provisions for certain government data; modifying the Human Services Licensing Act; modifying certain hearing provisions; modifying provisions for reporting maltreatment of minors and vulnerable adults; modifying continuing care provisions; modifying moratorium provisions on certification of nursing home beds; modifying eligibility for transition planning grants; providing for optional registration as housing with services establishment; modifying case manager continuing education requirements; modifying provisions for interstate contracts for mental health services; modifying commissioner's authority to administer a supplemental drug rebate program; designating state agent to carry out responsibilities under the Ryan White Comprehensive AIDS Resources Emergency Act; allowing certain nursing homes to elect to participate in the medical assistance program; modifying medical assistance provisions; modifying group residential housing provisions; modifying MinnesotaCare provisions; modifying prior appropriations; providing for the use of certain grants to develop certain housing options; providing for deaf-blind services; modifying provisions for funding medical education; providing for special education; providing for identification of certain deceased individuals; modifying provisions for rural hospital capital improvement grants; modifying provisions for costs associated with patient records; requiring legislative approval of Clean Indoor Air Act rules; modifying acupuncture provisions; modifying provisions for county relief of the poor; requiring studies, reports, and recommendations; appropriating money; amending Minnesota Statutes 2000, sections 13.41, subdivision 1; 13.46, subdivision 3; 62J.692, subdivision 4, as amended; 125A.76, subdivision 5; 144.05, by adding a subdivision; 144.335, subdivision 5; 144.417, subdivision 1; 144D.01, subdivision 4; 147B.02, subdivision 9; 245.462, subdivision 4; 245.4871, subdivision 4; 245.50, subdivisions 1, 2, 5; 245A.02, by adding subdivisions; 245A.035, subdivision 3; 245A.04, by adding a subdivision; 256.01, by adding a subdivision; 256.9657, subdivision 1, as amended; 256B.0625, subdivisions 26, as amended, 35, by adding a subdivision; 256B.0915, subdivisions 4, 6, by adding a subdivision; 256B.19, subdivision 1, as amended; 256B.431, subdivisions 14, 30; 256B.5012, subdivision 2; 256B.69, subdivision 5a, as amended; 256L.04, subdivision 2a; 256L.12, subdivision 9, as amended; 261.063; 626.557, subdivision 3a; Minnesota Statutes 2001 Supplement, sections 13.46, subdivisions 1, 4; 125A.515; 144.148, subdivision 2; 144A.071, subdivision 1a; 144A.36, subdivision 1; 149A.90, subdivision 1; 245A.03, subdivision 2; 245A.04, subdivisions 3, 3a, 3b; 245A.07, subdivisions 2a, 3; 245A.144; 245A.16, subdivision 1; 256.01, subdivision 2, as amended; 256.045, subdivisions 3b, 4; 256B.0625, subdivision 13, as amended; 256B.0627, subdivision 10; 256B.0911, subdivisions 4b, 4d; 256B.0913, subdivisions 4, 5, 8, 10, 12, 14; 256B.0915, subdivisions 3, 5; 256B.0924, subdivision 6; 256B.0951, subdivisions 7, 8; 256B.431, subdivisions 2e, 33; 256B.437,

subdivisions 3, 6; 256B.438, subdivision 1; 256B.76; 626.556, subdivision 10i; 626.557, subdivision 9d; Laws 2002, chapter 220, article 17, section 2, subdivision 6; proposing coding for new law in Minnesota Statutes, chapters 144D; 245A; repealing Minnesota Statutes 2000, section 147B.01, subdivisions 8, 15; Minnesota Statutes 2001 Supplement, section 256B.0621, subdivision 1."

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

Senate Conferees: LINDA BERGLIN, DALLAS C. SAMS AND SHEILA M. KISCADEN.

House Conferees: KEVIN GOODNO, JIM ABELER AND THOMAS HUNTLEY.

Goodno moved that the report of the Conference Committee on S. F. No. 3099 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 3099, A bill for an act relating to human services; allowing the ombudsman for corrections to apply for or receive certain grants; making changes to continuing care programs; modifying case manager continuing education requirements; adding an exemption from preadmission screening requirements; modifying targeted case management client contact requirements; requiring a case management services study; modifying planned closure rate adjustment provisions; correcting inconsistencies in mental health services coverage in border states; requiring plumbers to be licensed; establishing inspection requirements for new plumbing installations; allowing the commissioner to charge fees to hire staff; licensing restricted plumbing contractors; requiring rulemaking; expanding MFIP hardship extensions; amending Minnesota Statutes 2000, sections 241.44, by adding a subdivision; 245.462, subdivision 4; 245.4871, subdivision 4; 245.50, subdivisions 1, 2, 5; 326.01, by adding a subdivision; 326.37, subdivision 1, by adding a subdivision; 326.40, subdivision 1; Minnesota Statutes 2001 Supplement, sections 144.122; 144.148, subdivision 2; 256B.0627, subdivision 10; 256B.0911, subdivisions 4b, 4d; 256B.0913, subdivision 5; 256B.0915, subdivision 3; 256B.0924, subdivision 6; 256B.0951, subdivisions 7, 8; 256B.437, subdivision 6; 256J.425, subdivisions 3, 4, 5, 6, by adding a subdivision; 326.38; proposing coding for new law in Minnesota Statutes, chapter 326; repealing Minnesota Statutes 2000, section 326.45.

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

The question was taken on the repassage of the bill and the roll was called. There were 113 yeas and 17 nays as follows:

Those who voted in the affirmative were:

Abeler	Dorman	Haas	Kelliher	Marquart	Pelowski
Abrams	Dorn	Hackbarth	Kielkucki	McElroy	Penas
Anderson, I.	Eastlund	Harder	Knoblach	Milbert	Peterson
Bakk	Entenza	Hilstrom	Koskinen	Molnau	Pugh
Bernardy	Erhardt	Hilty	Krinkie	Mulder	Rhodes
Blaine	Erickson	Holberg	Kubly	Murphy	Rifenberg
Boudreau	Evans	Holsten	Kuisele	Ness	Rukavina
Bradley	Finseth	Howes	Larson	Nornes	Ruth
Buesgens	Folliard	Huntley	Leighton	Olson	Schumacher
Carlson	Fuller	Jacobson	Lenczewski	Opatz	Seagren
Cassell	Gerlach	Jennings	Leppik	Osskopp	Seifert
Clark, J.	Gleason	Johnson, J.	Lieder	Osthoff	Sertich
Daggett	Goodno	Johnson, R.	Lindner	Otremba	Skoe
Davids	Gray	Jordan	Lipman	Ozment	Slawik
Dehler	Greiling	Juhnke	Mares	Paulsen	Smith
Dempsey	Gunther	Kalis	Marko	Pawlenty	Solberg

Stanek	Swenson	Tingelstad	Wasiluk	Wilkin	Workman
Stang	Sykora	Vandever	Westerberg	Winter	Spk. Sviggum
Swapinski	Thompson	Walz	Westrom	Wolf	

Those who voted in the negative were:

Biernat	Dawkins	Hausman	Kahn	Mullery	Wagenius
Clark, K.	Dibble	Jaros	Mariani	Paymar	Walker
Davnie	Goodwin	Johnson, S.	McGuire	Skoglund	

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

ANNOUNCEMENTS BY THE SPEAKER

The Speaker announced the appointment of the following members of the House to a Conference Committee on H. F. No. 3127:

Mares, Smith and Murphy.

The Speaker announced the appointment of the following members of the House to a Conference Committee on S. F. No. 2572:

Abrams, McElroy and Milbert.

The Speaker announced the following change in membership of the Conference Committee on H. F. No. 2498:

Delete the name of Kuisle and add the name of Milbert.

The following Conference Committee Report was received:

CONFERENCE COMMITTEE REPORT ON H. F. NO. 3163

A bill for an act relating to legislation; correcting erroneous, ambiguous, and omitted text and obsolete references; eliminating certain redundant, conflicting, and superseded provisions; reenacting certain legislation; making miscellaneous technical corrections to statutes and other laws; amending Minnesota Statutes 2000, sections 13.04, subdivision 2; 13.461, subdivision 7; 13.4963, subdivision 2; 13.4967, subdivision 3; 13.741, subdivision 1; 13.7411, subdivision 5; 13D.05, subdivision 2; 15A.086; 16D.11, subdivision 6; 17A.04, subdivision 1; 31.51, subdivision 3; 32.073; 41A.09, subdivision 8; 41B.045, subdivision 2; 41B.046, subdivision 5; 41B.047, subdivision 4; 48.24, subdivision 5; 115A.06, subdivision 5a; 115A.59; 115A.9157, subdivision 6; 115B.20, subdivisions 1, 2, 5; 115B.25, subdivision 2; 115B.26; 115B.28, as amended; 115B.29, subdivision 1; 115B.30, subdivision 3; 115B.31, subdivisions 1, 2, 4; 115B.32; 115B.33; 115B.34; 115B.35, subdivisions 2, 3, 4, 8, 9; 115B.36; 115B.37; 115C.08, subdivisions 4, 5; 116J.615; 116J.616; 119A.11, subdivision 3; 119A.20, subdivision 1; 119A.37, subdivision 3; 119A.46, subdivision 6; 122A.20, subdivision 1; 126C.10, subdivision 26; 144E.43, subdivision 1; 148.71, subdivision 3; 219.98; 221.185, subdivision 5a; 222.631, subdivision 1; 260B.171, subdivision 5; 270.708, subdivision 1; 270B.15; 297B.035, subdivision 3; 297I.05, subdivision 12; 297I.30, subdivisions 1, 5; 299F.11, subdivision 2; 349.163, subdivision 6; 349A.10, subdivision 5; 352D.02, subdivision 1; 383C.19; 401.05, subdivision 3; 437.08; 437.09; 437.10; 458D.02, subdivisions 2, 3; 458D.23; 469.110, subdivision 2; 469.116, subdivision 7; 469.118, subdivisions 1, 2, 4; 469.119, subdivision 1; 469.122; 469.154,

subdivision 5; 471.415, subdivision 2; 501B.61, as amended; 514.94; 524.2-301; 524.2-604; 524.2-609; 583.24, subdivision 4; 609.26, subdivision 5; 609.341, subdivision 17; Minnesota Statutes 2001 Supplement, sections 16A.151, by adding a subdivision; 17B.15, subdivision 1; 60K.31, subdivision 1; 60K.32; 60K.34, subdivision 1; 60K.39, subdivisions 5, 6; 60K.48; 60K.51, subdivision 6; 60K.52, subdivision 1; 61B.23, subdivision 15; 119A.22; 126C.10, subdivision 4; 136G.03, subdivision 20; 144.057, subdivision 4; 169.073; 214.01, subdivision 3; 216B.098, subdivision 2; 216B.2424, subdivision 5; 216B.2425, subdivision 3; 268.052, subdivision 1; 270.07, subdivision 3a; 275.28, subdivision 1; 275.70, subdivision 5; 290A.03, subdivision 13; 297A.668, subdivision 3; 336.9-334; 356.62; 376.08, subdivision 2; 501B.60, subdivision 3; 514.661, subdivision 5; 626.556, subdivision 11; Laws 1995, chapter 220, sections 141, 142, as amended; Laws 1997, chapter 202, article 2, section 61, as amended; Laws 2000, chapter 399, article 1, section 139; Laws 2001, chapter 171, section 12; proposing coding for new law in Minnesota Statutes, chapter 89A; repealing Minnesota Statutes 2000, sections 115B.27; 115B.35, subdivisions 1, 5, 6; 116.19; 221.0315; 437.11; 462A.072; 557.11; Minnesota Statutes 2001 Supplement, sections 16A.1286, subdivisions 4, 5; Laws 1997, chapter 85, article 4, section 28; Laws 1999, chapter 159, section 79; Laws 1999, chapter 231, section 180; Laws 2001, chapter 161, section 4; Laws 2001, chapter 162, section 4; Laws 2001, First Special Session chapter 2, section 103; Laws 2001, First Special Session chapter 8, article 7, section 1; Minnesota Rules, parts 5300.0360; 7021.0001, subparts 2, 4; 7190.0002; 7190.0003; 7190.0004; 7190.0008, subparts 1, 2; 7190.0015, subparts 1, 2; 7190.0100, subpart 2; 7190.1000, subpart 1.

May 2, 2002

The Honorable Steve Sviggum
Speaker of the House of Representatives

The Honorable Don Samuelson
President of the Senate

We, the undersigned conferees for H. F. No. 3163, report that we have agreed upon the items in dispute and recommend as follows:

That the House concur in the Senate amendments and that H. F. No. 3163, the first unofficial engrossment, be further amended as follows:

Pages 4 and 5, delete section 8 and insert:

"Sec. 8. Minnesota Statutes 2001 Supplement, section 16A.151, is amended by adding a subdivision to read:

Subd. 5. [EXPIRATION.] This section expires June 30, 2004."

Page 21, after line 33, insert:

"Sec. 42. Minnesota Statutes 2000, section 122A.20, subdivision 1, is amended to read:

Subdivision 1. [GROUNDS FOR REVOCATION, SUSPENSION, OR DENIAL.] (a) ~~The board of teaching or the commissioner, with the advice from an advisory task force of supervisory personnel established under section 15.014~~ board of school administrators, whichever has jurisdiction over a teacher's licensure, may, on the written complaint of the school board employing a teacher, a teacher organization, or any other interested person, refuse to issue, refuse to renew, suspend, or revoke a teacher's license to teach for any of the following causes:

- (1) Immoral character or conduct;
- (2) Failure, without justifiable cause, to teach for the term of the teacher's contract;
- (3) Gross inefficiency or willful neglect of duty; or

- (4) Failure to meet licensure requirements; or
- (5) Fraud or misrepresentation in obtaining a license.

The written complaint must specify the nature and character of the charges.

(b) The board of teaching or ~~the commissioner of children, families, and learning~~ board of school administrators whichever has jurisdiction over a teacher's licensure, shall refuse to issue, refuse to renew, or automatically revoke a teacher's license to teach without the right to a hearing upon receiving a certified copy of a conviction showing that the teacher has been convicted of child abuse, as defined in section 609.185, or sexual abuse under section 609.342, 609.343, 609.344, 609.345, 609.3451, subdivision 3, or 617.23, subdivision 3, or under a similar law of another state or the United States. The board shall send notice of this licensing action to the district in which the teacher is currently employed.

(c) A person whose license to teach has been revoked, not issued, or not renewed under paragraph (b), may petition the board to reconsider the licensing action if the person's conviction for child abuse or sexual abuse is reversed by a final decision of the court of appeals or the supreme court or if the person has received a pardon for the offense. The petitioner shall attach a certified copy of the appellate court's final decision or the pardon to the petition. Upon receiving the petition and its attachment, the board shall schedule and hold a disciplinary hearing on the matter under section 214.10, subdivision 2, unless the petitioner waives the right to a hearing. If the board finds that, notwithstanding the reversal of the petitioner's criminal conviction or the issuance of a pardon, the petitioner is disqualified from teaching under paragraph (a), clause (1), the board shall affirm its previous licensing action. If the board finds that the petitioner is not disqualified from teaching under paragraph (a), clause (1), it shall reverse its previous licensing action.

(d) For purposes of this subdivision, the board of teaching is delegated the authority to suspend or revoke coaching licenses."

Page 24, after line 34, insert:

"Sec. 45. Minnesota Statutes 2001 Supplement, section 125A.09, subdivision 3, is amended to read:

Subd. 3. [INITIAL ACTION; PARENT CONSENT.] (a) The district must not proceed with the initial ~~format assessment~~ evaluation of a child, the initial placement of a child in a special education program, or the initial provision of special education services for a child without the prior written consent of the child's parent or guardian. The refusal of a parent or guardian to consent to an initial evaluation or reevaluation may be overridden by the decision in a hearing held pursuant to subdivision 6 at the district's initiative.

(b) A parent, after consulting with health care, education, or other professional providers, may agree or disagree to provide the parent's child with sympathomimetic medications unless section 144.344 applies."

Reorder the sections in sequence and correct the internal references

Amend the title as follows:

Page 1, line 23, after "6;" insert "122A.20, subdivision 1;"

Page 1, line 44, after the first semicolon, insert "125A.09, subdivision 3;"

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

House Conferees: ERIC LIPMAN, TIM WILKIN AND ANDY DAWKINS.

Senate Conferees: DON BETZOLD AND MARTHA R. ROBERTSON.

Lipman moved that the report of the Conference Committee on H. F. No. 3163 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 3163, A bill for an act relating to legislation; correcting erroneous, ambiguous, and omitted text and obsolete references; eliminating certain redundant, conflicting, and superseded provisions; reenacting certain legislation; making miscellaneous technical corrections to statutes and other laws; amending Minnesota Statutes 2000, sections 13.04, subdivision 2; 13.461, subdivision 7; 13.4963, subdivision 2; 13.4967, subdivision 3; 13.741, subdivision 1; 13.7411, subdivision 5; 13D.05, subdivision 2; 15A.086; 16D.11, subdivision 6; 17A.04, subdivision 1; 31.51, subdivision 3; 32.073; 41A.09, subdivision 8; 41B.045, subdivision 2; 41B.046, subdivision 5; 41B.047, subdivision 4; 48.24, subdivision 5; 115A.06, subdivision 5a; 115A.59; 115A.9157, subdivision 6; 115B.20, subdivisions 1, 2, 5; 115B.25, subdivision 2; 115B.26; 115B.28, as amended; 115B.29, subdivision 1; 115B.30, subdivision 3; 115B.31, subdivisions 1, 2, 4; 115B.32; 115B.33; 115B.34; 115B.35, subdivisions 2, 3, 4, 8, 9; 115B.36; 115B.37; 115C.08, subdivisions 4, 5; 116J.615; 116J.616; 119A.11, subdivision 3; 119A.20, subdivision 1; 119A.37, subdivision 3; 119A.46, subdivision 6; 122A.20, subdivision 1; 126C.10, subdivision 26; 144E.43, subdivision 1; 148.71, subdivision 3; 219.98; 221.185, subdivision 5a; 222.631, subdivision 1; 260B.171, subdivision 5; 270.708, subdivision 1; 270B.15; 297B.035, subdivision 3; 297I.05, subdivision 12; 297I.30, subdivisions 1, 5; 299F.11, subdivision 2; 349.163, subdivision 6; 349A.10, subdivision 5; 352D.02, subdivision 1; 383C.19; 401.05, subdivision 3; 437.08; 437.09; 437.10; 458D.02, subdivisions 2, 3; 458D.23; 469.110, subdivision 2; 469.116, subdivision 7; 469.118, subdivisions 1, 2, 4; 469.119, subdivision 1; 469.122; 469.154, subdivision 5; 471.415, subdivision 2; 501B.61, as amended; 514.94; 524.2-301; 524.2-604; 524.2-609; 583.24, subdivision 4; 609.26, subdivision 5; 609.341, subdivision 17; Minnesota Statutes 2001 Supplement, sections 16A.151, by adding a subdivision; 17B.15, subdivision 1; 60K.31, subdivision 1; 60K.32; 60K.34, subdivision 1; 60K.39, subdivisions 5, 6; 60K.48; 60K.51, subdivision 6; 60K.52, subdivision 1; 61B.23, subdivision 15; 119A.22; 126C.10, subdivision 4; 136G.03, subdivision 20; 144.057, subdivision 4; 169.073; 214.01, subdivision 3; 216B.098, subdivision 2; 216B.2424, subdivision 5; 216B.2425, subdivision 3; 268.052, subdivision 1; 270.07, subdivision 3a; 275.28, subdivision 1; 275.70, subdivision 5; 290A.03, subdivision 13; 297A.668, subdivision 3; 336.9-334; 356.62; 376.08, subdivision 2; 501B.60, subdivision 3; 514.661, subdivision 5; 626.556, subdivision 11; Laws 1995, chapter 220, sections 141, 142, as amended; Laws 1997, chapter 202, article 2, section 61, as amended; Laws 2000, chapter 399, article 1, section 139; Laws 2001, chapter 171, section 12; proposing coding for new law in Minnesota Statutes, chapter 89A; repealing Minnesota Statutes 2000, sections 115B.27; 115B.35, subdivisions 1, 5, 6; 116.19; 221.0315; 437.11; 462A.072; 557.11; Minnesota Statutes 2001 Supplement, sections 16A.1286, subdivisions 4, 5; Laws 1997, chapter 85, article 4, section 28; Laws 1999, chapter 159, section 79; Laws 1999, chapter 231, section 180; Laws 2001, chapter 161, section 4; Laws 2001, chapter 162, section 4; Laws 2001, First Special Session chapter 2, section 103; Laws 2001, First Special Session chapter 8, article 7, section 1; Minnesota Rules, parts 5300.0360; 7021.0001, subparts 2, 4; 7190.0002; 7190.0003; 7190.0004; 7190.0008, subparts 1, 2; 7190.0015, subparts 1, 2; 7190.0100, subpart 2; 7190.1000, subpart 1.

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

The question was taken on the repassage of the bill and the roll was called. There were 81 yeas and 50 nays as follows:

Those who voted in the affirmative were:

Abeler	Boudreau	Cassell	Davids	Dempsey	Dorn
Abrams	Bradley	Clark, J.	Dawkins	Dibble	Eastlund
Blaine	Carlson	Daggett	Dehler	Dorman	Entenza

Erhardt	Hilty	Krinkie	Ness	Rifenberg	Walz
Erickson	Holberg	Kuisle	Nornes	Ruth	Wasiluk
Finseth	Holsten	Larson	Olson	Seagren	Westerberg
Folliard	Howes	Leppik	Osskopp	Seifert	Westrom
Fuller	Jacobson	Lindner	Osthoff	Stanek	Wilkin
Goodno	Johnson, J.	Lipman	Otremba	Stang	Wolf
Gunther	Johnson, R.	Mares	Paulsen	Swenson	Workman
Haas	Jordan	McElroy	Pawlenty	Sykora	Spk. Sviggum
Hackbarth	Kelliher	Milbert	Penas	Thompson	
Harder	Kielkucki	Molnau	Pugh	Tingelstad	
Hilstrom	Knoblach	Mulder	Rhodes	Vandever	

Those who voted in the negative were:

Anderson, I.	Gleason	Juhnke	Mariani	Pelowski	Solberg
Bakk	Goodwin	Kahn	Marko	Peterson	Swapinski
Bernardy	Gray	Kalis	Marquart	Rukavina	Wagenius
Biernat	Greiling	Koskinen	McGuire	Schumacher	Walker
Buesgens	Hausman	Kubly	Mullery	Sertich	Winter
Clark, K.	Huntley	Leighton	Murphy	Skoe	
Davnie	Jaros	Lenczewski	Opatz	Skoglund	
Evans	Jennings	Lieder	Ozment	Slawik	
Gerlach	Johnson, S.	Mahoney	Paymar	Smith	

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

MESSAGES FROM THE SENATE, Continued

The following messages were received from the Senate:

Mr. Speaker:

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

S. F. No. 2738.

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

PATRICK E. FLAHAVEN, Secretary of the Senate

CONFERENCE COMMITTEE REPORT ON S. F. NO. 2738

A bill for an act relating to natural resources; providing for acquisitions of stream easements; providing for maintenance of leased property; permitting aquatic plant grants; making certain state park permit exemptions; providing for federal law compliance; modifying certain appropriations; providing for the Cuyuna Lakes Trail; restricting the taking of fish in certain private fish hatcheries on aquatic farms; authorizing sale, conveyance, or exchange of certain tax-forfeited and surplus lands; allowing certain zoning nonconformities in the Lower Saint Croix National Scenic Riverway; deleting and adding areas to certain state parks; allowing certain snowmobile trail

grants to be used for reimbursement of snowmobile trail grooming equipment; appropriating money; amending Minnesota Statutes 2000, sections 84.0272; 84.153; 84.975, by adding a subdivision; 85.015, by adding a subdivision; 85.054, by adding a subdivision; 97A.055, by adding a subdivision; 97C.025; 282.018, subdivision 1; 394.36, by adding a subdivision; 462.357, by adding a subdivision; Laws 2001, First Special Session chapter 2, section 5, subdivisions 2, 5, 6, 7, 8, 11; proposing coding for new law in Minnesota Statutes, chapter 97A.

May 10, 2002

The Honorable Don Samuelson
President of the Senate

The Honorable Steve Sviggum
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 2738, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S. F. No. 2738 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2000, section 84.153, is amended to read:

84.153 [PROPERTY; LEASING, RENTING.]

(a) The commissioner is hereby authorized at public or private vendue and at such prices and under such terms and conditions as the commissioner may prescribe, to lease any buildings or lands not now authorized to be leased, acquired in the name of the state of Minnesota by any of the several divisions of the department which are not presently needed for the uses and purposes of any of the divisions of the department. The purposes for which such leases may be executed shall be in the furtherance of the interests of conservation and such uses shall not result in any permanent injury to the land. No such lease shall be made for a term to exceed two years and shall contain a provision for cancellation at any time by the commissioner upon three months written notice. All money received from these leases shall be credited to the fund from which the property was acquired, except an amount equal to the cost of maintenance of the leased property shall be credited to the fund charged with the cost of maintenance. Money credited for leased property maintenance is appropriated to the commissioner for that purpose.

(b) The commissioner is hereby authorized to rent or lease to employees of the various divisions of the department such cabins, buildings, or living quarters as are now or may hereafter be constructed upon state-owned lands under the control of the several divisions of the department, when this occupancy is found to be necessary or beneficial to the work of the department. These leases or rental agreements shall be upon a month to month basis and provide for surrender by the lessee upon demand at any time the lessee's services with the state may be terminated, without the necessity of any written notice. All receipts from rents shall be paid in to the state treasurer and credited to the fund charged with the cost of maintenance of such buildings and are hereby appropriated for such use.

(c) All instruments and transactions so negotiated shall be approved as to form, validity, and execution by the attorney general.

(d) Hunting of wild game is prohibited on any land which has been posted by the lessee to prohibit hunting. Such prohibition shall apply to all persons including the lessee.

Sec. 2. Minnesota Statutes 2000, section 84.975, is amended by adding a subdivision to read:

Subd. 4. [AQUATIC PLANT GRANTS.] The commissioner may make grants for aquatic plant restoration projects, research, and propagation.

Sec. 3. Minnesota Statutes 2000, section 85.054, is amended by adding a subdivision to read:

Subd. 9. [LAKE BEMIDJI STATE PARK.] A state park permit is not required and a fee may not be charged for motor vehicle entry to, use of roads to, or parking at the department of natural resources regional headquarters portion of Lake Bemidji state park.

Sec. 4. Minnesota Statutes 2000, section 89A.05, subdivision 1, is amended to read:

Subdivision 1. [DEVELOPMENT.] The council shall coordinate the development of comprehensive timber harvesting and forest management guidelines. The guidelines must address the water, air, soil, biotic, recreational, and aesthetic resources found in forest ecosystems by focusing on those impacts commonly associated with applying site-level forestry practices. The guidelines must reflect a range of practical and sound practices based on the best available scientific information, and be integrated to minimize conflicting recommendations while being easy to understand and implement. By June 30, 2003, the council shall review ~~and, if deemed necessary, update~~ the guidelines and identify potential revisions. If deemed necessary, the council shall update the guidelines by June 30, 2005. Changes to the guidelines shall be peer reviewed prior to final adoption by the council. By December 1999, the council must undertake a peer review of the recommendations in the forest management guidelines adopted in December 1998 for protecting forest riparian areas and seasonal ponds.

Sec. 5. Minnesota Statutes 2001 Supplement, section 89A.06, subdivision 2a, is amended to read:

Subd. 2a. [REGIONAL FOREST COMMITTEE REPORTING.] The council must report annually on the activities and progress made by the regional forest committees established under subdivision 2, including the following:

(1) by December 1, 1999, the regional committee for the council's northeast landscape will complete the identification of draft desired future outcomes, key issues, and strategies for the landscape;

(2) by July 1, 2000, the council will complete assessments for the council's north central and southeast landscape regions;

(3) by July 1, 2001, the regional committees for the north central and southeast landscapes will complete draft desired future outcomes, key issues, and strategies for their respective landscapes; and

(4) by June 30, 2002, all remaining landscape regions must complete assessments and by June 30, 2003, desired future outcomes and strategies for all remaining regions except the northern, east central, metropolitan, and prairie regions. By June 30, 2004, the northern region must complete desired future outcomes and strategies, and by June 30, 2005, the east central region must complete desired future outcomes and strategies.

Sec. 6. Minnesota Statutes 2000, section 97A.055, is amended by adding a subdivision to read:

Subd. 2a. [FEDERAL AID DISPOSITION.] (a) Federal aid reimbursements under the Federal Aid in Wildlife Restoration Act, United States Code, title 16, sections 669 to 669i, shall be deposited in the game and fish fund.

(b) Federal aid reimbursements under the Federal Aid in Fish Restoration Act, United States Code, title 16, sections 777 to 777k, shall be deposited in the game and fish fund.

Sec. 7. [97A.057] [FEDERAL LAW COMPLIANCE; RESTRICTION ON LICENSE REVENUE.]

Subdivision 1. [COMPLIANCE WITH FEDERAL LAW.] The commissioner shall take any action necessary to comply with the Federal Aid in Wildlife Restoration Act, United States Code, title 16, sections 669 to 669i, and the Federal Aid in Fish Restoration Act, United States Code, title 16, sections 777 to 777k.

Subd. 2. [RESTRICTION ON LICENSE REVENUE.] Money accruing to the state from fees charged for hunting and angling licenses shall not be used for any purpose other than game and fish activities and related activities under the administration of the commissioner.

Sec. 8. Minnesota Statutes 2000, 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 (4), (5), and (9), and 3, clauses (2), (3), and (7), and licenses issued under section 97B.301, subdivision 4.

(b) At least \$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 used for deer habitat improvement or deer management programs.

(c) At least \$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 used for deer and bear management programs, including a computerized licensing system. Fifty cents from each deer license is appropriated for emergency deer feeding and management of chronic wasting disease. Money appropriated for emergency deer feeding and management of chronic wasting disease is available until expended. When the unencumbered balance in the appropriation for emergency deer feeding and chronic wasting disease at the end of a fiscal year exceeds \$1,500,000 for the first time, \$750,000 is canceled to the unappropriated balance of the game and fish fund. The commissioner must inform the legislative chairs of the natural resources finance committees every two years on how the money for chronic wasting disease has been spent.

Thereafter, when the unencumbered balance in the appropriation for emergency deer feeding exceeds \$1,500,000 at the end of a fiscal year, the unencumbered balance in excess of \$1,500,000 is canceled and available for deer and bear management programs and computerized licensing.

[EFFECTIVE DATE.] This section is effective July 1, 2002.

Sec. 9. Minnesota Statutes 2000, section 97A.485, is amended by adding a subdivision to read:

Subd. 13. [ONE-DAY PAPER FISHING LICENSES.] The commissioner must allow one-day paper fishing licenses to be sold by fishing guides operating charter boats.

Sec. 10. Laws 2001, First Special Session chapter 2, section 5, subdivision 2, is amended to read:

Subd. 2. Land and Mineral Resources Management

	7,079,000	7,273,000
	Summary by Fund	
General	6,500,000	6,679,000
Natural Resources	152,000	156,000
Game and Fish	427,000	438,000

\$307,000 the first year and \$308,000 the second year are for iron ore cooperative research, of which \$200,000 the first year and \$200,000 the second year are available only as matched by \$1 of nonstate money for each \$1 of state money. The match may be cash or in-kind. Any unencumbered balance remaining in the first year does not cancel but is available for the second year.

\$370,000 the first year and \$372,000 the second year are for mineral diversification.

\$100,000 the first year and \$101,000 the second year are for minerals cooperative environmental research, of which \$50,000 the first year and \$50,500 the second year are available only as matched by \$1 of nonstate money for each \$1 of state money. The match may be cash or in-kind. Any unencumbered balance remaining in the first year does not cancel but is available for the second year.

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

Sec. 11. Laws 2001, First Special Session chapter 2, section 5, subdivision 5, is amended to read:

Subd. 5. Parks and Recreation Management

	40,295,000	41,218,000
	Summary by Fund	
General	23,452,000	24,023,000
Natural Resources	16,843,000	17,195,000

\$638,000 the first year and \$640,000 the second year are from the water recreation account in the natural resources fund for state park development projects. If the appropriation in either year is insufficient, the appropriation for the other year is available for it.

\$4,000,000 the first year and \$4,000,000 the second year are for payment of a grant to the metropolitan council for metropolitan area regional parks maintenance and operations. The portion of this appropriation allocated to the Minneapolis park and recreation board includes money for the Bassett's Creek trail to connect the Cedar Lake trail and the Luce Line trail.

\$247,000 the first year and \$253,000 the second year are for state forest campground operations.

\$4,103,000 the first year and \$4,453,000 the second year are from the natural resources fund for state park and recreation area operations and acquisition. This appropriation is from the revenue deposited to the natural resources fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (2). Of this amount:

(1) \$1,805,000 the first year and \$1,805,000 the second year are to restore camping and day use in state parks, make camping available in the spring and fall, provide maintenance to the facilities and security for park visitors, and partially fund winter operations;

(2) \$280,000 the first year and \$290,000 the second year are to fund state park emergency maintenance projects;

- (3) \$413,000 the first year and \$413,000 the second year are to fund state park resource management activities;
- (4) \$185,000 the first year is to fund the purchase of the campground manager/point-of-sale system for 28 state parks;
- (5) \$100,000 the first year and \$100,000 the second year are to make improvements to the state park Web site and provide additional state park informational brochures and more state park maps;
- (6) \$50,000 the first year and \$50,000 the second year are to replace computers in the field and regional office locations according to department standards;
- (7) \$75,000 the first year is to complete master plans for both Big Bog and Red River state recreation areas;
- (8) ~~\$600,000~~ \$200,000 the second year is for operating costs, including fisheries management, of the Red River state recreation area;
- (9) \$200,000 the first year and ~~\$200,000~~ \$100,000 the second year are for operating costs of the Big Bog state recreation area; ~~and~~
- (10) \$995,000 the first year ~~and \$995,000 the second year are~~ is for acquisition of in-holdings for state parks and recreation areas; and
- (11) \$1,495,000 the second year is for state park operations.

The appropriations in clauses (2) to ~~(10)~~ (11) are one-time appropriations.

\$4,130,000 the first year and \$5,130,000 the second year are from the natural resources fund for a grant to the metropolitan council for metropolitan area regional parks and trails maintenance and operations. This appropriation is from the revenue deposited to the natural resources fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (3). The appropriation in the first year is available in the second year. Notwithstanding Minnesota Statutes, section 16A.28, amounts encumbered under contract on or before June 30, 2003, are available until June 30, 2004.

\$1,000,000 the first year is from the natural resources fund for a grant to the city of St. Paul to restore East Como Lake trail and lakeshore in Como Park. The money is available until expended. This appropriation is from the revenue deposited to the natural resources fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (3).

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

Sec. 12. Laws 2001, First Special Session chapter 2, section 5, subdivision 6, is amended to read:

Subd. 6. Trails and Waterways Management

	19,263,000	19,616,000
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Summary by Fund

General	2,053,000	2,083,000
Natural Resources	16,315,000	16,223,000
Game and Fish	895,000	1,310,000

\$4,424,000 the first year and \$4,424,000 the second year are from the snowmobile trails and enforcement account in the natural resources fund for snowmobile grants-in-aid.

\$600,000 each year is dedicated to the grant-in-aid system from the snowmobile trails and enforcement account in the natural resources fund made available by the increase to one percent in the unrefunded gas tax for snowmobile activity.

Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered under contract on or before June 30, 2003, for the snowmobile, all-terrain vehicle, off-highway vehicle, and off-road vehicle grants in this subdivision are available until June 30, 2004.

\$259,000 the first year and \$261,000 the second year are from the water recreation account in the natural resources fund for a safe harbor program on Lake Superior.

\$852,000 the first year and \$852,000 the second year are from the natural resources fund for state trail operations. This appropriation is from the revenue deposited to the natural resources fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (2). This is a one-time appropriation.

\$684,000 the first year and \$684,000 the second year are from the natural resources fund for trail grants to local units of government on land to be maintained for at least 20 years for the purposes of the grant. This appropriation is from the revenue deposited to the natural resources fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (4). This is a one-time appropriation. The appropriation in the first year is available in the second year. Notwithstanding Minnesota Statutes, section 16A.28, amounts encumbered under contract on or before June 30, 2003, are available until June 3, 2004.

The appropriation from the general fund of \$1,400,000 authorized in Laws 1998, chapter 404, section 7, subdivision 26, for Skunk Hollow trail in Yellow Medicine and Chippewa counties is reappropriated for the purpose of developing the Minnesota River trail under Minnesota Statutes, section 85.015, subdivision 22.

\$300,000 the first year and \$300,000 the second year are from the water recreation account in the natural resources fund for preconstruction, acquisition, and staffing needs for the Mississippi Whitewater trail authorized by Minnesota Statutes, section 85.0156. This is a one-time appropriation.

\$150,000 the first year is from the water recreation account in the natural resources fund for necessary improvements and repairs at the Knife river harbor of refuge and marina. This appropriation is available until spent.

\$100,000 the first year is from the water recreation account in the natural resources fund for an inventory of the Red River of the North, to make recommendations to the legislature on the cost of improvements necessary for the canoe and boating route on the river, and for mapping and signing the lower portion of the river from Breckenridge to Georgetown.

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

Sec. 13. Laws 2001, First Special Session chapter 2, section 5, subdivision 7, is amended to read:

Subd. 7. Fish Management

	27,692,000 <u>27,842,000</u>	28,948,000
	Summary by Fund	
General	646,000	660,000
Natural Resources	191,000	197,000
Game and Fish		
	26,855,000 <u>27,005,000</u>	28,091,000

\$222,000 the first year and \$227,000 the second year are for resource population surveys in the 1837 treaty area. Of this amount, \$84,000 the first year and \$85,000 the second year are from the game and fish fund.

\$303,000 the first year and \$311,000 the second year are for the reinvest in Minnesota programs of game and fish, critical habitat, and wetlands established under Minnesota Statutes, section 84.95, subdivision 2.

\$666,000 the first year and \$671,000 the second year are from the trout and salmon management account for only the purposes specified in Minnesota Statutes, section 97A.075, subdivision 3.

\$205,000 the first year and \$207,000 the second year are available for aquatic plant restoration.

\$150,000 the first year is appropriated from the game and fish fund for research work on Lake Mille Lacs. This is a one-time appropriation available until June 30, 2003.

\$4,735,000 the first year and \$5,451,000 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). This appropriation is from the revenue deposited to the game and fish fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (1). Of this amount:

(1) \$1,980,000 the first year and \$1,980,000 the second year are to carry out projects such as installing lake aeration systems, removing access barriers for physically disabled anglers, building fishing piers, modifying dams, constructing rough fish barriers, conducting creel surveys, improving streams, improving spawning areas, repairing hatcheries and rearing ponds, stabilizing lake shorelines, and acquiring aquatic management areas and trout stream easements; and to provide field offices with some discretionary money for local habitat improvements and restorations in partnership with local stakeholders and other department units, for lake and stream surveys and assessments, and for equipment to do field projects;

(2) \$250,000 the first year and \$250,000 the second year are to provide more fishing opportunities for children and other anglers on small lakes and ponds in the Twin Cities metropolitan area;

(3) \$150,000 the first year and \$150,000 the second year are to protect and restore aquatic vegetation and other aquatic habitat in cooperation with local stakeholders;

(4) \$500,000 the first year and \$500,000 the second year are for asset preservation and improvement of state fish hatcheries and rearing ponds;

(5) \$500,000 the first year and \$500,000 the second year are for acquisitions of the division of fisheries' highest priority acquisitions;

(6) \$150,000 the first year and \$150,000 the second year are to maintain funding for three field positions to do fish management activities including fish culture and stocking, lake and stream monitoring, and habitat improvement;

(7) \$553,000 the first year and \$553,000 the second year are for accelerated walleye stocking;

(8) \$134,000 the first year is for restoration and aeration of Powderhorn Lake in Minneapolis;

(9) \$850,000 the second year is to make ~~grants~~ loans from the stream protection and improvement loan program under Minnesota Statutes, section 103G.705; and

(10) \$518,000 the first year and \$518,000 the second year are available for aquatic plant restoration.

The appropriations in clauses (1), except for \$950,000 each year, (2) to (5), and (8) to (10) are one-time appropriations.

The division of fisheries shall provide a written report to the chairs of the house and senate natural resources policy and finance committees by January 1, 2003, on how the accelerated walleye stocking money was spent, including, but not limited to, lakes that were stocked and the amount of fry, frylings, or fingerlings stocked.

Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered under contract on or before June 30, 2003, for the aquatic restoration grants in this subdivision are available until until June 30, 2004.

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

Sec. 14. Laws 2001, First Special Session chapter 2, section 5, subdivision 8, is amended to read:

Subd. 8. Wildlife Management

	22,948,000	23,521,000
	Summary by Fund	
General	1,636,000	1,655,000
Game and Fish	21,312,000	21,866,000

\$106,000 the first year and \$106,000 the second year are for resource population surveys in the 1837 treaty area. Of this amount, \$26,000 the first year and \$26,000 the second year are from the game and fish fund.

\$552,000 the first year and \$565,000 the second year are for the reinvest in Minnesota programs of game and fish, critical habitat, and wetlands established under Minnesota Statutes, section 84.95, subdivision 2.

\$1,419,000 the first year and \$1,430,000 the second year are from the wildlife acquisition surcharge account for only the purposes specified in Minnesota Statutes, section 97A.071, subdivision 2a.

\$1,245,000 the first year and \$1,269,000 the second year are from the deer habitat improvement account for only the purposes specified in Minnesota Statutes, section 97A.075, subdivision 1, paragraph (b).

\$147,000 the first year and \$148,000 the second year are from the deer and bear management account for only the purposes specified in Minnesota Statutes, section 97A.075, subdivision 1, paragraph (c).

\$699,000 the first year and \$708,000 the second year are from the waterfowl habitat improvement account for only the purposes specified in Minnesota Statutes, section 97A.075, subdivision 2.

\$546,000 the first year and \$546,000 the second year are from the pheasant habitat improvement account for only the purposes specified in Minnesota Statutes, section 97A.075, subdivision 4. In addition to the purposes specified in Minnesota Statutes, section 97A.075, subdivision 4, this appropriation may be used for pheasant restocking efforts.

\$308,000 the first year and \$313,000 the second year are from the game and fish fund for activities relating to reduction and prevention of property damage by wildlife. \$50,000 each year is for emergency damage abatement materials.

\$8,000 the first year and \$8,000 the second year are from the game and fish fund for the wild turkey management program. This amount shall be included in the department's base to be transferred to the wild turkey management account and is appropriated for purposes under Minnesota Statutes, section 97A.075, subdivision 5.

\$86,000 the first year and \$87,000 the second year are from the wild turkey management account for only the purposes specified in Minnesota Statutes, section 97A.075, subdivision 5.

\$3,060,000 the first year and \$3,265,000 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). This appropriation is from the revenue deposited to the game and fish fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (1). Of this amount:

(1) \$250,000 the first year and \$250,000 the second year are for prescribed burning of grassland, wetland, and forest habitats;

(2) \$250,000 the first year and \$225,000 the second year are for prairie grassland development including the restoration of native species of grasses and forbs on public lands and for the improvement of existing stands through interseeding and other practices to improve stand diversity;

(3) \$200,000 the first year and \$200,000 the second year are for the development of forest openings and to enhance mast production, regenerate stands, improve thermal cover in order to maintain healthy sustainable forest wildlife populations, and improve wildlife-related recreational opportunities in forest habitats;

(4) \$300,000 the first year and \$225,000 the second year are for restoration of drained wetland basins and improvement of existing basins through water level maintenance and water control structures to maintain and improve habitats for wetland dependent wildlife;

(5) \$300,000 the first year and \$300,000 the second year are for the completion of applied management research and monitoring projects for wetlands and forest wildlife populations;

(6) \$95,000 the first year and \$400,000 the second year are for the state of Minnesota to assume management of the wolf, including monitoring wolf populations, conducting cooperative wolf depredation management, conducting telemetry, and other applied research and includes funding for a cooperative agreement for depredation management with United States Department of Agriculture Wildlife Services. \$305,000 the second year is only available if the federal government finalizes delisting the wolf from protection under the Endangered Species Act of 1973;

(7) \$125,000 the first year and \$125,000 the second year are for the shearing and burning of brushland habitats to maintain and improve high priority brushland ecosystems on public and private lands across northern Minnesota for sharp-tailed grouse, moose, deer, and many other species dependent on these areas;

(8) \$1,000,000 the first year and \$1,000,000 the second year are for development and rehabilitation of wildlife management area lands and includes boundary surveys and posting, site cleanup and erosion control, access development, grant administration, and appropriate cover establishment for wildlife habitat. \$945,000 the first year and \$950,000 the second year are available for grants to local outdoor sports clubs for habitat improvement projects on wildlife management area lands. The unencumbered balance in the first year does not cancel but is available for the second year;

(9) \$35,000 the first year and \$35,000 the second year are for waterfowl development in Canada as authorized in Minnesota Statutes, section 97A.127;

(10) \$30,000 the first year and \$30,000 the second year are to provide funds to match private contributions for the purpose of completing the capture, relocation, and monitoring of prairie chickens being reintroduced in west central Minnesota; and

(11) \$475,000 the first year and \$475,000 the second year are for statewide technical assistance to improve wildlife habitats on private lands, including vegetation establishment, management, and stewardship planning, and other wildlife habitat development and management techniques.

The appropriations in clauses (1) to (11) are one-time appropriations.

\$13,000 the first year and \$13,000 the second year are to publicize the critical habitat license plate match program.

Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered under contract on or before June 30, 2003, for the wildlife habitat grants in this subdivision are available until June 30, 2004.

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

Sec. 15. Laws 2001, First Special Session chapter 2, section 5, subdivision 11, is amended to read:

Subd. 11. Operations Support

	33,292,000	33,674,000
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Summary by Fund

General	20,528,000	20,656,000
Natural Resources	4,405,000	4,490,000
Game and Fish	8,359,000	8,528,000

\$413,000 the first year and \$418,000 the second year are for technical assistance and grants to assist local government units and organizations in the metropolitan area to acquire and develop natural areas and greenways.

\$556,000 the first year and \$572,000 the second year are for the community assistance program to provide for technical assistance and regional resource enhancement grants.

\$2,538,000 the first year and \$2,595,000 the second year are for the operations of the youth programs. Of these amounts, \$478,000 the first year and \$491,000 the second year are from the natural resources fund.

Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered under contract on or before June 30, 2003, for the metro greenways, Red River, and community assistance program grants in this subdivision are available until June 30, 2004.

The commissioner may contract with and make grants to nonprofit agencies to carry out the purposes, plans, and programs of the office of youth programs, Minnesota Conservation Corps.

\$304,000 the first year and \$304,000 the second year are from the natural resources fund for grants to be divided equally between the city of St. Paul for the Como Zoo and Conservatory and the city of Duluth Zoo. This appropriation is from the revenue deposited to the natural resources fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (5). This is a one-time appropriation. The appropriation in the first year is available in the second year. Notwithstanding Minnesota Statutes, section 16A.28, amounts encumbered under contract on or before June 30, 2003, are available until June 3, 2004.

\$199,000 the first year is for grants to Cook, Lake, and St. Louis counties for emergency communications equipment. This appropriation is available until spent. Of this amount, \$106,000 is for a grant to Cook county for a communications system upgrade and development of radio paths along the north shore of

Lake Superior; \$47,000 is for a grant to Lake county to upgrade the existing communications tower in the Two Harbors area; and \$46,000 is for a grant to St. Louis county to enhance the emergency alerting system by installing a dispatching transmitter in the Crane Lake area.

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

Sec. 16. [EXCEPTION TO REDUCTION IN CONTRACT EXPENDITURES, MORATORIUM ON CONSULTANT CONTRACTS, AND HIRING FREEZE.]

Notwithstanding any law to the contrary, Laws 2002, chapter 220, article 10, sections 36, 37, and 38 do not apply to money appropriated from the Minnesota environment and natural resources trust fund or the Minnesota future resources fund.

Sec. 17. [AQUATIC FARMING LICENSE STUDY.]

The commissioner of natural resources must review the leasing of lakes by private aquaculture licensees and assess:

(1) the number of waters of the state that are licensed aquatic farms or private fish hatcheries and subject to one individual;

(2) what the proper length of time is for an aquatic farm or private fish hatchery license;

(3) fee structure for private aquaculture licenses;

(4) whether there should be a competitive process for licensing ponds for rearing brood fish;

(5) when landowners around the licensed water should be notified for comment prior to any private aquaculture license being granted;

(6) in which cases waters licensed for private aquaculture should require lease agreements by all landowners surrounding the lake before licensing; and

(7) what information landowners should be given before licensing about potential changes in the ecosystem of the lake.

The commissioner must report on this review to the house and senate chairs of the environment and natural resources committees by January 15, 2003."

Delete the title and insert:

"A bill for an act relating to natural resources; providing for maintenance of leased property; modifying duties of the forest resources council; permitting aquatic plant grants; making certain state park permit exemptions; providing for federal law compliance; providing financing for management of chronic wasting disease; exempting certain appropriations from moratoriums and hiring freeze; requiring a study and report; modifying issuance of fishing licenses; modifying certain appropriations; appropriating money; amending Minnesota Statutes 2000, sections 84.153; 84.975, by adding a subdivision; 85.054, by adding a subdivision; 89A.05, subdivision 1; 97A.055, by adding a subdivision; 97A.075, subdivision 1; 97A.485, by adding a subdivision; Minnesota Statutes 2001 Supplement, section 89A.06, subdivision 2a; Laws 2001, First Special Session chapter 2, section 5, subdivisions 2, 5, 6, 7, 8, 11; proposing coding for new law in Minnesota Statutes, chapter 97A."

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

Senate Conferees: LEONARD R. PRICE, JANE KRENTZ AND DENNIS R. FREDERICKSON.

House Conferees: MARK WILLIAM HOLSTEN, TIM FINSETH AND THOMAS PUGH.

Holsten moved that the report of the Conference Committee on S. F. No. 2738 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 2738, A bill for an act relating to natural resources; providing for acquisitions of stream easements; providing for maintenance of leased property; permitting aquatic plant grants; making certain state park permit exemptions; providing for federal law compliance; modifying certain appropriations; providing for the Cuyuna Lakes Trail; restricting the taking of fish in certain private fish hatcheries on aquatic farms; authorizing sale, conveyance, or exchange of certain tax-forfeited and surplus lands; allowing certain zoning nonconformities in the Lower Saint Croix National Scenic Riverway; deleting and adding areas to certain state parks; allowing certain snowmobile trail grants to be used for reimbursement of snowmobile trail grooming equipment; appropriating money; amending Minnesota Statutes 2000, sections 84.0272; 84.153; 84.975, by adding a subdivision; 85.015, by adding a subdivision; 85.054, by adding a subdivision; 97A.055, by adding a subdivision; 97C.025; 282.018, subdivision 1; 394.36, by adding a subdivision; 462.357, by adding a subdivision; Laws 2001, First Special Session chapter 2, section 5, subdivisions 2, 5, 6, 7, 8, 11; proposing coding for new law in Minnesota Statutes, chapter 97A.

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

The question was taken on the repassage of the bill and the roll was called. There were 125 yeas and 6 nays as follows:

Those who voted in the affirmative were:

Abeler	Dorn	Holsten	Lenczewski	Osthoff	Smith
Abrams	Eastlund	Howes	Leppik	Otremba	Solberg
Anderson, I.	Entenza	Huntley	Lieder	Ozment	Stanek
Bakk	Erhardt	Jacobson	Lindner	Paulsen	Stang
Bernardy	Erickson	Jaros	Lipman	Pawlenty	Swapinski
Biernat	Evans	Jennings	Mahoney	Paymar	Swenson
Blaine	Finseth	Johnson, J.	Mares	Pelowski	Sykora
Boudreau	Folliard	Johnson, R.	Mariani	Penas	Thompson
Bradley	Fuller	Johnson, S.	Marko	Peterson	Tingelstad
Carlson	Gleason	Jordan	Marquart	Pugh	Vandever
Cassell	Goodno	Juhnke	McElroy	Rhodes	Wagenius
Clark, J.	Goodwin	Kahn	McGuire	Rifenberg	Walker
Clark, K.	Gray	Kalis	Milbert	Rukavina	Walz
Daggett	Greiling	Kelliher	Molnau	Ruth	Wasiluk
Davids	Gunther	Kielkucki	Mulder	Schumacher	Westerberg
Davnie	Haas	Knoblach	Mullery	Seagren	Westrom
Dawkins	Hackbarth	Koskinen	Murphy	Seifert	Winter
Dehler	Harder	Kubly	Ness	Sertich	Wolf
Dempsey	Hausman	Kuisle	Nornes	Skoe	Workman
Dibble	Hilstrom	Larson	Opatz	Skoglund	Spk. Sviggum
Dorman	Hilty	Leighton	Osskopp	Slawik	

Those who voted in the negative were:

Buesgens	Gerlach	Holberg	Krinkie	Olson	Wilkin
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The bill was repassed, as amended by Conference, and its title agreed to.

Mr. Speaker:

I hereby announce the following change in the membership of the Conference Committee on S. F. No. 2572:

The name of Fowler has been stricken and the name of Rest has been added.

PATRICK E. FLAHAVEN, Secretary of the Senate

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

RECESS

RECONVENED

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

MESSAGES FROM THE SENATE, Continued

The following messages were received from the Senate:

Mr. Speaker:

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

S. F. No. 1755.

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

PATRICK E. FLAHAVEN, Secretary of the Senate

SUSPENSION OF JOINT RULE 2.06

Haas moved that Joint Rule 2.06 relating to Conference Committees be suspended. The motion prevailed.

CONFERENCE COMMITTEE REPORT ON S. F. NO. 1755

A bill for an act relating to public employees; establishing a committee to gather information and make recommendations for the design of a school employee health insurance plan; appropriating money.

May 15, 2002

The Honorable Don Samuelson
President of the Senate

The Honorable Steve Sviggum
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 1755, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S. F. No. 1755 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. [62A.661] [SCHOOL EMPLOYEE INSURANCE PLAN.]

Subdivision 1. [DEFINITIONS.] For purposes of this section:

(1) "eligible employee" means a person who is insurance eligible and is employed by an eligible employer or is insurance eligible through an eligible employer on some other basis; and

(2) "eligible employer" means a school district as defined in section 120A.05; a service cooperative as defined in section 123A.21; an intermediate district as defined in section 136D.01; a cooperative center for vocational education as defined in section 123A.22; a regional management information center as defined in section 123A.23; an education unit organized under section 471.59; a charter school organized under section 124D.10; or an exclusive representative of employees of an eligible employer or statewide affiliate.

Subd. 2. [STUDY AND DESIGN COMMITTEE.] (a) The school employee insurance plan study and design committee consists of:

(1) seven members representing exclusive representatives of eligible employees, appointed by exclusive representatives, as provided in paragraph (b); and

(2) seven members representing eligible employers, appointed by the Minnesota school boards association.

(b) The seven members of the committee who represent statewide affiliates of exclusive representatives of eligible employees are appointed as follows: four members appointed by Education Minnesota and one member each appointed by the Service Employees International Union, the Minnesota State Employees Association, and American Federation of State, County, and Municipal Employees.

(c) Appointing authorities must make their appointments no later than 30 days after the effective date of this section.

(d) Committee members are eligible for compensation and expense reimbursement under section 15.0575, subdivision 3.

Subd. 3. [COLLECTION OF INFORMATION.] The committee established under subdivision 2 must collect and analyze information from health plans currently providing health coverage to eligible employers, whether the health plan is insured or self-insured. Health plans providing coverage to employees of eligible employers on the effective date of this section must provide to the committee nonidentifiable aggregate data to the extent permitted under applicable state and federal law. The information must include data relating to employee group demographics and claims experience. Nothing in this section requires disclosure of proprietary information or data classified as nonpublic data or confidential data on individuals.

Subd. 4. [DESCRIPTION OF STUDY.] The committee established under subdivision 2 must study the feasibility and desirability of a school employee health insurance plan for eligible employees of eligible employers. The study must address the issues of costs, coverage provided, financial feasibility and solvency, and management. The study must compare:

(1) purchase of fully insured coverage through a pooling arrangement;

(2) use of a multiple employer welfare arrangement under chapter 62H; and

(3) coverage otherwise available to school districts through existing sources.

The study must consider health insurance pools of various sizes, including a pool that would include all eligible employers as one option. The study must consider the desirability and effects of the pool on eligible employers of various sizes, financial resources, and geographic locations within the state. The study may consider the inclusion of nonpublic schools in the pool, including any limitations on plan design and effects on regulation and costs resulting from the inclusion of nonpublic employees.

Subd. 5. [PLAN DESIGN.] Using the information collected and analyzed under subdivisions 3 and 4, the committee shall recommend specifications for a health insurance plan to serve eligible employees, including the plan's structure, benefits, approximate premiums, governance, operations, solvency, and oversight. Any recommended plan must incorporate, as a key component, consumer education, including wellness programs and measures encouraging the wise use of health coverage, with the goal of premium reduction and cost containment. The recommendation must include the projected costs to implement the plan.

Subd. 6. [WORK SCHEDULE.] By June 1, 2003, the committee must complete the collection and analysis of information under subdivisions 3 and 4 and submit an interim written report to the legislature. By January 15, 2004, the committee must complete its preparation of a plan design under subdivision 5 and submit its final written report to the legislature, including a detailed plan design. If the final report recommends legislation, the report must include a draft of the legislation. Both reports must be submitted in compliance with sections 3.195, subdivision 1, and 3.197.

Subd. 7. [ASSISTANCE TO THE COMMITTEE.] (a) The committee, or the commissioner of commerce on its behalf, may contract for actuarial, legal, and other services necessary to carry out its duties.

(b) The commissioner of commerce, as requested by the committee and in consultation with the commissioner of employee relations, shall provide staff assistance to the committee, including facilitating meetings; research and writing; data collection; providing or contracting for actuarial, legal, and other services; and other staff assistance as appropriate.

(c) Laws 2002, chapter 220, article 10, sections 37 and 38, do not apply to any contracts or hiring necessary to implement this section.

Subd. 8. [EXPIRATION.] (a) The committee expires upon adjournment sine die of the 2004 regular legislative session.

(b) This section expires July 1, 2004.

Sec. 2. Minnesota Statutes 2000, section 609.761, is amended by adding a subdivision to read:

Subd. 5. [HIGH SCHOOL RAFFLES.] Sections 609.755 and 609.76 do not prohibit a raffle, as defined in section 349.12, subdivision 33, conducted by a school district or a nonprofit organization organized primarily to support programs of a school district, if the following conditions are complied with:

(1) tickets for the raffle may only be sold and the drawing conducted at a high school event sponsored by a school district;

(2) tickets may only be sold to persons attending the event;

(3) the drawing must be held during or immediately after the conclusion of the event; and

(4) one-half of the gross receipts from the sale of tickets must be awarded as prizes for the raffle, and the remaining one-half may only be expended to defray the school district's costs of sending event participants to high school activities held at other locations.

Sec. 3. [APPROPRIATION.]

\$670,000 is appropriated in fiscal year 2003 from the general fund to the commissioner of commerce for purposes of section 1. The base for this program is \$670,000 for fiscal year 2004 only.

Sec. 4. [EFFECTIVE DATE.]

Sections 1 to 3 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to education; establishing a committee to gather information and make recommendations for the design of a school employee health insurance plan; authorizing raffles to support school district programs; appropriating money; amending Minnesota Statutes 2000, section 609.761, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 62A."

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

Senate Conferees: LEROY A. STUMPF, DALLAS C. SAMS AND MARTHA R. ROBERTSON.

House Conferees: GREGORY M. DAVIDS, BILL HAAS AND MATT ENTENZA.

Haas moved that the report of the Conference Committee on S. F. No. 1755 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 1755, A bill for an act relating to public employees; establishing a committee to gather information and make recommendations for the design of a school employee health insurance plan; appropriating money.

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

The question was taken on the repassage of the bill and the roll was called. There were 109 yeas and 22 nays as follows:

Those who voted in the affirmative were:

Abeler	Dorn	Hilty	Leighton	Otremba	Swapinski
Anderson, I.	Eastlund	Holsten	Lenczewski	Ozment	Swenson
Bakk	Entenza	Howes	Leppik	Paymar	Sykora
Bernardy	Erhardt	Huntley	Lieder	Pelowski	Thompson
Biernat	Evans	Jacobson	Lipman	Penas	Tingelstad
Bishop	Finseth	Jaros	Mahoney	Peterson	Tuma
Blaine	Folliard	Jennings	Mares	Pugh	Wagenius
Carlson	Fuller	Johnson, R.	Mariani	Rhodes	Walker
Cassell	Gleason	Johnson, S.	Marko	Rukavina	Walz
Clark, J.	Goodno	Jordan	Marquart	Ruth	Wasiluk
Clark, K.	Goodwin	Juhnke	McElroy	Schumacher	Westerberg
Daggett	Gray	Kahn	McGuire	Seagren	Westrom
Davids	Greiling	Kalis	Milbert	Sertich	Winter
Davnie	Gunther	Kelliher	Mullery	Skoe	Spk. Sviggum
Dawkins	Haas	Knoblach	Murphy	Skoglund	
Dehler	Hackbarth	Koskinen	Ness	Slawik	
Dempsey	Harder	Kubly	Nornes	Solberg	
Dibble	Hausman	Kuisle	Opatz	Stanek	
Dorman	Hilstrom	Larson	Osskopp	Stang	

Those who voted in the negative were:

Boudreau	Gerlach	Krinkie	Olson	Seifert	Wolf
Bradley	Holberg	Lindner	Paulsen	Smith	Workman
Buesgens	Johnson, J.	Molnau	Pawlenty	Vandever	
Erickson	Kielkucki	Mulder	Rifenberg	Wilkin	

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

Mr. Speaker:

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

H. F. No. 3270, A bill for an act relating to state government; creating office of state treasurer and modifying related provisions; providing for governor's cabinet and organizing certain government agencies; modifying certain fund provisions; requiring the commissioner of finance to prepare a forecast of state revenues and expenditures in July in each even-numbered year; requiring certain payments; modifying provisions of constitutional officers'

salaries; reducing certain appropriations; modifying consulting moratorium and hiring freeze provisions; amending Minnesota Statutes 2000, sections 4.06; 8.05; 10.01; 11A.08, subdivision 1; 16A.103, subdivision 1; 40A.151, subdivision 1; 40A.152, subdivisions 1, 3; 43A.18, subdivision 4; 168A.40, subdivision 4, as amended; 204B.11, subdivision 1; 204D.10, subdivision 2; 209.01, subdivision 2; 240A.08; 471.975; Minnesota Statutes 2001 Supplement, section 16E.09, subdivision 1; Laws 2001, First Special Session chapter 10, article 1, section 2, subdivision 4; Laws 2002, chapter 220, article 10, sections 2; 3; 7; 10, subdivision 3; 16; 36; 37; 38; proposing coding for new law in Minnesota Statutes, chapters 7; 15; 43A.

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

PATRICK E. FLAHAVEN, Secretary of the Senate

SUSPENSION OF JOINT RULE 2.06

Abrams moved that Joint Rule 2.06 relating to Conference Committees be suspended. The motion prevailed.

The following Conference Committee Report was received:

CONFERENCE COMMITTEE REPORT ON H. F. NO. 2498

A bill for an act relating to the financing and operation of government in this state; providing a sales tax rebate; providing property tax reform; making changes to income, franchise, sales and use, property, motor vehicle sales, motor vehicle registration, mortgage registry, deed, motor fuels, cigarette and tobacco, liquor, insurance premiums, lawful gambling, minerals, estate, and special taxes; changing and allowing tax credits, subtractions, and exemptions, including an income tax subtraction for capital gains; providing a biomedical innovation initiative; conforming with changes in federal income tax provisions; providing for allocation and apportionment of income; imposing a state general tax levy on certain property; providing a property tax homestead credit; imposing general levy limits; providing for property tax levy reverse referenda; changing property tax valuation, assessment, levy, classification, homestead, credit, aid, exemption, deferral, review, appeal, abatement, and distribution provisions; abolishing certain property tax levies for transit and establishing a transit fund; providing and modifying certain aids to local units of government; changing levy authority; reducing certain utility taxes and requiring a corresponding rate reduction; changing certain provisions relating to biomass facilities; providing for disposition of local lodging tax proceeds; providing priorities for disposition of production tax proceeds by the iron range resources and rehabilitation board; providing for certain payments in lieu of taxes; reducing rates on lawful gambling taxes; reducing rates on solid waste management taxes; providing for state takeover of certain costs of district court administration and out-of-home placement; providing for uniform sales and use tax administration; providing for taxation and incentive payments on forest lands; providing for electronic filing and payment of taxes; changing procedures for disposition of seized contraband; abolishing certain health care provider taxes and health plan premium taxes; providing for deposit of certain tobacco settlement and cigarette tax proceeds to the health care access fund; changing tax increment financing provisions and authorizing certain grants, duration extensions, and expenditures; requiring registration of tax increment financing consultants; creating a health care access fund reserve; reducing the tax on life insurance premiums; increasing property tax refunds and changing calculation of rent constituting property taxes for purposes of property tax refunds; reducing taconite production tax and occupation tax rates; providing special authority to certain political subdivisions; authorizing special taxing districts; changing and clarifying tax administration, collection, enforcement, interest, and penalty provisions; changing revenue recapture provisions; authorizing abatements and waivers of fees and certain taxes in disaster areas; changing and imposing fees; changing debt collection provisions for student loans; providing certain duties and powers to the commissioner of revenue; authorizing publication of names of certain delinquent taxpayers; authorizing border city allocations; changing provisions relating to tax-forfeited lands and providing for tax-forfeited lands transfers; defining terms; classifying data; establishing a legislative commission; requiring studies; imposing a criminal penalty; appropriating money; amending Minnesota Statutes 2000, sections 16D.08, subdivision 2; 62J.041, subdivision 1; 62Q.095, subdivision 6; 69.021, subdivision 5; 84.922, by adding a subdivision; 88.49, subdivisions 5,

9a; 88.491, subdivision 2; 97A.065, subdivision 2; 103D.905, subdivision 3; 115B.24, subdivision 2; 123B.55; 126C.01, subdivision 3; 126C.13, subdivision 4; 126C.17, by adding a subdivision; 144.3831, subdivision 2; 168.013, subdivision 1a; 174.24, subdivision 3b; 179A.101, subdivision 1; 179A.102, subdivision 6; 179A.103, subdivision 1; 214.16, subdivisions 2, 3; 216B.2424, subdivision 5; 239.101, subdivision 3; 260.765, by adding a subdivision; 260.771, by adding a subdivision; 270.06; 270.07, subdivision 3; 270.11, by adding a subdivision; 270.12, subdivision 2; 270.271, subdivisions 1, 3; 270.60, subdivision 4, by adding a subdivision; 270.70, subdivision 13; 270.73, subdivision 1; 270.771; 270.78; 270A.03, subdivisions 5, 7; 270A.11; 270B.01, subdivision 8; 270B.02, subdivisions 2, 3; 270B.03, subdivision 6; 270B.14, subdivision 1; 271.01, subdivision 5; 271.21, subdivision 2; 272.02, subdivisions 9, 10, 22, by adding subdivisions; 273.061, subdivisions 1, 2, 8; 273.072, subdivision 1; 273.11, subdivisions 1a, 14, by adding subdivisions; 273.1104, subdivision 2; 273.111, subdivision 4; 273.121; 273.124, subdivisions 8, 13, 14; 273.13, subdivisions 22, 23, 24, 25, 31; 273.1392; 273.1393; 273.1398, subdivisions 1a, 4a, by adding subdivisions; 274.01, subdivision 1; 274.13, subdivision 1; 275.02; 275.065, subdivisions 1, 3, 5a, 6, 8, by adding a subdivision; 275.066; 275.07, subdivision 1; 275.16; 275.62, subdivision 1; 275.70, subdivision 5, by adding subdivisions; 276.04, subdivision 2; 276.11, subdivision 1; 276A.01, subdivision 3; 276A.06, subdivision 3; 282.01, subdivisions 1a, 1b; 282.04, subdivision 2; 287.035; 287.04; 287.08; 287.12; 287.13, by adding a subdivision; 287.20, subdivisions 2, 9; 287.21, subdivision 1; 287.28; 289A.02, subdivision 7, by adding a subdivision; 289A.08, subdivision 16; 289A.11, subdivision 1; 289A.12, subdivision 3; 289A.18, subdivision 4; 289A.20, subdivisions 1, 2, 4; 289A.26, subdivision 2a; 289A.31, subdivision 7; 289A.50, subdivisions 2, 2a; 289A.60, subdivisions 7, 21; 290.01, subdivisions 6b, 7, 19, 19b, 19c, 19d, 22, 29, 31, by adding a subdivision; 290.014, subdivision 5; 290.05, subdivision 1; 290.06, subdivisions 2c, 22; 290.067, subdivisions 1, 2, 2b; 290.0671, subdivisions 1, 1a, 7; 290.0674, subdivisions 1, 2; 290.0675, subdivisions 1, 3; 290.068, subdivisions 1, 3, 4; 290.091, subdivisions 2, 3; 290.0921, subdivisions 1, 2, 3, 6; 290.0922, subdivision 2; 290.093; 290.095, subdivision 2; 290.17, subdivisions 1, 4; 290.191, subdivisions 2, 3; 290.21, subdivision 4; 290.9725; 290A.03, subdivisions 6, 11, 12, 13, 15; 290A.04, subdivisions 2, 2a, 4; 290A.15; 291.005, subdivision 1; 295.55, subdivision 4; 296A.15, subdivisions 1, 7; 296A.16, subdivision 2; 296A.21, subdivisions 1, 4; 296A.24, subdivisions 1, 2; 297A.01, subdivision 3; 297A.07, subdivision 3; 297A.25, subdivisions 3, 11, 28; 297A.61, subdivisions 2, 3, 4, 6, 7, 9, 10, 12, 14, 16, 17, 19, 22, 23, by adding subdivisions; 297A.62, subdivision 3; 297A.64, subdivisions 3, 4; 297A.66, subdivisions 1, 3; 297A.67, subdivisions 2, 8, 23, 24, 25, by adding subdivisions; 297A.68, subdivisions 2, 3, 5, 11, 13, 14, 18, 25, by adding subdivisions; 297A.69, subdivision 2; 297A.70, subdivisions 1, 2, 3, 4, 7, 8, 10, 13, 14; 297A.71, subdivisions 3, 6, by adding subdivisions; 297A.72, subdivision 1; 297A.75; 297A.77, subdivision 1; 297A.80; 297A.82, subdivision 3, by adding a subdivision; 297A.89, subdivision 1; 297A.90, subdivision 1; 297A.91; 297A.92, subdivision 2; 297A.94; 297A.99, subdivisions 7, 9, 11; 297B.03; 297B.09, subdivision 1; 297E.02, subdivisions 1, 4, 6; 297E.16, subdivisions 1, 2; 297F.09, subdivision 7; 297F.10, subdivision 1; 297F.16, subdivision 4; 297F.20, subdivision 3; 297F.21, subdivisions 1, 2, 3; 297G.09, subdivision 6; 297G.15, subdivision 4; 297G.16, subdivisions 5, 7; 297G.20, subdivisions 3, 4; 297H.02, subdivision 2; 297H.03, subdivision 2; 297H.04, subdivision 2, by adding a subdivision; 297H.05; 297H.06, by adding a subdivision; 297H.13, by adding a subdivision; 297I.05, by adding a subdivision; 297I.15, by adding a subdivision; 297I.20; 297I.35, subdivision 2; 297I.40, subdivisions 1, 2, 7; 297I.85, subdivision 7; 298.01, subdivisions 3, 3a, 3b, 4, 4a, 4c; 298.22, subdivision 2, by adding a subdivision; 298.225, subdivision 1; 298.24, subdivision 1; 298.27; 298.28, subdivisions 6, 9a; 298.2961, subdivision 2; 298.75, subdivisions 1, 2, by adding a subdivision; 299D.03, subdivision 5; 345.41; 345.42, by adding a subdivision; 349.19, subdivision 2a; 357.021, subdivision 1a; 461.12, by adding a subdivision; 469.040, subdivision 5; 469.169, by adding a subdivision; 469.1732, subdivision 1; 469.174, subdivisions 1, 3, 10, 10a, 12, 25; 469.175, subdivisions 1, 3, 6, 6b, by adding a subdivision; 469.176, subdivisions 1b, 1c, 1e, 3, 4, 4g, by adding a subdivision; 469.1763, subdivision 6; 469.177, subdivisions 1, 11, by adding a subdivision; 469.1771, subdivision 1; 469.178, by adding a subdivision; 469.1791, subdivisions 1, 3, 9; 469.1812, subdivision 2; 469.1813, subdivisions 4, 6; 469.190, subdivision 3; 469.202, subdivision 2; 473.388, subdivisions 4, 7; 473.446, subdivision 1, by adding a subdivision; 473.843, subdivision 3; 473F.08, subdivision 3; 473H.10, subdivision 3; 475.58, subdivision 1; 477A.011, subdivisions 35, 36; 477A.0121, by adding a subdivision; 477A.0122, by adding a subdivision; 477A.013, subdivisions 1, 9; 477A.03, subdivision 2, by adding a subdivision; 477A.12; 477A.14; 480.181, subdivision 1; 487.33, subdivision 5; 574.34, subdivision 1; Laws 1986, chapter 396, section 5; Laws 1997, chapter 231, article 10, section 25; Laws 1998, chapter 389, article 16, section 35, subdivision 1; Laws 1999, chapter 216, article 7, section 46, subdivision 3; Laws 1999, chapter 243, article 4, section 19; Laws 2000, chapter 490, article 8, section 17; Laws 2000, chapter 490, article 11, section 26; proposing coding for new law in Minnesota Statutes, chapters 3; 12; 16A; 62Q; 103B; 116J; 123B; 144F; 245; 256L; 270; 272;

273; 275; 290; 290A; 295; 296A; 297A; 469; 471; 473; 477A; 480; 484; proposing coding for new law as Minnesota Statutes, chapters 126C; 216B; 290C; repealing Minnesota Statutes 2000, sections 13.4967, subdivision 3; 16A.1521; 16A.76; 62T.10; 126C.13, subdivisions 1, 2, 3; 144.1484, subdivision 2; 256L.02, subdivision 3; 270.31; 270.32; 270.33; 270.34; 270.35; 270.36; 270.37; 270.38; 270.39; 273.13, subdivision 24a; 273.1382; 273.1399; 275.078; 275.08, subdivision 1e; 289A.60, subdivision 15; 290.06, subdivisions 25, 26; 290.0673; 290.095, subdivisions 1a, 7; 290.191, subdivision 4; 290.21, subdivision 3; 290.23; 290.25; 290.31, subdivisions 2, 2a, 3, 4, 5, 19; 290.35; 290.9726, subdivision 7; 290A.04, subdivision 2j; 290A.18, subdivision 2; 295.50; 295.51; 295.52; 295.53; 295.54; 295.55; 295.56; 295.57; 295.58; 295.582; 295.59; 296A.16, subdivision 6; 296A.24, subdivision 3; 297A.61, subdivision 16; 297A.62, subdivision 2; 297A.64, subdivision 1; 297A.68, subdivision 21; 297A.71, subdivisions 2, 15, 16, 21; 297B.032; 297E.16, subdivision 3; 297F.21, subdivision 4; 297G.20, subdivision 5; 297I.05, subdivisions 5, 8; 297I.30, subdivision 3; 298.01, subdivisions 3c, 3d, 4d, 4e; 469.1732, subdivision 2; 469.1734, subdivision 4; 469.1782, subdivision 1; 473.446, subdivision 8; Laws 1988, chapter 426, section 1; Laws 1988, chapter 702, section 16; Laws 1992, chapter 511, article 2, section 52, as amended; Laws 1996, chapter 471, article 8, section 45; Laws 1999, chapter 243, article 6, section 14; Laws 1999, chapter 243, article 6, section 15; Laws 2000, chapter 490, article 6, section 17; Minnesota Rules, parts 8120.0200; 8120.0500; 8120.0700; 8120.0900; 8120.1300; 8120.1600; 8120.2000; 8120.2100; 8120.2200; 8120.2300; 8120.2500; 8120.2700; 8120.2800; 8120.3000; 8120.3200; 8120.4300; 8120.4400; 8120.4500; 8120.4600; 8120.4900; 8120.5000; 8120.5100; 8120.5300.

May 15, 2002

The Honorable Steve Sviggum
Speaker of the House of Representatives

The Honorable Don Samuelson
President of the Senate

We, the undersigned conferees for H. F. No. 2498, report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 2498 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

INCOME AND FRANCHISE TAXES

Section 1. Minnesota Statutes 2001 Supplement, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. [CORPORATIONS; MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME.] For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the federal jobs credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(8) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(9) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year;

(10) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation;

(11) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

(12) the amount of handicap access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

(13) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

(14) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

(15) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code;

(16) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code; and

(17) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during ~~the any taxable years year ending during calendar year 1992 before January 1, 1995,~~ and a return was filed by August 15, 1996, claiming the deduction under this subdivision for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2000.

Sec. 2. Minnesota Statutes 2000, section 290.081, is amended to read:

290.081 [INCOME OF NONRESIDENTS, RECIPROCITY.]

(a) The compensation received for the performance of personal or professional services within this state by an individual whose residence, place of abode, and place customarily returned to at least once a month is in another state, shall be excluded from gross income to the extent such compensation is subject to an income tax imposed by the state of residence; provided that such state allows a similar exclusion of compensation received by residents of Minnesota for services performed therein.

(b) When it is deemed to be in the best interests of the people of this state, the commissioner may determine that the provisions of ~~clause paragraph~~ (a) shall not apply. As long as the provisions of ~~clause paragraph~~ (a) apply between Minnesota and Wisconsin, the provisions of ~~clause paragraph~~ (a) shall apply to any individual who is domiciled in Wisconsin.

(c) For the purposes of ~~clause paragraph~~ (a), whenever the Wisconsin tax on Minnesota residents which would have been paid Wisconsin without ~~clause paragraph~~ (a) exceeds the Minnesota tax on Wisconsin residents which would have been paid Minnesota without ~~clause paragraph~~ (a), or vice versa, then the state with the net revenue loss resulting from ~~clause paragraph~~ (a) shall receive from the other state the amount of such loss. This provision shall be effective for all years beginning after December 31, 1972. The data used for computing the loss to either state shall be determined on or before September 30 of the year following the close of the previous calendar year.

(d) Interest ~~shall be~~ is payable on all ~~delinquent balances~~ amounts calculated under paragraph (c) relating to taxable years beginning after ~~December 31, 1977~~ December 31, 2000. Interest accrues from July 1 of the taxable year. The commissioner of revenue is authorized to enter into agreements with the state of Wisconsin specifying the reciprocity payment due date, conditions constituting delinquency, interest rates, and a method for computing interest due ~~on any delinquent amounts.~~

(e) If an agreement cannot be reached as to the amount of the loss, the commissioner of revenue and the taxing official of the state of Wisconsin shall each appoint a member of a board of arbitration and these members shall appoint the third member of the board. The board shall select one of its members as chair. Such board may administer oaths, take testimony, subpoena witnesses, and require their attendance, require the production of books, papers and documents, and hold hearings at such places as are deemed necessary. The board shall then make a determination as to the amount to be paid the other state which determination shall be final and conclusive.

(f) The commissioner may furnish copies of returns, reports, or other information to the taxing official of the state of Wisconsin, a member of the board of arbitration, or a consultant under joint contract with the states of Minnesota and Wisconsin for the purpose of making a determination as to the amount to be paid the other state under the provisions of this section. Prior to the release of any information under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that the person will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota.

[EFFECTIVE DATE.] This section is effective the day following final enactment. Income tax reciprocity under Minnesota Statutes, section 290.081, with the state of Wisconsin is terminated effective for taxable years beginning after December 31, 2002, unless the state of Wisconsin agrees, in writing, by October 1, 2002, that interest will be included in payments as required by this section, calculated from the date specified under this section at a rate at least equal to the rate under Minnesota Statutes, section 270.75, and beginning with the payment due in December 2002. If income tax reciprocity is terminated, the requirement under Minnesota Statutes, section 136A.08, subdivision 3, that an income tax reciprocity agreement be in effect as a condition for a higher education reciprocity is suspended through the 2003-2004 school year.

Sec. 3. Minnesota Statutes 2001 Supplement, section 290.0921, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given them.

(b) "Alternative minimum taxable net income" is alternative minimum taxable income,

(1) less the exemption amount, and

(2) apportioned or allocated to Minnesota under section 290.17, 290.191, or 290.20.

(c) The "exemption amount" is \$40,000, reduced, but not below zero, by 25 percent of the excess of alternative minimum taxable income over \$150,000.

(d) "Minnesota alternative minimum taxable income" is alternative minimum taxable net income, less the deductions for alternative tax net operating loss under subdivision 4; charitable contributions under subdivision 5; and dividends received under subdivision 6. The sum of the deductions under this paragraph may not exceed 90 percent of alternative minimum taxable net income. This limitation does not apply to:

(1) a deduction for dividends paid to or received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code; or

(2) a deduction for dividends received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (i) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (ii) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2002.

Sec. 4. Minnesota Statutes 2001 Supplement, section 290.0921, subdivision 6, is amended to read:

Subd. 6. [DIVIDENDS RECEIVED.] (a) A deduction is allowed from alternative minimum taxable net income equal to the deduction for dividends received under section 290.21, subdivision 4, for purposes of calculating taxable income under section 290.01, subdivision 29.

(b) The amount of the deduction must not exceed 90 percent of alternative minimum taxable net income.

This limitation does not apply to:

(1) dividends paid to or received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code; or

(2) dividends received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (i) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (ii) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2002.

Sec. 5. Minnesota Statutes 2000, section 290.191, subdivision 4, is amended to read:

Subd. 4. [APPORTIONMENT FORMULA FOR CERTAIN MAIL ORDER BUSINESSES.] If the business of a corporation, partnership, or proprietorship consists exclusively of the selling of tangible personal property and services at retail, as defined in section 297A.61, subdivision 4, paragraph (a), in response to orders received by United States mail, telephone, facsimile, or other electronic media, and 99 percent of the taxpayer's property and payroll is within Minnesota, then the taxpayer may apportion net income to Minnesota based solely upon the percentage that the sales made within this state in connection with its 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. Property and payroll factors are disregarded. In determining eligibility for this subdivision:

(1) the sale not in the ordinary course of business of tangible or intangible assets used in conducting business activities must be disregarded; and

(2) property and payroll at a distribution center outside of Minnesota are disregarded if the sole activity at the distribution center is the filling of orders, and no solicitation of orders occurs at the distribution center.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2001.

Sec. 6. Minnesota Statutes 2001 Supplement, section 290.21, subdivision 4, is amended to read:

Subd. 4. (a)(1) Eighty percent of dividends received by a corporation during the taxable year from another corporation, in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom; and

(2)(i) the remaining 20 percent of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989; or

(ii) the remaining 20 percent of dividends if the dividends are received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989, or is deducted under an election under section 243(b) of the Internal Revenue Code; or

(iii) the remaining 20 percent of the dividends if the dividends are received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (A) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law Number 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2002.

ARTICLE 2

FEDERAL UPDATE

Section 1. Minnesota Statutes 2001 Supplement, section 289A.02, subdivision 7, is amended to read:

Subd. 7. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~June 15, 2001~~ March 15, 2002.

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

Sec. 2. Minnesota Statutes 2001 Supplement, 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 AND SMALL BUSINESS CORPORATIONS.] (a) 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 and S corporations must be paid on or before the date the return must be filed under section 289A.18, subdivision 2.

(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 ~~Treasury Regulation 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 subparagraph (f) or the one-day rule in subsection (c), clause (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 during a fiscal year ending June 30 under section 290.92, subdivision 2a or 3, is equal to or exceeds the amounts established for remitting federal withheld taxes pursuant to the regulations promulgated under section 6302(h) of the Internal Revenue Code, the employer must remit each required deposit for wages paid in the subsequent calendar year 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 the day following final enactment.

Sec. 3. Minnesota Statutes 2001 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

- (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;
- (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and
- (3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

The provisions of sections 1113(a), 1117, 1206(a), 1313(a), 1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612, 1616, 1617, 1704(l), and 1704(m) of the Small Business Job Protection Act, Public Law Number 104-188, the provisions of Public Law Number 104-117, the provisions of sections 313(a) and (b)(1), 602(a), 913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013, 1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b) and (c), 1211(b), 1213, 1530(c)(2), 1601(f)(5) and (h), and 1604(d)(1) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, the provisions of section 6010 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, the provisions of section 4003 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, and the provisions of section 318 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1996, shall be in effect for taxable years beginning after December 31, 1996.

The provisions of sections 202(a) and (b), 221(a), 225, 312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and (c), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306, 1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528, 1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, the provisions of sections 6004, 6005, 6012, 6013, 6015, 6016, 7002, and 7003 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, the provisions of section 3001 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, the provisions of section 3001 of the Miscellaneous Trade and Technical Corrections Act of 1999, Public Law Number 106-36, and the provisions of section 316 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1997, shall be in effect for taxable years beginning after December 31, 1997.

The provisions of sections 5002, 6009, 6011, and 7001 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, the provisions of section 9010 of the Transportation Equity Act for the 21st Century, Public Law Number 105-178, the provisions of sections 1004, 4002, and 5301 of the Omnibus Consolidation and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, the provision of section 303 of the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law Number 105-369, the provisions of sections 532, 534, 536, 537, and 538 of the Ticket to Work and Work Incentives Improvement Act of 1999, Public Law Number 106-170, the provisions of the Installment Tax Correction Act of 2000, Public Law Number 106-573, and the provisions of section 309 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1998, shall be in effect for taxable years beginning after December 31, 1998.

The provisions of the FSC Repeal and Extraterritorial Income Exclusion Act of 2000, Public Law Number 106-519, and the provision of section 412 of the Job Creation and Worker Assistance Act of 2002, Public Law Number 107-147, shall become effective at the time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1999, shall be in effect for taxable years beginning after December 31, 1999. The provisions of sections 306 and 401 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, and the provision of section 632(b)(2)(A) of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law Number 107-16, and provisions of sections 101 and 402 of the Job Creation and Worker Assistance Act of 2002, Public Law Number 107-147, shall become effective at the same time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 2000, shall be in effect for taxable years beginning after December 31, 2000. The provisions of sections 659a and 671 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law Number 107-16, the provisions of sections 104, 105, and 111 of the Victims of Terrorism Tax Relief Act of 2001, Public Law Number 107-134, and the provisions of sections 201, 403, 413, and 606 of the Job Creation and Worker Assistance Act of 2002, Public Law Number 107-147, shall become effective at the same time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through ~~June 15, 2001~~ March 15, 2002, shall be in effect for taxable years beginning after December 31, 2001.

The provisions of sections 101 and 102 of the Victims of Terrorism Tax Relief Act of 2001, Public Law Number 107-134, shall become effective at the same time it becomes effective for federal purposes.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19g mean the code in effect for purposes of determining net income for the applicable year.

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

Sec. 4. Minnesota Statutes 2000, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. [ADDITIONS TO FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute, and

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of

the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code, making the payment; and

(iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal government described in section 7871(c) of the Internal Revenue Code shall be treated as interest income on obligations of the state in which the tribe is located;

(2) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income tax is the last itemized deduction disallowed;

(3) the capital gain amount of a lump sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law Number 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10; ~~and~~

(6) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code; and

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code.

[EFFECTIVE DATE.] This section is effective for tax years ending after September 10, 2001.

Sec. 5. Minnesota Statutes 2001 Supplement, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

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

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

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes

books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

~~(4) contributions made in taxable years beginning after December 31, 1981, and before January 1, 1985, to a qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed person that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income, less any amount allowed to be subtracted as a distribution under this subdivision or a predecessor provision in taxable years that began before January 1, 2000. This subtraction applies only for taxable years beginning after December 31, 1999, and before January 1, 2001. If an individual's subtraction under this clause exceeds the individual's taxable income, the excess may be carried forward to taxable years beginning after December 31, 2000, and before January 1, 2002;~~

~~(5) income as provided under section 290.0802;~~

~~(6) (5) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;~~

~~(7) (6) to the extent not deducted in determining federal taxable income or used to claim the long-term care insurance credit under section 290.0672, the amount paid for health insurance of self-employed individuals as determined under section 162(l) of the Internal Revenue Code, except that the percent limit does not apply. If the individual deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:~~

~~(i) the total itemized deductions allowed under section 63(d) of the Internal Revenue Code, less state, local, and foreign income taxes deductible under section 164 of the Internal Revenue Code and the standard deduction under section 63(c) of the Internal Revenue Code; or~~

~~(ii) the lesser of (A) the amount of insurance qualifying as "medical care" under section 213(d) of the Internal Revenue Code to the extent not deducted under section 162(l) of the Internal Revenue Code or excluded from income or (B) the total amount deductible for medical care under section 213(a);~~

~~(8) (7) the exemption amount allowed under Laws 1995, chapter 255, article 3, section 2, subdivision 3;~~

~~(9) (8) to the extent included in federal taxable income, postservice benefits for youth community service under section 124D.42 for volunteer service under United States Code, title 42, sections 12601 to 12604;~~

~~(10) (9) to the extent not deducted in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code over \$500;~~

~~(11) (10) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code; and~~

~~(12)~~ (11) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit; and

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

[EFFECTIVE DATE.] This section is effective the day following final enactment, except that clause (12) is effective for tax years ending after September 10, 2001.

Sec. 6. Minnesota Statutes 2001 Supplement, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. [CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.] For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes, including but not limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

(2) interest not subject to federal tax upon obligations of: the United States, its possessions, its agencies, or its instrumentalities; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; the District of Columbia; or Indian tribal governments;

(3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code;

(4) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss deduction under section 810 of the Internal Revenue Code;

(5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 of the Internal Revenue Code;

(6) losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota income tax;

(7) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code;

(8) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(9) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

(10) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

(11) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g);

(12) the amount of any environmental tax paid under section 59(a) of the Internal Revenue Code;

(13) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code; ~~and~~

(14) the amount of net income excluded under section 114 of the Internal Revenue Code;

(15) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law Number 107-147; and

(16) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code.

[EFFECTIVE DATE.] This section is effective for tax years ending after September 10, 2001.

Sec. 7. Minnesota Statutes 2001 Supplement, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. [CORPORATIONS; MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME.] For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the federal jobs credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(8) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(9) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year;

(10) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation;

(11) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

(12) the amount of handicap access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

(13) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

(14) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

(15) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code;

(16) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code; ~~and~~

(17) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during the taxable years ending during calendar year 1992 and a return was filed by August 15, 1996, claiming the deduction under this subdivision for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

(18) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law Number 107-147; and

(19) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (16). The resulting delayed depreciation cannot be less than zero.

[EFFECTIVE DATE.] This section is effective for tax years ending after September 10, 2001.

Sec. 8. Minnesota Statutes 2001 Supplement, section 290.01, subdivision 31, is amended to read:

Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~June 15, 2001~~ March 15, 2002.

[EFFECTIVE DATE.] This section is effective at the same time and in the same manner as the federal changes made by the Victims of Terrorism Tax Relief Act of 2001, Public Law Number 107-134, and by the Job Creation and Worker Assistance Act of 2002, Public Law Number 107-147, become effective.

Sec. 9. Minnesota Statutes 2000, 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) ~~\$2,400~~ the amount of the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code will be

deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

(d) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, no credit is allowed for any amount paid to any person unless:

(1) the name, address, and taxpayer identification number of the person are included on the return claiming the credit; or

(2) if the person is an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name and address of the person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information required.

In the case of a nonresident, part-year resident, or a person who has earned income not subject to tax under this chapter, 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.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2002.

Sec. 10. Minnesota Statutes 2001 Supplement, section 290.091, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the Minnesota charitable contribution deduction;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; and

(iv) the impairment-related work expenses of a disabled person; ~~and~~

(v) ~~holocaust victims' settlement payments to the extent allowed under section 290.01, subdivision 19b;~~

(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); ~~and~~

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

(6) the amount of addition required by section 290.01, subdivision 19a, clause (7);

less the sum of the amounts determined under the following:

(1) interest income as defined in section 290.01, subdivision 19b, clause (1);

(2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income;

(3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income; and

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clause ~~(4)~~ (12).

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(e) "Net minimum tax" means the minimum tax imposed by this section.

(f) "Minnesota charitable contribution deduction" means a charitable contribution deduction under section 170 of the Internal Revenue Code to or for the use of an entity described in Minnesota Statutes 2000, section 290.21, subdivision 3, clauses (a) to (e). When the federal deduction for charitable contributions is limited under section 170(b) of the Internal Revenue Code, the allowable contributions in the year of contribution are deemed to be first contributions to entities described in Minnesota Statutes 2000, section 290.21, subdivision 3, clauses (a) to (e).

[EFFECTIVE DATE.] This section is effective the day following final enactment, except that clause (6) is effective for tax years ending after September 10, 2001.

Sec. 11. Minnesota Statutes 2001 Supplement, section 290.0921, subdivision 3, is amended to read:

Subd. 3. [ALTERNATIVE MINIMUM TAXABLE INCOME.] "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) For purposes of the depreciation adjustments under section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal income tax purposes, including any modification made in a taxable year under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c).

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation allowance in the first taxable year after December 31, 2000.

(2) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.01, subdivision 19c, clause (16), is disallowed in determining alternative minimum taxable income.

(3) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause (19), is allowed as a depreciation deduction in determining alternative minimum taxable income.

(4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

~~(5)~~ (5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

~~(6)~~ (6) The special rule for dividends from section 936 companies under section 56(g)(4)(C)(iii) does not apply.

~~(7)~~ (7) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

~~(8)~~ (8) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to subparagraph (E) and the subtraction under section 290.01, subdivision 19d, clause (4).

~~(9)~~ (9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

~~(10)~~ (10) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

~~(11)~~ (11) For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, not previously deducted is a depreciation or amortization allowance in the first taxable year after December 31, ~~2000~~ 2004.

~~(12)~~ (12) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

~~(13)~~ (13) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (10), or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause (11).

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

[EFFECTIVE DATE.] This section is effective for tax years ending after September 10, 2001.

Sec. 12. Minnesota Statutes 2001 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~June 15, 2001~~ March 15, 2002.

[EFFECTIVE DATE.] This section is effective at the same time and manner as the changes to federal adjusted gross income made by the Victims of Terrorism Tax Relief Act of 2001, Public Law Number 107-134, and by the Job Creation and Worker Assistance Act of 2002, Public Law Number 107-147, become effective.

ARTICLE 3

SALES AND USE TAXES

Section 1. Minnesota Statutes 2000, section 270.60, subdivision 4, is amended to read:

Subd. 4. [PAYMENTS TO COUNTIES.] (a) The commissioner shall pay to a county in which an Indian gaming casino is located ten percent of the state share of all taxes generated from activities on reservations and collected under a tax agreement under this section with the tribal government for the reservation located in the county. If the tribe has casinos located in more than one county, the payment must be divided equally among the counties in which the casinos are located.

~~(b) A county is a qualified county under this subdivision if one of the following conditions is met:~~

~~(1) the county's per capita income is less than 80 percent of the state per capita personal income, based on the most recent estimates made by the United States Bureau of Economic Analysis; or~~

~~(2) 30 percent or more of the total market value of real property in the county is exempt from ad valorem taxation;~~

~~(c) The commissioner shall make the payments required under this subdivision by February 28 of the year following the year the taxes are collected.~~

~~(d) (c) An amount sufficient to make the payments authorized by this subdivision, not to exceed \$1,100,000 in any fiscal year, is annually appropriated from the general fund to the commissioner. If the authorized payments exceed the amount of the appropriation, the commissioner shall first proportionately reduce the payments to counties other than qualified counties so that the total amount equals the appropriation. If the authorized payments to qualified counties also exceed the amount of the appropriation, the commissioner shall then proportionately reduce the rate so that the total amount to be paid to qualified counties equals the appropriation.~~

[EFFECTIVE DATE.] This section is effective for payments made after December 31, 2002.

Sec. 2. Minnesota Statutes 2001 Supplement, section 289A.20, subdivision 4, is amended to read:

Subd. 4. [SALES AND USE TAX.] (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) For a fiscal year ending before July 1, 2002, a vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of the year, the vendor must remit ~~62~~ 75 percent of the estimated June liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities on returns due for periods beginning in the subsequent calendar year by electronic means on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4, except for ~~62~~ 75 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

[EFFECTIVE DATE.] This section is effective for June 2002 and June 2003 tax liabilities.

Sec. 3. Minnesota Statutes 2001 Supplement, section 297A.61, subdivision 3, is amended to read:

Subd. 3. [SALE AND PURCHASE.] (a) "Sale" and "purchase" include, but are not limited to, each of the transactions listed in this subdivision.

(b) Sale and purchase include:

(1) any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, for a consideration in money or by exchange or barter; and

(2) the leasing of or the granting of a license to use or consume, for a consideration in money or by exchange or barter, tangible personal property, other than a manufactured home used for residential purposes for a continuous period of 30 days or more.

(c) Sale and purchase include the production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing.

(d) Sale and purchase include the preparing for a consideration of food. Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

(1) prepared food sold by the retailer;

(2) soft drinks;

(3) candy; and

(4) all food sold through vending machines.

(e) A sale and a purchase includes the furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state.

(f) A sale and a purchase includes the transfer for a consideration of computer software.

(g) A sale and a purchase includes the furnishing for a consideration of the following services:

(1) the privilege of admission to places of amusement, recreational areas, or athletic events, and the making available of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp and the granting of any similar license to use real property other than the renting or leasing of it for a continuous period of 30 days or more;

(3) parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(4) the granting of membership in a club, association, or other organization if:

(i) the club, association, or other organization makes available for the use of its members sports and athletic facilities, without regard to whether a separate charge is assessed for use of the facilities; and

(ii) use of the sports and athletic facility is not made available to the general public on the same basis as it is made available to members.

Granting of membership means both one-time initiation fees and periodic membership dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming pools; and other similar athletic or sports facilities; ~~and~~

(5) delivery of aggregate materials and concrete block; and

(6) services as provided in this clause:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting and exterminating services;

(iv) detective, security, burglar, fire alarm, and armored car services; but not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit organization for monitoring and electronic surveillance of persons placed on in-home detention pursuant to court order or under the direction of the Minnesota department of corrections;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(viii) the furnishing of lodging, board, and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services and the provision of taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of this section, "affiliated group of corporations" includes those entities that would be classified as members of an affiliated group under United States Code, title 26, section 1504, and that are eligible to file a consolidated tax return for federal income tax purposes.

(h) A sale and a purchase includes the furnishing for a consideration of tangible personal property or taxable services by the United States or any of its agencies or instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, including cable television services and direct satellite services. Telecommunications services are taxed to the extent allowed under federal law if those services:

(1) either (i) originate and terminate in this state; or (ii) originate in this state and terminate outside the state and the service is charged to a telephone number customer located in this state or to the account of any transmission instrument in this state; or (iii) originate outside this state and terminate in this state and the service is charged to a telephone number customer located in this state or to the account of any transmission instrument in this state; or

(2) are rendered by providing a private communications service for which the customer has one or more locations within Minnesota connected to the service and the service is charged to a telephone number customer located in this state or to the account of any transmission instrument in this state.

All charges for mobile telecommunications services, as defined in United States Code, title 4, section 124, are deemed to be provided by the customer's home service provider and sourced to the customer's place of primary use and are subject to tax based upon the customer's place of primary use in accordance with the Mobile Telecommunications Sourcing Act, United States Code, title 4, sections 116 to 126. All other definitions and provisions of the Mobile Telecommunications Sourcing Act as provided in United States Code, title 4, are hereby adopted.

(j) A sale and a purchase includes the furnishing for a consideration of installation if the installation charges would be subject to the sales tax if the installation were provided by the seller of the item being installed.

[EFFECTIVE DATE.] This section is effective for sales made after June 30, 2002.

Sec. 4. Minnesota Statutes 2001 Supplement, section 297A.61, subdivision 31, is amended to read:

Subd. 31. [PREPARED FOOD.] "Prepared food" means ~~(i) food that meets either of the following conditions:~~

(1) the food is sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws; or

(2) the food is sold in a heated state or heated by the seller; ~~(ii) or two or more food ingredients are mixed or combined by the seller for sale as a single item; or (iii) food sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws. Prepared food does not include, except for:~~

(i) bakery items, including, but not limited to, bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, danish, cakes, tortes, pies, tarts, muffins, bars, cookies, tortillas;

(ii) ready-to-eat meat and seafood in an unheated state sold by weight;

(iii) eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer as recommended by the Food and Drug Administration in chapter 3, part 401.11 of its food code so as to prevent food borne illnesses; or

(iv) food that is only sliced, repackaged, or pasteurized by the seller.

[EFFECTIVE DATE.] With the exception of clause (2), item (ii), this section is effective for sales and purchases made after June 30, 2002. Clause (2), item (ii), is effective for sales and purchases made after June 30, 2002, and before January 1, 2006.

Sec. 5. Minnesota Statutes 2001 Supplement, 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 or sample room or place, warehouse, or other place of business; or

(2) having a representative, including, but not limited to, an affiliate agent, salesperson, canvasser, or solicitor operating in this state under the authority of the retailer or its subsidiary, for any purpose, including the repairing, selling, delivering, installing, 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 or subsidiary, or affiliate is authorized to do 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.

[EFFECTIVE DATE.] (a) This section is effective the day following final enactment and is intended to confirm the original intent of the legislature in enacting Minnesota Statutes, section 297A.66, and its predecessor provisions.

(b) A retailer may elect that the provisions of this section apply only to sales it made after August 31, 2002, by notifying the commissioner and by applying for a permit under Minnesota Statutes, section 297A.84, by August 15, 2002, to collect the tax imposed under Minnesota Statutes, chapter 297A. A retailer qualifies under this paragraph only if it:

(1) did not maintain an office, place of distribution, sales or sample room or place, warehouse, or other place of business in Minnesota except through an affiliate or did not have a representative, agent, salesperson, canvasser, or solicitor in Minnesota except through an affiliate; and

(2) has not registered to collect tax under Minnesota Statutes, chapter 297A, as of the date of enactment of this section.

Sec. 6. Minnesota Statutes 2000, section 297A.66, is amended by adding a subdivision to read:

Subd. 4. [AFFILIATED ENTITIES.] (a) An entity is an "affiliate" of the retailer for purposes of subdivision 1, paragraph (a), if:

(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.

(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.

(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.

[EFFECTIVE DATE.] (a) This section is effective the day following final enactment and is intended to confirm the original intent of the legislature in enacting Minnesota Statutes, section 297A.66, and its predecessor provisions.

(b) A retailer may elect that the provisions of this section apply only to sales it made after August 31, 2002, by notifying the commissioner and by applying for a permit under Minnesota Statutes, section 297A.84, by August 15, 2002, to collect the tax imposed under Minnesota Statutes, chapter 297A. A retailer qualifies under this paragraph only if it:

(1) did not maintain an office, place of distribution, sales or sample room or place, warehouse, or other place of business in Minnesota except through an affiliate or did not have a representative, agent, salesperson, canvasser, or solicitor in Minnesota except through an affiliate; and

(2) has not registered to collect tax under Minnesota Statutes, chapter 297A, as of the date of enactment of this section.

Sec. 7. Minnesota Statutes 2000, section 297A.67, subdivision 5, is amended to read:

Subd. 5. [EXEMPT MEALS AT SCHOOLS.] Meals and lunches served at public and private elementary, middle, or secondary schools, universities, or colleges as defined in section 120A.05 are exempt. Meals and lunches served to students at a college, university, or private career school under a board contract are exempt. For purposes of this subdivision, "meals and lunches" does not include sales from vending machines.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2002. However, for vending machine contracts entered into by a school, as defined in section 120A.05, prior to May 30, 2002, food sales from vending machines continue to be exempt under this subdivision for one year after the effective date of the contract.

Sec. 8. Minnesota Statutes 2000, section 297A.67, is amended by adding a subdivision to read:

Subd. 13a. [INSTRUCTIONAL MATERIALS.] Instructional materials, other than textbooks, that are prescribed for use in conjunction with a course of study in a post-secondary school, college, university, or private career school to students who are regularly enrolled at such institutions are exempt. For purposes of this subdivision, "instructional materials" means materials required to be used directly in the completion of the course of study, including, but not limited to, interactive CDs, tapes, and computer software.

Instructional materials do not include general reference works or other items incidental to the instructional process such as pens, pencils, paper, folders, or computers. For purposes of this subdivision, "school" and "private career school" have the meanings given in subdivision 13.

[EFFECTIVE DATE.] This section is effective for sales after June 30, 2003.

Sec. 9. Minnesota Statutes 2001 Supplement, section 297A.67, subdivision 25, is amended to read:

Subd. 25. [MAINTENANCE OF CEMETERY GROUNDS.] Lawn care and related services used in the maintenance of cemetery grounds are exempt. For purposes of this subdivision, "lawn care and related services" means the services listed in section 297A.61, subdivision 3, paragraph (g), clause ~~(5)~~ (6), item (vi), and "cemetery" means a cemetery for human burial.

Sec. 10. Minnesota Statutes 2001 Supplement, section 297A.67, subdivision 29, is amended to read:

Subd. 29. [ENERGY EFFICIENT PRODUCTS.] (a) A residential lighting fixture or a compact fluorescent bulb is exempt if it has an energy star label.

(b) The following products are exempt if they have an energyguide label that indicates that the product meets or exceeds the standards listed below:

- (1) an electric heat pump hot water heater with an energy factor of at least 1.9;
- (2) a natural gas water heater with an energy factor of at least 0.62; ~~and~~
- (3) a propane gas or fuel oil water heater with an energy factor of at least 0.62;
- (4) a natural gas furnace with an annual fuel utilization efficiency greater than 92 percent; and
- (5) a propane gas or fuel oil furnace with an annual fuel utilization efficiency greater than 92 percent.

(c) A photovoltaic device is exempt. For purposes of this subdivision, "photovoltaic device" means a solid-state electrical device, such as a solar module, that converts light directly into direct current electricity of voltage-current characteristics that are a function of the characteristics of the light source and the materials in and design of the device. A "solar module" is a photovoltaic device that produces a specified power output under defined test conditions, usually composed of groups of solar cells connected in series, in parallel, or in series-parallel combinations.

(d) For purposes of this subdivision, "energy star label" means the label granted to certain products that meet United States Environmental Protection Agency and United States Department of Energy criteria for energy efficiency. For purposes of this subdivision, "energyguide label" means the label that the United States Federal Trade Commissioner requires manufacturers to apply to certain appliances under United States Code, title 16, part 305.

[EFFECTIVE DATE.] This section is effective for sales and purchases made on or after the day following final enactment and before August 1, 2005.

Sec. 11. Minnesota Statutes 2001 Supplement, section 297A.68, subdivision 3, is amended to read:

Subd. 3. [MATERIALS USED IN PROVIDING CERTAIN TAXABLE SERVICES.] (a) Materials stored, used, or consumed in providing a taxable service listed in section 297A.61, subdivision 3, paragraph (g), clause ~~(5)~~ (6), intended to be sold ultimately at retail are exempt.

(b) This exemption includes, but is not limited to:

- (1) chemicals, lubricants, packaging materials, seeds, trees, fertilizers, and herbicides, if these items are used or consumed in providing the taxable service;
- (2) chemicals used to treat waste generated as a result of providing the taxable service;
- (3) accessory tools, equipment, and other items that are separate detachable units used in providing the service and that have an ordinary useful life of less than 12 months; and

(4) fuel, electricity, gas, and steam used or consumed in the production process, except that electricity, gas, or steam used for space heating, cooling, or lighting is exempt if (i) it is in excess of average climate control or lighting, and (ii) it is necessary to produce that particular service.

(c) This exemption does not include machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture, and fixtures used in providing the taxable service.

Sec. 12. Minnesota Statutes 2001 Supplement, section 297A.70, subdivision 10, is amended to read:

Subd. 10. [NONPROFIT TICKETS OR ADMISSIONS.] (a) Tickets or admissions to an event are exempt if all the gross receipts are recorded as such, in accordance with generally accepted accounting principles, on the books of one or more organizations that provide an opportunity for citizens of the state to participate in the creation, performance, or appreciation of the arts, and provided that each organization is ~~either~~:

(1) an organization described in section 501(c)(3) of the Internal Revenue Code in which voluntary contributions make up at least the following percent of the organization's annual revenue in its most recently completed 12-month fiscal year, or in the current year if the organization has not completed a 12-month fiscal year:

(i) for sales made after July 31, 2001, and before July 1, 2002, for the organization's fiscal year completed in calendar year 2000, three percent;

(ii) for sales made on or after July 1, 2002, and on or before June 30, 2003, for the organization's fiscal year completed in calendar year 2001, three percent;

(iii) for sales made on or after July 1, 2003, and on or before June 30, 2004, for the organization's fiscal year completed in calendar year 2002, four percent; and

(iv) for sales made in each 12-month period, beginning on July 1, 2004, and each subsequent year, for the organization's fiscal year completed in the preceding calendar year, five percent; ~~or~~

(2) a municipal board that promotes cultural and arts activities; or

(3) the University of Minnesota, provided that the event is held at a university-owned facility.

The exemption only applies if the entire proceeds, after reasonable expenses, are used solely to provide opportunities for citizens of the state to participate in the creation, performance, or appreciation of the arts.

(b) Tickets or admissions to the premises of the Minnesota zoological garden are exempt, provided that the exemption under this paragraph does not apply to tickets or admissions to performances or events held on the premises unless the performance or event is sponsored and conducted exclusively by the Minnesota zoological board or employees of the Minnesota zoological garden.

[EFFECTIVE DATE.] This section is effective for tickets and admissions to events held after July 31, 2001, but does not apply to events for which sales of tickets or admissions were made prior to August 1, 2001.

Sec. 13. Minnesota Statutes 2001 Supplement, section 297A.71, subdivision 23, is amended to read:

Subd. 23. [CONSTRUCTION MATERIALS FOR QUALIFIED LOW-INCOME HOUSING PROJECTS.] (a) Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of qualified low-income housing projects are exempt from the tax imposed under this chapter if the owner of the qualified low-income housing project is:

(1) the public housing agency or housing and redevelopment authority of a political subdivision;

- (2) an entity exercising the powers of a housing and redevelopment authority within a political subdivision;
- (3) a limited partnership in which the sole general partner is an authority under clause (1) or an entity under clause (2); ~~or~~
- (4) a nonprofit corporation subject to the provisions of chapter 317A, and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended; ~~or~~
- (5) an owner entity, as defined in Code of Federal Regulations, title 24, part 941.604, for a qualified low-income housing project described in paragraph (b), clause (5).

This exemption applies regardless of whether the purchases are made by the owner of the facility or a contractor.

(b) For purposes of this exemption, "qualified low-income housing project" means:

- (1) a housing or mixed use project in which at least 20 percent of the residential units are qualifying low-income rental housing units as defined in section 273.126;
- (2) a federally assisted low-income housing project financed by a mortgage insured or held by the United States Department of Housing and Urban Development under United States Code, title 12, section 1701s, 1715l(d)(3), 1715l(d)(4), or 1715z-1; United States Code, title 42, section 1437f; the Native American Housing Assistance and Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar successor federal low-income housing program;
- (3) a qualified low-income housing project as defined in United States Code, title 26, section 42(g), meeting all of the requirements for a low-income housing credit under section 42 of the Internal Revenue Code regardless of whether the project actually applies for or receives a low-income housing credit; ~~or~~
- (4) a project that will be operated in compliance with Internal Revenue Service revenue procedure 96-32; ~~or~~
- (5) a housing or mixed use project in which all or a portion of the residential units are subject to the requirements of section 5 of the United States Housing Act of 1937.

(c) For a project, a portion of which is not used for low-income housing units, the amount of purchases that are exempt under this subdivision must be determined by multiplying the total purchases, as specified in paragraph (a), by the ratio of:

(1) the total gross square footage of units subject to the income limits under section 273.126, the financing for the project, the federal low-income housing tax credit, revenue procedure 96-32, or section 5 of the United States Housing Act of 1937, as applicable to the project; and

(2) the total gross square footage of all units in the project.

(d) The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

[EFFECTIVE DATE.] Paragraph (a), clause (5), and paragraph (b), clause (5), are effective retroactive for sales and purchases made after July 31, 2001. For sales and purchases made after July 31, 2001, and before July 1, 2002, an owner entity under this section must apply to the commissioner of revenue for a refund of the tax paid on the exempt amount as determined under this section. The rest of the section is effective for sales made after June 30, 2002.

Sec. 14. Minnesota Statutes 2000, section 297A.71, is amended by adding a subdivision to read:

Subd. 28. [CONSTRUCTION MATERIALS AND EQUIPMENT; REPLACEMENT AGRICULTURAL PROCESSING FACILITY.] Materials and supplies used or consumed in, and machinery and equipment incorporated into, the construction of a meat-packing or meat-processing facility are exempt if:

- (1) the cost of the project exceeds \$75,000,000; and
- (2) the facility replaces a facility that was destroyed by fire.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after March 31, 2002, and before January 1, 2005.

Sec. 15. Minnesota Statutes 2000, section 297A.71, is amended by adding a subdivision to read:

Subd. 29. [HYDROELECTRIC GENERATING FACILITY.] Materials and supplies used or consumed in the construction of a hydroelectric generating facility that meets the requirements of this subdivision are exempt. To qualify for the exemption under this subdivision, a hydroelectric generating facility must:

- (1) utilize two turbine generators at a dam site existing on March 31, 1994;
- (2) be located on publicly owned land and within 2,500 feet of a 13.8 kilovolt distribution circuit; and
- (3) be eligible to receive a renewable energy production incentive payment under section 216C.41.

[EFFECTIVE DATE.] This section is effective for sales made after August 31, 2002, and on or before December 31, 2003.

Sec. 16. Minnesota Statutes 2000, section 297A.71, is amended by adding a subdivision to read:

Subd. 30. [NONPROFIT ARTS ORGANIZATION.] Materials, equipment, and supplies incorporated into the construction or renovation of a state bond financed facility funded in 2002 which is owned or operated by a nonprofit arts organization are exempt.

[EFFECTIVE DATE.] This section is effective for sales and purchases made the day after final enactment and before July 1, 2007.

Sec. 17. Minnesota Statutes 2001 Supplement, section 297A.75, is amended to read:

297A.75 [REFUND; APPROPRIATION.]

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) capital equipment exempt under section 297A.68, subdivision 5;
- (2) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;
- (3) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
- (4) building materials for correctional facilities under section 297A.71, subdivision 3;
- (5) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;

- (6) chair lifts, ramps, elevators, and associated building materials exempt under section 297A.71, subdivision 12;
- (7) building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17; ~~and~~
- (8) materials, supplies, fixtures, furnishings, and equipment for a county law enforcement and family service center under section 297A.71, subdivision 26; and
- (9) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23.

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) to (3), the applicant must be the purchaser;
- (2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental subdivision;
- (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21; ~~and~~
- (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead property; and
- (5) for subdivision 1, clause (9), the owner of the qualified low-income housing project.

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, clause (4), (5), (6), (7), ~~or~~ (8), or (9), 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.

Subd. 4. [INTEREST.] Interest must be paid on the refund at the rate in section 270.76 from the date the refund claim is filed for taxes paid under subdivision 1, clauses (1) to (3), and (5), and from 60 days after the date the refund claim is filed with the commissioner for claims filed under subdivision 1, clauses (4), (6), (7), ~~and~~ (8), and (9).

Subd. 5. [APPROPRIATION.] The amount required to make the refunds is annually appropriated to the commissioner.

[EFFECTIVE DATE.] This section is effective for sales made after June 30, 2002.

Sec. 18. Minnesota Statutes 2000, section 297A.96, is amended to read:

297A.96 [LOCAL ADMISSIONS AND AMUSEMENT TAXES; EXEMPTION FOR ARTS ORGANIZATIONS.]

~~If an event is sponsored by a nonprofit arts organization, then~~ Amounts charged for admission to ~~the~~ an event ~~or to the organization's premises described in section 297A.70, subdivision 10, paragraph (a),~~ are not subject to a tax imposed by a local unit of government or imposed on sales taking place in a single named local unit of government on sales of admissions or amusements, under a law other than a general sales tax law.

[EFFECTIVE DATE.] This section is effective for tickets and admissions to events held after July 31, 2001, but does not apply to events for which sales of tickets or admissions were made prior to August 1, 2001.

Sec. 19. Minnesota Statutes 2001 Supplement, section 297A.995, subdivision 4, is amended to read:

Subd. 4. [AUTHORITY TO ENTER AGREEMENT.] The commissioner of revenue is authorized and directed to enter into the agreement with one or more states to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and for all types of commerce. In furtherance of the agreement, the commissioner is authorized to act jointly with other states that are members of the agreement to establish standards for certification of a certified service provider and certified automated system and establish performance standards for multistate sellers.

The commissioner of revenue is further directed to negotiate the agreement with the express intention of ensuring uniform sales and use taxation as applied to like-kind transactions.

The commissioner is further authorized to take other actions reasonably required to implement the provisions set forth in this article. Other actions authorized by this section include, but are not limited to, the adoption of rules and regulations and the joint procurement, with other member states, of goods and services in furtherance of the cooperative agreement.

~~The commissioner or the commissioner's designee is~~ following officials are authorized to represent this state before the other states that are signatories to the agreement:

- (1) the commissioner or the commissioner's designee;
- (2) the chair of the house committee with jurisdiction over taxes or the house chair's designee; and
- (3) the chair of the senate committee with jurisdiction over taxes or the senate chair's designee.

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

Sec. 20. Laws 1990, chapter 604, article 6, section 9, subdivision 1, as amended by Laws 1991, chapter 291, article 8, section 25, is amended to read:

Subdivision 1. [AUTHORIZATION.] Notwithstanding Minnesota Statutes, section 469.190, 477A.016, or other law, in addition to the tax authorized in Laws 1986, chapter 391, section 4, the governing body of the city of Bloomington may impose a tax of up to ~~one~~ two 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, located in the city. The city may agree with the commissioner of revenue that a tax imposed under this section shall be collected by the commissioner together with the tax imposed by Minnesota Statutes, chapter 297A, and subject to the same interest, penalties, and other rules and that its proceeds, less the cost of collection, shall be remitted to the city. The proceeds of the tax must be used by the Bloomington convention bureau only to market and promote the city as a tourist or convention center. If the duties of the convention bureau as they existed on January 1, 1991, are assigned to another agency, the tax shall cease.

[EFFECTIVE DATE; LOCAL APPROVAL.] This section takes effect the day after the governing body of the city of Bloomington complies with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 21. Laws 1998, chapter 389, article 8, section 37, subdivision 2, is amended to read:

Subd. 2. [APPOINTMENT OF MEMBERS.] The citizen review panel ~~must consist of 17 members, each of whom represents one of the district councils~~ consists of three residents from each of the seven city council wards, for a total of 21 members. The mayor must appoint the members, and the appointments are subject to confirmation by a majority vote of the city council. Members serve for a term of four years. Elected officials and employees of the city are ineligible to serve as members of the panel.

[EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of St. Paul and compliance with Minnesota Statutes, section 645.021.

Sec. 22. Laws 2001, First Special Session chapter 5, article 12, section 11, the effective date, is amended to read:

[EFFECTIVE DATE.] This section is effective January 1, 2002, however, for contracts entered into before January 1, 2002, the sale price for aggregate materials and concrete block does not include delivery charges until January 1, 2005.

Sec. 23. Laws 2001, First Special Session chapter 5, article 12, section 82, the effective date, is amended to read:

[EFFECTIVE DATE.] This section is effective ~~January 1, 2003~~ for sales and purchases made after December 31, 2005.

Sec. 24. Laws 2001, First Special Session chapter 5, article 12, section 95, is amended to read:

Sec. 95. [REPEALER.]

(a) Minnesota Statutes 2000, sections 297A.61, subdivision 16; 297A.68, subdivision 21; and 297A.71, ~~subdivisions subdivision 2 and 16~~, are repealed effective for sales and purchases occurring after June 30, 2001, except that the repeal of section 297A.61, subdivision 16, paragraph (d), is effective for sales and purchases occurring after July 31, 2001.

(b) Minnesota Statutes 2000, sections 297A.62, subdivision 2, and 297A.64, subdivision 1, are repealed effective for sales and purchases made after December 31, 2005.

(c) Minnesota Statutes 2000, section 297A.71, subdivision 15, is repealed effective for sales and purchases made after June 30, 2002.

(d) Minnesota Statutes 2000, section 289A.60, subdivision 15, is repealed effective for liabilities after January 1, ~~2003~~ 2004.

(e) Minnesota Statutes 2000, section 297A.71, subdivision 16, is repealed effective for sales and purchases occurring after December 31, 2002.

[EFFECTIVE DATE.] Paragraph (d) is effective the day after final enactment. Paragraphs (a) and (e) are effective for sales and purchases made on or after June 30, 2001, for projects begun prior to June 30, 2001.

Sec. 25. [ROCHESTER LODGING TAX.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding Minnesota Statutes, section 469.190 or 477A.016, or any other law, the city of Rochester may impose an additional tax of one percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more.

Subd. 2. [DISPOSITION OF PROCEEDS.] The gross proceeds from any tax imposed under subdivision 1 must be used by the city to fund a local convention or tourism bureau for the purpose of marketing and promoting the city as a tourist or convention center.

[EFFECTIVE DATE.] This section is effective for lodging furnished on or after July 1, 2002.

Sec. 26. [REPEALER.]

Minnesota Statutes 2000, section 297A.68, subdivision 26, is repealed effective for sales and purchases made after June 30, 2002.

ARTICLE 4

PROPERTY TAXES

Section 1. Minnesota Statutes 2000, section 168A.05, is amended by adding a subdivision to read:

Subd. 1a. [MANUFACTURED HOMES; PROPERTY TAXES MUST BE PAID.] In the case of a manufactured home as defined in section 327.31, subdivision 6, the department shall not issue a certificate of title unless the application under section 168A.04 is accompanied with a statement from the county auditor or county treasurer where the manufactured home is presently located, stating that all personal property taxes levied on the unit that are due from the current owner at the time of transfer for which the application applies, have been paid.

[EFFECTIVE DATE.] This section is effective for certificates of title issued by the department on or after July 1, 2002.

Sec. 2. Minnesota Statutes 2000, section 168A.05, is amended by adding a subdivision to read:

Subd. 1b. [EXEMPTION.] The provisions of subdivision 1a shall not apply to: (i) a manufactured home which is sold or otherwise disposed of pursuant to section 504B.271 by the owner of a manufactured home park as defined in section 327.14, subdivision 3, or (ii) a manufactured home which is sold pursuant to section 504B.265 by the owner of a manufactured home park.

[EFFECTIVE DATE.] This section is effective for certificates of title issued by the department on or after July 1, 2002.

Sec. 3. Minnesota Statutes 2001 Supplement, section 216B.1646, is amended to read:

216B.1646 [RATE REDUCTION; PROPERTY TAX REDUCTION.]

(a) The commission shall, by any method the commission finds appropriate, reduce the ~~amounts rates~~ each electric utility subject to rate regulation by the commission charges its customers to reflect, on an ongoing basis, the amount by which each utility's property tax on the personal property of its electric generation, transmission, or distribution system from taxes payable in 2001 to taxes payable in 2002 is reduced. The commission must ensure that, to the extent feasible, each dollar of personal property tax reduction allocated to Minnesota consumers retroactive to January 1, 2002, results in a dollar of savings to the utility's customers. A utility may voluntarily pass on any additional property tax savings in the same manner as approved by the commission under this paragraph.

(b) By April 10, 2002, each utility shall submit a filing to the commission containing:

- (1) certified information regarding the utility's property tax savings allocated to Minnesota retail customers; and
- (2) a proposed method of passing these savings on to Minnesota retail customers.

The utility shall provide the information in clause (1) to the commissioner of revenue at the same time. The commissioner shall notify the commission within 30 days as to the accuracy of the property tax data submitted by the utility.

(c) For purposes of this section, "personal property" means tools, implements, and machinery of the generating plant. It does not apply to transformers, transmission lines, distribution lines, or any other tools, implements, and machinery that are part of an electric substation, wherever located.

[EFFECTIVE DATE.] This section is effective retroactive to July 1, 2001.

Sec. 4. Minnesota Statutes 2001 Supplement, section 271.01, subdivision 5, is amended to read:

Subd. 5. [JURISDICTION.] The tax court shall have statewide jurisdiction. Except for an appeal to the supreme court or any other appeal allowed under this subdivision, the tax court shall be the sole, exclusive, and final authority for the hearing and determination of all questions of law and fact arising under the tax laws of the state, as defined in this subdivision, in those cases that have been appealed to the tax court and in any case that has been transferred by the district court to the tax court. The tax court shall have no jurisdiction in any case that does not arise under the tax laws of the state or in any criminal case or in any case determining or granting title to real property or in any case that is under the probate jurisdiction of the district court. The small claims division of the tax court shall have ~~no jurisdiction in any case dealing with property valuation or assessment for property tax purposes until the taxpayer has appealed the valuation or assessment to the county board of equalization, and in those towns and cities which have not transferred their duties to the county, the town or city board of equalization, except for:~~ (i) those taxpayers whose original assessments are determined by the commissioner of revenue; (ii) those taxpayers appealing a denial of a current year application for the homestead classification for their property and the denial was not reflected on a valuation notice issued in the year; and (iii) any case dealing with property valuation, assessment, or taxation for property tax purposes and meeting the jurisdictional requirements of section 271.21, subdivision 2, paragraph (c) only as provided in section 271.21, subdivision 2. The tax court shall have no jurisdiction in any case involving an order of the state board of equalization unless a taxpayer contests the valuation of property. Laws governing taxes, aids, and related matters administered by the commissioner of revenue, laws dealing with property valuation, assessment or taxation of property for property tax purposes, and any other laws that contain provisions authorizing review of taxes, aids, and related matters by the tax court shall be considered tax laws of this state subject to the jurisdiction of the tax court. This subdivision shall not be construed to prevent an appeal, as provided by law, to an administrative agency, board of equalization, review under section 274.13, subdivision 1c, or to the commissioner of revenue. Wherever used in this chapter, the term commissioner shall mean the commissioner of revenue, unless otherwise specified.

[EFFECTIVE DATE.] This section is effective for petitions filed pertaining to the 2002 assessment, and thereafter.

Sec. 5. Minnesota Statutes 2001 Supplement, section 271.21, subdivision 2, is amended to read:

Subd. 2. [JURISDICTION.] At the election of the taxpayer, the small claims division shall have jurisdiction only in the following matters:

(a) cases involving valuation, assessment, or taxation of real or personal property, ~~if the taxpayer has satisfied the requirements of section 271.01, subdivision 5, and:~~

~~(i) the issue is a denial of a current year application for the homestead classification for the taxpayer's property and the denial was not reflected on a valuation notice issued in the year; or~~

~~(ii) in the case of nonhomestead property, only one parcel is included in the petition, the entire parcel is classified as homestead class 1a or 1b under section 273.13 and the parcel contains no more than one dwelling unit;~~

~~(iii) the entire property is classified as agricultural homestead class 2a or 1b under section 273.13; or~~

~~(iv) the assessor's estimated market value of the property included in the petition is less than \$100,000 \$300,000; or~~

~~(b) any other case concerning the tax laws as defined in section 271.01, subdivision 5, not involving valuation, assessment, or taxation of real and personal property in which the amount in controversy does not exceed \$5,000, including penalty and interest; or,~~

(c) cases involving valuation, assessment, or taxation of real or personal property if:

- (i) the issue is a denial of a current year application for the homestead classification for the taxpayer's property;
- (ii) only one parcel is included in the petition, the entire parcel is classified as homestead 1a or 1b pursuant to section 273.13, and the parcel contains no more than one dwelling unit; or
- (iii) the assessor's estimated market value of the property included in the petition is less than \$300,000.

[EFFECTIVE DATE.] This section is effective for petitions filed pertaining to the 2002 assessment, and thereafter.

Sec. 6. Minnesota Statutes 2001 Supplement, section 272.02, subdivision 22, is amended to read:

Subd. 22. [WIND ENERGY CONVERSION SYSTEMS.] ~~(a) Small scale wind energy conversion systems installed after January 1, 1991, and used as an electric power source are exempt.~~

~~"Small scale wind energy conversion systems" are wind energy conversion systems, as defined in section 216C.06, subdivision 12, including the foundation or support pad, which (i) are used as an electric power source; (ii) are located within one county and owned by the same owner; and (iii) produce two megawatts or less of electricity as measured by nameplate ratings.~~

~~(b) Medium scale wind energy conversion systems installed after January 1, 1991, are treated as follows: (i) the foundation and support pad are taxable; (ii) the associated supporting and protective structures are exempt for the first five assessment years after they have been constructed, and thereafter, 30 percent of the market value of the associated supporting and protective structures are taxable; and (iii) the turbines, blades, transformers, and its related equipment, are exempt. "Medium scale wind energy conversion systems" are wind energy conversion systems as defined in section 216C.06, subdivision 12, including the foundation or support pad, which: (i) are used as an electric power source; (ii) are located within one county and owned by the same owner; and (iii) produce more than two but equal to or less than 12 megawatts of energy as measured by nameplate ratings.~~

~~(c) Large scale wind energy conversion systems installed after January 1, 1991, are treated as follows: 25 percent of the market value of all property is taxable, including (i) the foundation and support pad; (ii) the associated supporting and protective structures; and (iii) the turbines, blades, transformers, and its related equipment. "Large scale wind energy conversion systems" are wind energy conversion systems as defined in section 216C.06, subdivision 12, including the foundation or support pad, which (i) are used as an electric power source; and (ii) produce more than 12 megawatts of energy as measured by nameplate ratings.~~

~~(d) 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:~~

~~(e) In making a determination under paragraph (d), 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. All real and personal property of a wind energy conversion system as defined in section 272.029, subdivision 2, is exempt from property tax except that the land on which the property is located remains taxable.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2003 and thereafter.

Sec. 7. Minnesota Statutes 2000, section 272.02, is amended by adding a subdivision to read:

Subd. 51. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a combined cycle natural gas turbine electric generation facility of between 43 and 46 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize a combined cycle gas turbine generator fueled by natural gas;
- (2) be connected to an existing 115-kilovolt high-voltage electric transmission line that is within one mile of the facility;
- (3) be located on an underground natural gas storage aquifer;
- (4) be designed as an intermediate load facility; and
- (5) have received, by resolution, the approval from the governing body of the county for the exemption of personal property under this subdivision.

Construction of the facility must be commenced after January 1, 2002, and before January 1, 2004. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

[EFFECTIVE DATE.] This section is effective for assessment year 2002 and thereafter.

Sec. 8. Minnesota Statutes 2000, section 272.02, is amended by adding a subdivision to read:

Subd. 52. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility of more than 40 megawatts and less than 50 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize natural gas as a primary fuel;
- (2) be located within two miles of parallel existing 36-inch natural gas pipelines and an existing 115-kilovolt high-voltage electric transmission line;
- (3) be designed to provide peaking, emergency backup, or contingency services; and
- (4) satisfy a resource deficiency identified in an approved integrated resource plan filed under section 216B.2422.

Construction of the facility must be commenced after January 1, 2001, and before January 1, 2005. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

[EFFECTIVE DATE.] This section is effective for assessment year 2002 and thereafter.

Sec. 9. Minnesota Statutes 2000, section 272.02, is amended by adding a subdivision to read:

Subd. 53. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a 3.2 megawatt run-of-the-river hydroelectric generation facility and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize two turbine generators at a dam site existing on March 31, 1994;
- (2) be located on publicly owned land and within 1,500 feet of a 13.8 kilovolt distribution substation; and
- (3) be eligible to receive a renewable energy production incentive payment under section 216C.41.

Construction of the facility must be commenced after January 1, 2002, and before January 1, 2004. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

[EFFECTIVE DATE.] This section is effective for assessment year 2002 and thereafter.

Sec. 10. Minnesota Statutes 2000, section 272.02, is amended by adding a subdivision to read:

Subd. 54. [SMALL BIOMASS ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electrical generating facility that meets the requirements of this subdivision is exempt. At the time of construction the facility must:

- (1) have a generation capacity of less than 25 megawatts;
- (2) provide process heating needs in addition to electrical generation; and
- (3) utilize agricultural by-products from the malting process and other biomass fuels as its primary fuel source.

Construction of the facility must be commenced after January 1, 2002, and before January 1, 2006. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or facility.

[EFFECTIVE DATE.] This section is effective for assessment year 2003 and thereafter.

Sec. 11. Minnesota Statutes 2000, section 272.02, is amended by adding a subdivision to read:

Subd. 55. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electric generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must be sited on an energy park that (i) is located on an active mining site, or on a former mining or industrial site where mining or industrial operations have terminated, (ii) is within a tax relief area as defined in section 273.134, (iii) has on-site access to existing railroad infrastructure, (iv) has direct rail access to a Great Lakes port, (v) has sufficient private water resources on site, and (vi) is designed to host at least 500 megawatts of electrical generation.

Construction of the first 250 megawatts of the facility must be commenced after January 1, 2002, and before January 1, 2005. Construction of up to an additional 750 megawatts of generation must be commenced before January 1, 2010. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

[EFFECTIVE DATE.] This section is effective for assessment year 2003 and thereafter.

Sec. 12. Minnesota Statutes 2001 Supplement, section 272.028, is amended to read:

272.028 [PAYMENT IN LIEU OF ~~PERSONAL PROPERTY~~ PRODUCTION TAX; WIND GENERATION FACILITIES.]

A developer of a new or existing ~~medium or large scale~~ wind energy conversion system, as defined under section 272.02, ~~subdivision 22, paragraphs (b) and (c); 272.029, subdivision 2,~~ may negotiate with the ~~city or town and the~~ county where the wind energy conversion system is located to establish a payment in lieu of ~~tax on personal property used to generate electric power~~ the wind energy production tax imposed under section 272.029. The in lieu payment is to provide fees or compensation to the host jurisdictions to maintain public infrastructure and services. A host jurisdiction includes a city or town and the county in which a facility is located. The payment in lieu of ~~personal property~~ the wind energy production tax may be based on production capacity, historical production, or other factors agreed upon by the parties. The payment in lieu of tax agreement must be signed by the parties and filed with the commissioner of revenue and the county recorder. ~~Upon execution and filing of the agreement, the personal property to which the in lieu payment applies shall be deemed exempt from tax under section 272.02, subdivision 22, paragraphs (b) and (c). This Exemption from the tax under section 272.029 shall be effective for the assessment year in which the in lieu payment is agreed upon and shall remain exempt for the same duration as the in lieu payments under this section are in effect.~~

Sec. 13. [272.029] [WIND ENERGY PRODUCTION TAX.]

Subdivision 1. [PRODUCTION TAX.] A tax is imposed on the production of electricity from a wind energy conversion system installed after January 1, 1991, and used as an electric power source.

Subd. 2. [DEFINITIONS.] (a) For the purposes of this section, the term:

(1) "wind energy conversion system" has the meaning given it in section 216C.06, subdivision 12;

(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 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.

Subd. 3. [RATE OF TAX.] (a) The owner of a wind energy conversion system shall pay a tax based on the following schedule:

(1) for a large scale wind energy conversion system, .12 cents per kilowatt-hour of electricity produced by the system;

(2) for a medium scale wind energy conversion system, .036 cents per kilowatt-hour of electricity produced by the system; and

(3) for a small scale wind energy conversion system of two megawatts or less, but greater than .25 megawatts capacity, .012 cents per kilowatt-hour of electricity produced by the system.

(b) Small scale wind energy conversion systems with the capacity of .25 megawatts or less, and small scale wind energy conversion systems with a capacity of two megawatts or less that are owned by a political subdivision, are exempt from the wind energy production tax.

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 March 1 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the form of the report. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a wind energy conversion system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 40 percent.

(b) On or before March 31, 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.

Subd. 5. [PAYMENT OF TAX; COLLECTION.] The amount of production tax determined under subdivision 4 must be paid to the county treasurer at the time and in the manner provided for payment of property taxes under section 277.01, subdivision 3, and, if unpaid, is subject to the same enforcement, collection, and interest and penalties as delinquent personal property taxes. Except to the extent inconsistent with this section, the provisions of sections 277.01 to 277.24 and 278.01 to 278.13 apply to the taxes imposed under this section, and for purposes of those provisions, the taxes imposed under this section are considered personal property taxes.

Subd. 6. [DISTRIBUTION OF REVENUES.] Revenues from the taxes imposed under subdivision 5 must be part of the settlement between the county treasurer and the county auditor under section 276.09. The revenue must be distributed by the county auditor or the county treasurer to all taxing jurisdictions in which the wind energy conversion system is located, in the same proportion that each of the taxing jurisdiction's current year's net tax capacity based tax rate is to the current year's total net tax capacity based rate.

[EFFECTIVE DATE.] This section is effective for all energy produced by wind energy conversion systems after December 31, 2002.

Sec. 14. Minnesota Statutes 2001 Supplement, section 273.124, subdivision 11, is amended to read:

Subd. 11. [LIMITATION ON HOMESTEAD REDUCTIONS TREATMENT.] (a) For taxes payable in 2003 through 2005 only, if the assessor has classified a property as both homestead and nonhomestead, the greater of:

(1) the value attributable to the portion of the property used as a homestead; or

(2) the homestead value amount determined under paragraph (b), is entitled to assessment as a homestead under section 273.13, subdivision 22 or 23.

(b) For taxes payable in 2003 only, the homestead value amount is \$60,000. For taxes payable in 2004 only, the homestead value amount is \$45,000. For taxes payable in 2005 only, the homestead value amount is \$30,000.

(c) If the assessor has classified a property as both homestead and nonhomestead, the reductions in tax provided under sections 273.135 and 273.1391 apply to the value of both the homestead and the nonhomestead portions of the property.

Sec. 15. Minnesota Statutes 2000, section 273.125, subdivision 3, is amended to read:

Subd. 3. [TAX STATEMENTS; PENALTIES; COLLECTIONS.] Not later than July 15 in the year of assessment the county treasurer shall mail to the taxpayer a statement of tax due on a manufactured home. The taxes are due on the last day of August, or 20 days after the postmark date on the envelope containing the property tax statement, whichever is later, except that if the tax exceeds \$50, one-half of the amount due may be paid on August 31, or 20 days after the postmark date on the envelope containing the property tax statement, whichever is later, and the remainder on November 15. Taxes remaining unpaid after the due date are delinquent, and a penalty of eight percent must be assessed and collected as part of the unpaid taxes. The tax statement must contain a sentence notifying the taxpayer that the title to the manufactured home cannot be transferred unless the property taxes are paid.

[EFFECTIVE DATE.] This section is effective for tax statements issued in 2003 and thereafter.

Sec. 16. Minnesota Statutes 2001 Supplement, 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 class rate of one percent of its market value; and the market value of class 1a property that exceeds \$500,000 has a class 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 blind person, or the blind person and the blind person's spouse; or

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

(iii) has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 percent or more of total household income, as defined in section 290A.03, subdivision 5, from

(A) aid from any state as a result of that disability; or

(B) supplemental security income for the disabled; or

(C) workers' compensation based on a finding of total and permanent disability; or

(D) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or

(E) aid under the federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or

(F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability; or

(G) pension, annuity, or other income paid as a result of that disability from a private pension or disability plan, including employer, employee, union, and insurance plans and

(iii) has household income as defined in section 290A.03, subdivision 5, of \$50,000 or less; or

(4) any person who is permanently and totally disabled and whose household income as defined in section 290A.03, subdivision 5, is 275 percent or less of the federal poverty level.

Property is classified and assessed under clause (4) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph.

Property is classified and assessed pursuant to clause (1) only if the commissioner of economic security certifies to the assessor that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$32,000 market value of class 1b property has a net class rate of .45 percent of its market value. The remaining market value of class 1b property has a class 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 property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort or a partner in a partnership that owns the resort, even if the title to the homestead is held by the corporation or partnership. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. The first \$500,000 of market value of class 1c property has a class rate of one percent, and the remaining market value of class 1c property has a class rate of one percent, with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore. If any portion of the class 1c resort property is classified as class 4c under subdivision 25, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.

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

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

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

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

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

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

[EFFECTIVE DATE.] This section is effective for taxes payable in 2003 and subsequent years.

Sec. 17. Minnesota Statutes 2001 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a class rate of 1.8 percent for taxes payable in 2002, 1.5 percent for taxes payable in 2003, and 1.25 percent for taxes payable in 2004 and thereafter, except that class 4a property consisting of a structure for which construction commenced after June 30, 2001, has a class rate of 1.25 percent of market value for taxes payable in 2003 and subsequent years.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential, and recreational;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units;

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a class rate of 1.5 percent for taxes payable in 2002, and 1.25 percent for taxes payable in 2003 and thereafter.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential, and recreational; and

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb property has the same class rates as class 1a property under subdivision 22.

Property that has been classified as seasonal recreational residential property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. In order for a property to be classified as class 4c, seasonal recreational residential for commercial purposes, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in this clause also includes the remainder of class 1c resorts provided that the entire property including that portion of the property classified as class 1c also meets the requirements for class 4c under this clause; otherwise the entire property is classified as class 3. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c or 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class 1c or 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 1c or 4c property must provide guest registers or other records demonstrating that the units for which class 1c or 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1990. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling

conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity;

(4) post-secondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5) manufactured home parks as defined in section 327.14, subdivision 3;

(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; ~~and~~

(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; and

(8) 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.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of seasonal residential recreational property not used for commercial purposes has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal residential recreational property has a class rate of one percent for the first \$500,000 of market value, which includes any market value receiving the one percent rate under subdivision 22, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, and (v) the market value of property described in clauses (2) and (6) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (8) qualifying for class 4c property has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the housing finance agency under sections 273.126 and 462A.071. Class 4d includes land in proportion to the total market value of the building that is qualifying low-income rental housing. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of 0.9 percent for taxes payable in 2002, and one percent for taxes payable in 2003 and 1.25 percent for taxes payable in 2004 and thereafter.

[EFFECTIVE DATE.] This section is effective for assessment year 2002 and thereafter, for taxes payable in 2003 and thereafter.

Sec. 18. Minnesota Statutes 2001 Supplement, section 273.1384, subdivision 1, is amended to read:

Subdivision 1. [RESIDENTIAL HOMESTEAD MARKET VALUE CREDIT.] Each county auditor shall determine a homestead credit for each class 1a, 1b, 1c, and 2a homestead property within the county equal to 0.4 percent of the market value of the property. The amount of homestead credit for a homestead may not exceed \$304 and is reduced by .09 percent of the market value in excess of \$76,000. In the case of an agricultural or resort homestead, only the market value of the house, garage, and immediately surrounding one acre of land is eligible in determining the property's homestead credit. In the case of a property which is classified as part homestead and part nonhomestead, the credit shall apply only to the homestead portion of the property.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2003 and subsequent years.

Sec. 19. Minnesota Statutes 2001 Supplement, section 273.1384, subdivision 2, is amended to read:

Subd. 2. [AGRICULTURAL HOMESTEAD MARKET VALUE CREDIT.] Property classified as class 2a agricultural homestead is eligible for an agricultural credit. The credit is equal to ~~0.2~~ 0.3 percent of the first \$115,000 of the property's market value. The credit under this subdivision is limited to ~~\$230~~ \$345 for each homestead. The credit is reduced by .05 percent of the market value in excess of \$115,000, subject to a maximum reduction of \$115.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2003 and thereafter.

Sec. 20. Minnesota Statutes 2000, section 273.1398, subdivision 1a, is amended to read:

Subd. 1a. [TAX BASE DIFFERENTIAL.] (a) For aids payable in ~~2000~~ 2003, the tax base differential is:

(1) ~~0.45 percent of the assessment year 1998 taxable market value of class 2a agricultural homestead property, excluding the house, garage, and surrounding one acre of land, between \$115,000 and \$600,000 and over 320 acres, minus the value over \$600,000 that is less than 320 acres~~ 31 percent of the assessment year 2000 net tax capacity of public utility property reported by the county on the 2000 abstract of assessment as public utility land and buildings valued up to \$150,000; plus

(2) ~~0.5 percent of the assessment year 1998 taxable market value of noncommercial seasonal recreational residential property over \$75,000 in value~~ 34 percent of the assessment year 2000 net tax capacity of public utility property reported by the county on the 2000 abstract of assessment as public utility land and buildings valued over \$150,000; plus

(3) ~~for purposes of computing the fiscal disparity adjustment only, 0.2 percent of the assessment year 1998 taxable market value of class 3 commercial-industrial property over \$150,000~~ 34 percent of the assessment year 2000 net tax capacity of public utility property reported by the county on the 2000 abstract of assessment as public utility machinery, systems of electric utilities-transmission, systems of electric utilities-distribution, and systems of gas utilities.

(b) ~~For the purposes of the distribution of homestead and agricultural credit aid for aids payable in 2000, the commissioner of revenue shall use the best information available as of June 30, 1999, to make an estimate of the value described in paragraph (a), clause (1). The commissioner shall adjust the distribution of homestead and agricultural credit aid for aids payable in 2001 and subsequent years if new information regarding the value described in paragraph (a), clause (1), becomes available after June 30, 1999. Notwithstanding the computation in paragraph (a), the tax base differential shall be zero in all counties in which the sum of the net tax capacities of properties described in paragraph (a) does not exceed 40 percent of the total assessment year 2000 net tax capacity of the county.~~

Sec. 21. Minnesota Statutes 2000, section 273.1398, subdivision 2, is amended to read:

Subd. 2. [HOMESTEAD AND AGRICULTURAL CREDIT AID.] (a) Homestead and agricultural credit aid for each unique taxing jurisdiction equals the product of (1) the homestead and agricultural credit aid base, and (2) the growth adjustment factor, plus the net tax capacity adjustment and the fiscal disparity adjustment.

(b) For the purposes of determining the net tax capacity adjustment for aids payable in 2003, the "current local tax rate" and the "previous net tax capacity" as defined under subdivision 1 shall be determined using tax capacities and tax rates in effect for taxes payable in 2001.

Sec. 22. Minnesota Statutes 2001 Supplement, section 275.065, subdivision 3, is amended to read:

Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes.

(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 ~~determined portion of the school district levy~~ general tax, the final tax amount will be its proposed tax. In the case of taxing authorities required to hold a public meeting under subdivision 6, the notice must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting, a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice, and an address where comments will be received by mail.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on November 1 of the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, and state determined school general tax, net of the ~~education residential and agricultural~~ homestead credit under section ~~273.1382~~ 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;

(ii) the tax change due to spending factors, defined as the proposed tax minus the constant spending tax amount;

(iii) the tax change due to other factors, defined as the constant spending tax amount minus the actual current year tax; and

(iv) 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 ~~determined school~~ 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 the Minneapolis library board and the levy for Minneapolis park and recreation shall be listed separately from the remaining amount of the city'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, school district levy referenda, and levy limit increase referenda;

(3) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(5) 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, subdivisions 5a and 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 and shall be discussed at that county's public hearing.

(j) If a statutory or home rule charter city or a town has exercised the local levy option provided by section 473.388, subdivision 7, it may include in the notice of its proposed taxes the amount of its proposed taxes attributable to its exercise of the option. In the first year of the city or town's exercise of this option, the statement shall include an estimate of the reduction of the metropolitan council's tax on the parcel due to exercise of that option. The metropolitan council's levy shall be adjusted accordingly.

[EFFECTIVE DATE.] This section is effective for notices of proposed property taxes prepared in 2002, for taxes payable in 2003, and thereafter.

Sec. 23. Minnesota Statutes 2001 Supplement, section 276.04, subdivision 2, is amended to read:

Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The 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. 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. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

- (1) the property's estimated market value under section 273.11, subdivision 1;
- (2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;
- (3) the property's gross tax, calculated by adding the property's total property tax to the sum of the aids enumerated in clause (4);
- (4) a total of the following aids:
 - (i) education aids payable under chapters 122A, 123A, 123B, 124D, 125A, 126C, and 127A;
 - (ii) local government aids for cities, towns, and counties under chapter 477A;
 - (iii) disparity reduction aid under section 273.1398; and
 - (iv) homestead and agricultural credit aid under section 273.1398;
- (5) for homestead residential and agricultural properties, the credits under section 273.1384;
- (6) any credits received under sections 273.119; 273.123; 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.

The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in clause (4) that local governments will receive in the following year. The commissioner must certify this amount by January 1 of each year.

[EFFECTIVE DATE.] This section is effective for property tax statements prepared in 2003 and thereafter.

Sec. 24. Laws 1998, chapter 389, article 3, section 42, is amended to read:

Sec. 42. [TRANSFER OF PROPERTY; PAYMENT OF DEFERRED TAXES.]

Subdivision 1. [ADDITIONAL TAX.] The assessor shall make a separate determination of the market value and net tax capacity of a property qualifying under section 38 as if sections 39 and 40 did not apply. The tax based upon the appropriate local tax rate applicable to such property in the taxing district shall be recorded on the property assessment records.

Subd. 2. [RECAPTURE.] (a) Property or any portion thereof qualifying under section 38 is subject to additional taxes if:

(1) ownership of the property is transferred to anyone other than the spouse or child of the current owner, ~~or~~;

(2) the current owner or the spouse or child of the current owner has not conveyed or entered into a contract before July 1, ~~2002~~ 2007, to convey the property to a nonprofit foundation or corporation ~~created to own and operate~~ operating the property as an art park providing the services included in section 38, clauses (2) to (5); or

(3) the nonprofit foundation or corporation to which the property was transferred ceases to provide the services included in section 38, clauses (2) to (5), earlier than ten years following the effective date of the conveyance or of the execution of the contract to convey.

(b) The additional taxes are imposed at the earlier of (1) the year following transfer of ownership to anyone other than the spouse or child of the current owner or a nonprofit foundation or corporation ~~created to own and operate~~ operating the property as an art park, or (2) for taxes payable in ~~2003~~ 2008, or in the event the nonprofit foundation or corporation to which the property was conveyed ceases to provide the required services within ten years after the conveyance, for taxes payable in the year following the year when it ceased to do so. The additional taxes are equal to the difference between the taxes determined under sections 39 and 40 and the amount determined under subdivision 1 for all years that the property qualified under section 38. The additional taxes must be extended against the property on the tax list for the current year; provided, however, that no interest or penalties may be levied on the additional taxes if timely paid.

Subd. 3. [CURRENT OWNER.] For purposes of this section, "current owner" means the owner of property qualifying under section 38 on the date of final enactment of this act or that owner's spouse or child.

Subd. 4. [NONPROFIT FOUNDATION OR CORPORATION.] For purposes of this act, "nonprofit foundation or corporation" means a nonprofit entity ~~created to own and operate as defined under section 501(c)(3) of the Internal Revenue Code that is operating~~ the property as an art park providing the services included in section 38, clauses (2) to (5).

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

Sec. 25. [COOK COUNTY; EXPENDITURE OF ROAD AND BRIDGE LEVY.]

Notwithstanding Minnesota Statutes, section 163.06, subdivisions 4 and 5, the county board of Cook county, by resolution, may expend the proceeds of the levy under Minnesota Statutes, section 163.06, in any organized or unorganized township or portion thereof in the county.

[EFFECTIVE DATE.] This section is effective the day after the governing body of Cook county and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 26. [REPEALER.]

Laws 2001, First Special Session chapter 5, article 3, section 88, is repealed effective July 1, 2002.

ARTICLE 5

EDUCATION LEVIES AND REVENUES

Section 1. Minnesota Statutes 2001 Supplement, section 124D.86, subdivision 3, is amended to read:

Subd. 3. [INTEGRATION REVENUE.] Integration revenue equals the following amounts:

(1) for independent school district No. 709, Duluth, \$207 times the adjusted pupil units for the school year;

(2) for independent school district No. 625, St. Paul, ~~and for special school district No. 1, Minneapolis~~; \$446 times the adjusted pupil units for the school year;

(3) for special school district No. 1, Minneapolis, the sum of \$446 times the adjusted pupil units for the school year and an additional \$35 times the adjusted pupil units for the school year that is provided entirely through a local levy;

(4) for a district not listed in clause (1) ~~or~~ (2), ~~or~~ (3), that must implement a plan under Minnesota Rules, parts 3535.0100 to 3535.0180, where the district's enrollment of protected students, as defined under Minnesota Rules, part 3535.0110, exceeds 15 percent, the lesser of (i) the actual cost of implementing the plan during the fiscal year minus the aid received under subdivision 6, or (ii) \$130 times the adjusted pupil units for the school year;

~~(4)~~ (5) for a district not listed in clause (1), (2), ~~or~~ (3), or (4), that is required to implement a plan according to the requirements of Minnesota Rules, parts 3535.0100 to 3535.0180, the lesser of

(i) the actual cost of implementing the plan during the fiscal year minus the aid received under subdivision 6, or

(ii) \$93 times the adjusted pupil units for the school year.

Any money received by districts in clauses (1) to ~~(3)~~ (4) which exceeds the amount received in fiscal year 2000 shall be subject to the budget requirements in subdivision 1a; and

~~(5)~~ (6) for a member district of a multidistrict integration collaborative that files a plan with the commissioner, but is not contiguous to a racially isolated district, integration revenue equals the amount defined in clause ~~(4)~~ (5).

[EFFECTIVE DATE.] This section is effective the day following final enactment for revenue for fiscal year 2003.

Sec. 2. Minnesota Statutes 2001 Supplement, section 126C.40, subdivision 1, is amended to read:

Subdivision 1. [TO LEASE BUILDING OR LAND.] (a) When ~~a~~ an independent or a special school district or a group of independent or special school districts finds it economically advantageous to rent or lease a building or land for any instructional purposes or for school storage or furniture repair, and it determines that the operating capital revenue authorized under section 126C.10, subdivision 13, is insufficient for this purpose, it may apply to the commissioner for permission to make an additional capital expenditure levy for this purpose. An application for permission to levy under this subdivision must contain financial justification for the proposed levy, the terms and conditions of the proposed lease, and a description of the space to be leased and its proposed use.

(b) The criteria for approval of applications to levy under this subdivision must include: the reasonableness of the price, the appropriateness of the space to the proposed activity, the feasibility of transporting pupils to the leased building or land, conformity of the lease to the laws and rules of the state of Minnesota, and the appropriateness of the proposed lease to the space needs and the financial condition of the district. The commissioner must not authorize a levy under this subdivision in an amount greater than the cost to the district of renting or leasing a building or land for approved purposes. The proceeds of this levy must not be used for custodial or other maintenance services. A district may not levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself.

(c) For agreements finalized after July 1, 1997, a district may not levy under this subdivision for the purpose of leasing: (1) a newly constructed building used primarily for regular kindergarten, elementary, or secondary instruction; or (2) a newly constructed building addition or additions used primarily for regular kindergarten, elementary, or secondary instruction that contains more than 20 percent of the square footage of the previously existing building.

(d) Notwithstanding paragraph (b), a district may levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself only if the amount is needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement authorized by law, and the levy meets the requirements of paragraph (c). A levy authorized for a district by the commissioner under this paragraph may be in the amount needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement authorized by law, provided that any agreement include a provision giving the school districts the right to terminate the agreement annually without penalty.

(e) The total levy under this subdivision for a district for any year must not exceed \$100 times the resident pupil units for the fiscal year to which the levy is attributable.

(f) For agreements for which a review and comment have been submitted to the department of children, families, and learning after April 1, 1998, the term "instructional purpose" as used in this subdivision excludes expenditures on stadiums.

(g) The commissioner of children, families, and learning may authorize a school district to exceed the limit in paragraph (e) if the school district petitions the commissioner for approval. The commissioner shall grant approval to a school district to exceed the limit in paragraph (e) for not more than five years if the district meets the following criteria:

- (1) the school district has been experiencing pupil enrollment growth in the preceding five years;
- (2) the purpose of the increased levy is in the long-term public interest;
- (3) the purpose of the increased levy promotes colocation of government services; and
- (4) the purpose of the increased levy is in the long-term interest of the district by avoiding over construction of school facilities.

(h) A school district that is a member of an intermediate school district may include in its authority under this section the costs associated with leases of administrative and classroom space for intermediate school district programs. This authority must not exceed \$25 times the adjusted marginal cost pupil units of the member districts. This authority is in addition to any other authority authorized under this section.

(i) In addition to the allowable capital levies in paragraph (a), a district that is a member of the "Technology and Information Education Systems" data processing joint board, that finds it economically advantageous to enter into a lease purchase agreement for a building for a group of school districts or special school districts for staff development purposes, may levy for its portion of lease costs attributed to the district within the total levy limit in paragraph (e).

[EFFECTIVE DATE.] This section is effective for taxes payable in 2003.

Sec. 3. Minnesota Statutes 2001 Supplement, section 126C.43, subdivision 3, is amended to read:

Subd. 3. [TAX LEVY FOR JUDGMENT.] A district may levy the amounts necessary to pay judgments against the district under section 123B.25 that became final after the date the district certified its proposed levy in the previous year. With the approval of the commissioner, a district may spread this levy over a period not to exceed three years. Upon approval through the adoption of a resolution by each of an intermediate district's member school district boards, a member school district may include its proportionate share of the costs of a judgment against an intermediate school district that became final under section 123B.25 after the date that the earliest member school district certified its proposed levy in the previous year. With the approval of the commissioner, an intermediate school district member school district may spread this levy over a period not to exceed three years.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2003.

Sec. 4. Minnesota Statutes 2000, section 126C.44, is amended to read:

126C.44 [~~CRIME-RELATED COSTS~~ SAFE SCHOOLS LEVY.]

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

[EFFECTIVE DATE.] This section is effective for taxes payable in 2003.

Sec. 5. Laws 2001, First Special Session chapter 6, article 1, section 53, is amended to read:

Sec. 53. [~~REFERENDUM CONVERSION ADJUSTMENT FOR INTEREST EARNED.~~]

(a) The commissioner of children, families, and learning shall calculate the change in estimated net interest earnings for each district attributable to the repeal of the general education levy as provided in this section.

~~(b) The interest calculations must assume an annual interest rate of five percent, and must be based on the amount by which the district's cumulative net general education levy receipts for taxes payable in 2000, based on the assumptions specified in Minnesota Statutes, section 127A.45, subdivision 8, exceeds the cumulative amount that would have been guaranteed for each payment in fiscal year 2001, as defined in Minnesota Statutes, section 127A.45, subdivisions 2 and 3, calculated using data as of the June 20, 2001, payment, and assuming that the repeal of the general education levy was effective for fiscal year 2001. The commissioner shall divide the interest revenue in fiscal year 2001 by the number of resident marginal cost pupil units in fiscal year 2001. The interest calculations must assume an annual interest rate of five percent, and must be based on the difference between (1) the district's estimated aid payments and levy receipts for fiscal year 2003, based upon the payment schedule specified in Minnesota Statutes, section 127A.45, and (2) the amount that the district's estimated aid payments and levy receipts for fiscal year 2003 would have been had the general education levy for fiscal year 2003 been set at the amount of the district's general education levy for taxes payable in 2001. For the purposes of this section, the general education levy must not include the education homestead credit or the education agricultural credit.~~

~~(c) The amount calculated in paragraph (a) may be converted to an additional referendum allowance according to Minnesota Statutes, section 126C.17, subdivision 11. The amount calculated in paragraph (b), less any interest conversion revenue calculated for the district under Laws 2001, First Special Session chapter 6, article 1, section 53, is added to the district's levy limitation for taxes payable in 2003 through 2006.~~

~~(d) Any additional referendum allowance as a result of a conversion under paragraph (b) shall be included in the referendum conversion allowance used to determine the referendum allowance limit under Minnesota Statutes, section 126C.17, subdivision 2. If the state total levy under paragraph (c) exceeds \$3,000,000, the commissioner shall reduce the levy authority proportionately for each eligible district such that the state total levy equals \$3,000,000.~~

(e) The commissioner must calculate an adjustment for taxes payable in 2002 for each school district as though this section were in effect for that tax year.

[EFFECTIVE DATE.] This section is effective for revenue for taxes payable in 2003 and later.

Sec. 6. Laws 2001, First Special Session chapter 6, article 4, section 25, is amended to read:

Sec. 25. [INTERACTIVE WEB-BASED AND INDEPENDENT STUDY PROGRAMS.]

Subdivision 1. [PUPIL REVENUE.] (a) General education revenue for an eligible pupil in an approved interactive Web-based program offered by a school district or a charter school, or an approved alternative program that has an independent study component offered by a charter school, under the supervision of a teacher with a Minnesota license, must be paid for each hour of completed coursework needed for grade progression, credit, or alignment with state graduation standards. For purposes of this section, an eligible pupil is a public school pupil concurrently enrolled in the district or charter school or concurrently enrolled in another district or charter school and participating in the program by agreement with the district or charter school of enrollment. The course of study must be approved by the commissioner of children, families, and learning for alignment with the state graduation standards and compliance with Minnesota Statutes, chapter 125A. An alternative program that has an independent study component must also meet the requirements of Minnesota Statutes, section 126C.05, subdivision 15, paragraph (b), clauses (i) and (iv). Average daily membership for a pupil shall equal the number of hours of coursework completed divided by the number of hours required for a full-time student in the district or charter school. Pupils enrolled in the program must not be counted as more than 1.0 pupil in average daily membership. A school district or charter school is not required to provide a pupil enrolled in the program with access to a computer or to the Internet.

(b) Notwithstanding paragraph (a), pupils enrolled in a Web-based public alternative program approved by the commissioner before June 1, 2001, are not required to be concurrently enrolled in the district and may be counted as more than 1.0 pupil in average daily membership under Minnesota Statutes, section 126C.05, subdivision 15.

(c) Notwithstanding paragraph (a), pupils enrolled in a charter school with a Web-based program, approved by the commissioner before June 1, 2001, are not required to be concurrently enrolled in the charter school.

(d) Notwithstanding paragraph (a), pupils enrolled in a charter school with an alternative program that has an independent study component, approved by the commissioner for fiscal year 2001, may be counted as more than 1.0 pupil in average daily membership under Minnesota Statutes, section 126C.05, subdivision 15, paragraph (b), clause (iii).

Subd. 2. [REIMBURSEMENT.] Notwithstanding Minnesota Statutes, section 126C.19, subdivision 4, for fiscal ~~year~~ years 2002 and 2003 only, the commissioner shall establish a process for providing additional revenue to school districts or charter schools for:

(1) an eligible pupil in an approved interactive Web-based program under subdivision 1, paragraph (a), that may be counted as more than 1.0 pupil in average daily membership; or

(2) a nonpublic pupil in an approved interactive Web-based program in a public school under subdivision 1, paragraph (a).

The commissioner may award additional general education revenue to school districts and charter schools up to the amount appropriated for this section. The amount of additional revenue awarded to a school district under this section shall be based on additional pupils in average daily membership that are generated according to this subdivision with the prior approval from the commissioner. The commissioner shall establish a process to prioritize the awards under this subdivision based on the estimated number of students the school district or charter school expects to serve under this section.

[EFFECTIVE DATE.] This section is effective for revenue for fiscal year 2003 only.

Sec. 7. Laws 2001, First Special Session chapter 6, article 4, section 27, subdivision 9, is amended to read:

Subd. 9. [REIMBURSEMENT FOR WEB-BASED AND INDEPENDENT STUDY COURSES.] For grants to school districts and charter schools for additional pupils taking on-line courses according to section 25:

\$100,000	2002
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This appropriation is available until June 30, 2003.

Sec. 8. [DISABLED ACCESS LEVY AUTHORITY; WESTBROOK-WALNUT GROVE.]

Notwithstanding the time limit in Minnesota Statutes, section 123B.58, subdivision 3, independent school district No. 2898, Westbrook-Walnut Grove, may levy its remaining disabled access levy authority over five or fewer years.

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

Sec. 9. [DISABLED ACCESS LEVY AUTHORITY; PINE CITY.]

Notwithstanding the time limits in Minnesota Statutes, section 123B.58, subdivision 3, independent school district No. 578, Pine City, may levy its remaining disabled access levy authority over five or fewer years.

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

ARTICLE 6

AIDS AND LEVIES

Section 1. Minnesota Statutes 2000, section 69.77, is amended by adding a subdivision to read:

Subd. 12. [APPLICATION OF OTHER LAWS TO CONTRIBUTION RATE.] In the absence of any specific provision to the contrary, no general or special law previously enacted may be construed as reducing the levy amount or rate of contribution to a police or firefighters relief association to which subdivision 1a applies, by a municipality or member of the association, which is required as a condition for the use of public funds or the levy of taxes for the support of the association. Each association, the municipality in which it is organized, and the officers of each, are authorized to do all things required by this section as a condition for the use of public funds or the levy of taxes for the support of the association.

Sec. 2. [126C.445] [TREE GROWTH REPLACEMENT REVENUE.]

For taxes payable in 2003 and later, a school district may levy an amount not to exceed its miscellaneous revenue for tree growth revenue for taxes payable in 2001.

[EFFECTIVE DATE.] This section is effective beginning with taxes levied in 2002, payable in 2003.

Sec. 3. Minnesota Statutes 2000, section 273.1398, subdivision 3, is amended to read:

Subd. 3. [DISPARITY REDUCTION AID.] (a) For taxes payable in ~~1995~~, 2003 and subsequent years, the amount of disparity aid certified for each taxing district within each unique taxing jurisdiction for taxes payable in the prior year shall be multiplied by the ratio of (1) the jurisdiction's tax capacity using the class rates for taxes payable in the year for which aid is being computed, to (2) its tax capacity using the class rates for taxes payable in the year prior to that for which aid is being computed, both based upon market values for taxes payable in the year prior to that for which aid is being computed. For the purposes of this aid determination, disparity reduction aid certified for taxes payable in the prior year for a taxing entity other than a town or school district is deemed to be county

government disparity reduction aid. ~~For taxes payable in 1992 and subsequent years,~~ The amount of disparity aid certified to each taxing jurisdiction shall be reduced by any reductions required in the current year or permanent reductions required in previous years under section 477A.0132.

(b) For aid payable in 2003, in each unique taxing jurisdiction where the total tax rate for taxes payable in 2002 exceeds 135 percent of taxable net tax capacity, an amount shall be permanently added to the unique taxing jurisdiction's aid amount under paragraph (a) equal to the lesser of: (i) the amount, if any, by which 87 percent of the aid certified for 2001 exceeds the amount certified for 2002, or (ii) the amount that would be necessary to reduce the total payable 2002 tax rate for the unique taxing jurisdiction to 135 percent of taxable net tax capacity. The amount determined under this paragraph must be added before the class rate adjustment described in paragraph (a).

[EFFECTIVE DATE.] This section is effective for aids payable in 2003 and subsequent years.

Sec. 4. Minnesota Statutes 2001 Supplement, section 273.1398, subdivision 4d, is amended to read:

Subd. 4d. [AID OFFSET FOR OUT-OF-HOME PLACEMENT COSTS.] For aid payable in ~~2003~~ 2004, each county's aid under subdivision 2 shall be permanently reduced by an amount equal to the county's ~~2003~~ 2004 reimbursement for nonfederal expenditures for out-of-home placements, as provided in section 245.775, provided that payments will be made under section 477A.0123 in calendar year ~~2003~~ 2004. The counties shall provide all information requested by the commissioner of human services necessary to allow the commissioner to certify the previous three years' average nonfederal costs to the commissioner of revenue by July 15, ~~2003~~ 2004. The aid reduction under this subdivision must ~~be made prior to~~ not exceed the difference between (1) the amount of aid calculated for the county for calendar year 2004 under subdivision 2, including any addition under section 477A.07, and (2) the amount of any aid reductions for the state takeover of courts contained in Laws 2001, First Special Session chapter 5, article 5.

[EFFECTIVE DATE.] This section is effective for aids payable in 2004.

Sec. 5. Minnesota Statutes 2001 Supplement, section 275.70, subdivision 5, is amended to read:

Subd. 5. [SPECIAL LEVIES.] "Special levies" means those portions of ad valorem taxes levied by a local governmental unit for the following purposes or in the following manner:

(1) to pay the costs of the principal and interest on bonded indebtedness or to reimburse for the amount of liquor store revenues used to pay the principal and interest due on municipal liquor store bonds in the year preceding the year for which the levy limit is calculated;

(2) to pay the costs of principal and interest on certificates of indebtedness issued for any corporate purpose except for the following:

(i) tax anticipation or aid anticipation certificates of indebtedness;

(ii) certificates of indebtedness issued under sections 298.28 and 298.282;

(iii) certificates of indebtedness used to fund current expenses or to pay the costs of extraordinary expenditures that result from a public emergency; or

(iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an insufficiency in other revenue sources;

(3) to provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(4) to fund payments made to the Minnesota state armory building commission under section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(5) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;

(6) to fund matching requirements needed to qualify for federal or state grants or programs to the extent that either (i) the matching requirement exceeds the matching requirement in calendar year 2001, or (ii) it is a new matching requirement that didn't exist prior to 2002;

(7) to pay the expenses reasonably and necessarily incurred in preparing for or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes, in accordance with standards formulated by the emergency services division of the state department of public safety, as allowed by the commissioner of revenue under section 275.74, paragraph (b);

(8) pay amounts required to correct an error in the levy certified to the county auditor by a city or county in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.70 to 275.74 in the preceding levy year;

(9) to pay an abatement under section 469.1815;

(10) to pay any costs attributable to increases in the employer contribution rates under chapter 353 that are effective after June 30, 2001;

(11) to pay the operating or maintenance costs of a county jail as authorized in section 641.01 or 641.262, or of a correctional facility as defined in section 241.021, subdivision 1, paragraph (5), to the extent that the county can demonstrate to the commissioner of revenue that the amount has been included in the county budget as a direct result of a rule, minimum requirement, minimum standard, or directive of the department of corrections, or to pay the operating or maintenance costs of a regional jail as authorized in section 641.262. For purposes of this clause, a district court order is not a rule, minimum requirement, minimum standard, or directive of the department of corrections. If the county utilizes this special levy, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71, shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(12) to pay for operation of a lake improvement district, as authorized under section 103B.555. If the county utilizes this special levy, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71 shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(13) to repay a state or federal loan used to fund the direct or indirect required spending by the local government due to a state or federal transportation project or other state or federal capital project. This authority may only be used if the project is not a local government initiative;

(14) for counties only, to pay the costs reasonably expected to be incurred in 2002 related to the redistricting of election districts and establishment of election precincts under sections 204B.135 and 204B.14, the notice required by section 204B.14, subdivision 4, and the reassignment of voters in the statewide registration system, not to exceed \$1 per capita, provided that the county shall distribute a portion of the amount levied under this clause equal to 25 cents times the population of the city to all cities in the county with a population of 30,000 or more; ~~and~~

(15) to pay for court administration costs as required under section 273.1398, subdivision 4b, less the county's share of transferred fines and fees collected by the district courts in the county for calendar year 2001; however, for taxes levied to pay for these costs in the year in which the court financing is transferred to the state, the amount under this section is limited to one-third of the aid reduction under section 273.1398, subdivision 4a; and

(16) to fund a police or firefighters relief association as required under section 69.77 to the extent that the required amount exceeds the amount levied for this purpose in 2001.

[EFFECTIVE DATE.] This section is effective for taxes levied beginning in 2002.

Sec. 6. Minnesota Statutes 2001 Supplement, section 275.71, subdivision 2, is amended to read:

Subd. 2. [LEVY LIMIT BASE.] (a) The levy limit base for a local governmental unit for taxes levied in 2001 is equal to the greater of:

(1) the sum of its adjusted levy limit base for taxes levied in 1999 plus the amount it levied in 1999 under Minnesota Statutes 1999 Supplement, section 275.70, subdivision 5, clauses (8) and (13), multiplied by:

(i) one plus the percentage growth in the implicit price deflator for the 12-month period ending March 30, 2000;

(ii) one plus a percentage equal to the annual percentage increase in the estimated number of households, if any, for the most recent 12-month period that was available on July 1, 2000; and

(iii) one plus a percentage equal to 50 percent of the percentage increase in the taxable market value of the jurisdiction due to new construction of class 3 property, as defined in section 273.13, subdivision 24, except for state-assessed utility and railroad operating property, for the most recent year for which data was available as of July 1, 2000; or

(2) an amount equal to:

(i) the sum of the amount it levied in 2000 plus the amount of aids it was certified to receive in calendar year 2001 under sections 273.1398, 298.282, 477A.011 to 477A.03, prior to any aid reductions under section 273.1399, subdivision 5, 477A.06, and 477A.065; less

(ii) the amount it levied in 2000 that would qualify as special levies under section 275.70, subdivision 6, for taxes levied in 2001. The local governmental unit shall provide the commissioner of revenue with sufficient information to make this calculation.

(b) If the governmental unit was not subject to levy limits for taxes levied in 1999, its levy limit base for taxes levied in 2001 is equal to the amount calculated under paragraph (a), clause (2).

(c) The levy limit base for a local governmental unit for taxes levied in 2002 is equal to its adjusted levy limit base in the previous year, plus the amount of tree growth tax it received in calendar year 2001 under sections 270.31 to 270.39, and plus, in the case of a city, the amount it was certified to receive in calendar year 2001 under section 273.166, subject to any adjustments under section 275.72.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2002, payable in 2003.

Sec. 7. Minnesota Statutes 2001 Supplement, section 275.71, subdivision 3, is amended to read:

Subd. 3. [ADJUSTMENTS FOR STATE TAKEOVERS.] (a) The levy limit base for each local unit of government shall be adjusted to reflect the assumption by the state of financing for certain government functions as indicated in this subdivision.

(b) For a county in a judicial district for which financing has not been transferred to the state by January 1, 2001, the levy limit base for 2001 is permanently reduced by the amount of the county's 2001 budget for court administration costs, as certified under section 273.1398, subdivision 4b, paragraph (b), net of the county's share of transferred fines and fees collected by the district courts in the county for the same budget period.

(c) For a governmental unit which levied a tax in 2000 under section 473.388, subdivision 7, the levy limit base for 2001 is permanently reduced by an amount equal to the sum of the governmental unit's taxes payable 2001 nondebt transit services levy plus the portion of its 2001 homestead and agricultural credit aid under section 273.1398, subdivision 2, attributable to nondebt transit services.

(d) For counties in a judicial district in which the state assumed financing of mandated services costs as defined in section 480.181, subdivision 4, on July 1, 2001, the levy limit base for taxes levied in 2001 is permanently reduced by an amount equal to one-half of the aid reduction under section 273.1398, subdivision 4a, paragraph (g).

[EFFECTIVE DATE.] This section is effective retroactively for taxes payable in 2002 and 2003.

Sec. 8. Minnesota Statutes 2001 Supplement, section 275.71, subdivision 6, is amended to read:

Subd. 6. [LEVIES IN EXCESS OF LEVY LIMITS.] (a) If the levy made by a city or county exceeds the levy limit provided in sections 275.70 to 275.74, except when the excess levy is due to the rounding of the rate in accordance with section 275.28, the county auditor shall only extend the amount of taxes permitted under sections 275.70 to 275.74, as provided for in section 275.16.

(b) For taxes levied in 2002, payable in 2003 only, if an error was made in calculating the levy limit adjustment related to a special levy for jails authorized under section 275.70, subdivision 5, clause (11), in the previous year, the following adjustments must be made:

(1) the county's levy limit base for taxes levied in 2002 must be based on the corrected adjusted levy limit base for taxes levied in 2001; and

(2) the county's final levy limit for taxes levied in 2002, payable in 2003, must also be temporarily reduced by an amount equal to the amount of county levy spread in the previous year in excess of the total recalculated levy limit plus authorized special levies for taxes levied in 2001, payable in 2002.

(c) The commissioner of revenue shall inform counties affected by paragraph (b) of the levy error and levy adjustments required under this provision by June 15, 2002. The county may provide additional information to the commissioner indicating why these adjustments may be in error by July 15, 2002. The commissioner shall certify the final levy adjustment to the affected counties by August 1, 2002. The levy reduction imposed under paragraph (b), clause (2), may be spread over a period not to exceed three years, upon agreement between the county and the commissioner.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2002, payable in 2003 only.

Sec. 9. Minnesota Statutes 2001 Supplement, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as otherwise provided in ~~paragraphs (b) to (e)~~ this subdivision, "city aid base" means, for each city, the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, and the amount of disparity reduction aid it received in calendar year 1993 under Minnesota Statutes 1992, section 273.1398, subdivision 3.

(b) For aids payable in 1996 and thereafter, a city that in 1992 or 1993 transferred an amount from governmental funds to its sewer and water fund, which amount exceeded its net levy for taxes payable in the year in which the transfer occurred, has a "city aid base" equal to the sum of (i) its city aid base, as calculated under paragraph (a), and (ii) one-half of the difference between its city aid distribution under section 477A.013, subdivision 9, for aids payable in 1995 and its city aid base for aids payable in 1995.

(c) The city aid base for any city with a population less than 500 is increased by \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

- (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;
- (ii) the city portion of the tax capacity rate exceeds 100 percent; and
- (iii) its city aid base is less than \$60 per capita.

(d) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

- (i) the city has a population in 1994 of 2,500 or more;
- (ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;
- (iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and
- (iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(e) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

- (i) the city was incorporated as a statutory city after December 1, 1993;
- (ii) its city aid base does not exceed \$5,600; and
- (iii) the city had a population in 1996 of 5,000 or more.

(f) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

- (i) the city had a population in 1996 of at least 50,000;
- (ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and
- (iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.

(g) Beginning in ~~2002~~ 2004, the city aid base for a city is equal to the sum of its city aid base in ~~2001~~ 2003 and the amount of additional aid it was certified to receive under section 477A.06 in ~~2001~~ 2003. For ~~2002~~ 2004 only, the maximum amount of total aid a city may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by the amount it was certified to receive under section 477A.06 in ~~2001~~ 2003.

(h) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only, provided that:

(1) the city has a population that is greater than 1,000 and less than 2,500;

(2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and

(3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(i) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

(1) the city had a population in 1997 of 2,500 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$650 per capita;

(3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;

(4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and

(5) the city aid base of the city used in calculating aid under section 477A.013 is less than \$7 per capita.

(j) The city aid base for a city is increased by \$225,000 in calendar years 2000 to 2002 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$225,000 in calendar year 2000 only, provided that:

(1) the city had a population of at least 5,000;

(2) its population had increased by at least 50 percent in the ten-year period ending in 1997;

(3) the city is located outside of the Minneapolis-St. Paul metropolitan statistical area as defined by the United States Bureau of the Census; and

(4) the city received less than \$30 per capita in aid under section 477A.013, subdivision 9, for aids payable in 1999.

(k) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

(1) the city has a population in 1997 of 2,000 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$455 per capita;

(3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than \$195 per capita; and

(4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(l) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

(1) the city has a population in 1998 that is greater than 200 but less than 500;

(2) the city's revenue need used in calculating aids payable in 2000 was greater than \$200 per capita;

(3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than \$200 per capita;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$65 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(m) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

(1) the city had a population in 1998 that is greater than 200 but less than 500;

(2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;

(3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$15 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(n) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by an additional \$50,000 in calendar years 2002 to 2011, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar year 2001 only, and by \$50,000 in calendar year 2002 only, provided that:

(1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than \$810 per capita;

(2) the population of the city declined more than two percent between 1988 and 1998;

(3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than \$240 per capita; and

(4) the city received less than \$36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.

(o) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to the lesser of:

(1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census,
(ii) minus 5,000, (iii) times 60; or

(2) \$2,500,000.

(p) The city aid base is increased by \$50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

(1) the city is located in the seven-county metropolitan area;

(2) its population in 2000 is between 10,000 and 20,000; and

(3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

(q) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2002 only, provided that:

(1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

(2) its home county is located within the seven-county metropolitan area;

(3) its pre-1940 housing percentage is less than 15 percent; and

(4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900 per capita.

(r) The city aid base for a city is increased by \$200,000 beginning in calendar year 2003 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only, provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.

[EFFECTIVE DATE.] This section is effective for aid payable in 2002 and thereafter, except that paragraph (r) is effective beginning with aid payable in 2003.

Sec. 10. Minnesota Statutes 2001 Supplement, section 477A.0123, is amended to read:

477A.0123 [REIMBURSEMENT OF COUNTY FOR CERTAIN OUT-OF-HOME PLACEMENT.]

Subdivision 1. [AID PAYMENTS.] (a) In calendar year ~~2003~~ 2004 and thereafter, the commissioner of revenue shall reimburse each county for a portion of the nonfederal share of the cost of out-of-home placement provided the commissioner of human services, in consultation with the commissioner of corrections, certifies to the commissioner of revenue that accurate data is available to make the aid determination under this section. The amount of reimbursement is a percent of the county's average nonfederal share of the cost for out-of-home placement for the most recent three calendar years for which data is available. The commissioner shall pay the aid under the schedule used for local government aid payments under section 477A.015.

(b) For aids payable in calendar year ~~2003~~ 2004, the percent of reimbursement in paragraph (a) shall be equal to the maximum percentage possible, up to 30 percent, that does not cause the payment to any county in the seven county metropolitan area to exceed the difference between (1) the amount of aid it is scheduled to receive calculated for the county in calendar year 2003 2004 under section 273.1398, prior to the offset under section 273.1398, subdivision 4d, and any aid offset under section 273.1398, subdivision 4a, that is scheduled to occur after July 1, 2003 subdivision 2, including any addition determined under section 477A.07, and (2) the amount of any aid reductions for the state takeover of courts contained in Laws 2001, First Special Session chapter 5, article 5. For aids payable in ~~2004~~ 2005 and thereafter, the percent of reimbursement under paragraph (a) shall be equal to the percent of reimbursement determined for calendar year ~~2003~~ 2004, adjusted so that the total payments under this section do not exceed the appropriation under section 477A.03, subdivision 2, paragraph (e).

(c) For purposes of this section, "out-of-home placement" means the placement of a child in a child caring institution or shelter licensed under Minnesota Rules, parts 9545.0905 to 9545.1125, in a group home licensed under Minnesota Rules, parts 9545.1400 to 9545.1480, in family foster care or group family foster care licensed under Minnesota Rules, parts 9545.0010 to 9545.0260, or a correctional facility pursuant to a court order under which a county social services agency or a county correctional agency has been assigned responsibility for the placement.

Subd. 2. [DETERMINATION OF NONFEDERAL SHARE OF COSTS.] (a) By January 1, 2002, each county shall report the following information to the commissioners of human services and corrections, the separate amounts paid out of its social service agency budget and its corrections budget for out-of-home placement in calendar years 1998, 1999, and 2000, along with the number of case days associated with the expenditures from each budget. By March 15, 2002, the commissioner of human services, in consultation with the commissioner of corrections, shall certify to the commissioner of revenue and to the legislative committees responsible for local government aids and out-of-home placement funding, whether the data reported under this subdivision accurately reflects total expenditures by counties for out-of-home placement costs.

(b) By January 1 of calendar year ~~2004~~ 2003 and thereafter, each county shall report to the commissioners of human services and corrections the separate amounts paid out of its social service agency budget and its corrections budget for out-of-home placement in the calendar years year two years before the current calendar year along with the number of case days associated with the expenditures from each budget.

(c) Until either the commissioner of human services or corrections develops another mechanism for collecting and verifying data on out-of-home placements, and the legislature authorizes the use of that data, the data collected under this subdivision shall be used to calculate payments under subdivision 1. The commissioner of human services shall certify the information to the commissioner of revenue by July 1 of the year prior to the aid payment.

Sec. 11. Minnesota Statutes 2001 Supplement, section 477A.03, subdivision 2, is amended to read:

Subd. 2. [ANNUAL APPROPRIATION.] (a) A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue.

(b) Aid payments to counties under section 477A.0121 are limited to \$20,265,000 in 1996. Aid payments to counties under section 477A.0121 are limited to \$27,571,625 in 1997. For aid payable in 1998 and thereafter, the total aids paid under section 477A.0121 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(c)(i) For aids payable in 1998 and thereafter, the total aids paid to counties under section 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(ii) Aid payments to counties under section 477A.0122 in 2000 are further increased by an additional \$20,000,000 in 2000.

(d) Aid payments to cities in 2002 under section 477A.013, subdivision 9, are limited to the amounts certified to be paid in the previous year, adjusted for inflation as provided in subdivision 3, and increased by \$140,000,000. For aids payable in 2003, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. For aids payable in 2004, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3, and increased by the amount certified to be paid in 2003 under section 477A.06. For aids payable in 2005 and thereafter, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. The additional amount authorized under subdivision 4 is not included when calculating the appropriation limits under this paragraph.

(e) Reimbursements made to counties under section 477A.0123 in calendar year ~~2004~~ 2005 and thereafter are limited to an amount equal to the maximum allowed appropriation under this section in the previous year, multiplied by a percent to be established by law. If no percent is established by law, the appropriation is limited to the total amount appropriated for this purpose in the previous year.

[EFFECTIVE DATE.] This section is effective beginning with aids payable in 2004.

Sec. 12. Minnesota Statutes 2001 Supplement, section 477A.07, subdivision 2, is amended to read:

Subd. 2. [COUNTY AID.] Each county's aid amount for 2003 determined under subdivision 1 must be ~~permanently~~ added to the county's 2003 homestead and agricultural credit aid ~~base~~ determined under section 273.1398 for aid payable, subdivision 2, and paid in 2003 as part of the county's homestead and agricultural credit aid. It then becomes a permanent part of the county's homestead and agricultural credit aid base for aid payable in 2004. Each county's aid amount for 2004 determined under subdivision 1 must be ~~permanently~~ added to the county's 2004 homestead and agricultural credit aid ~~base for aid payable~~ determined under section 273.1398, subdivision 2, and paid in 2004 as part of the county's homestead and agricultural credit aid. It then becomes a permanent part of the county's homestead and agricultural credit aid base for aid payable in 2005.

[EFFECTIVE DATE.] This section is effective beginning with aids payable in 2003.

ARTICLE 7

ECONOMIC DEVELOPMENT

Section 1. Minnesota Statutes 2000, section 272.0212, subdivision 4, is amended to read:

Subd. 4. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Qualified property" means ~~class 3 and class 1, 3, 4, and 5~~ property as defined in section 273.13 that is located in a zone and is newly constructed after the zone was designated, including the land that contains the improvements.

(c) "Zone" means a border city development zone designated under the provisions of section 469.1731.

[EFFECTIVE DATE.] This section is effective beginning for assessment year 2003.

Sec. 2. Minnesota Statutes 2001 Supplement, section 469.1734, subdivision 6, is amended to read:

Subd. 6. [SALES TAX EXEMPTION; EQUIPMENT; CONSTRUCTION MATERIALS.] (a) The gross receipts from the sale of machinery and equipment and repair parts are exempt from taxation under chapter 297A, if the machinery and equipment:

(1) are used in connection with a trade or business;

(2) are placed in service in a city that is authorized to designate a zone under section 469.1731, regardless of whether the machinery and equipment are used in a zone; and

(3) have a useful life of 12 months or more.

(b) The gross receipts from the sale of construction materials are exempt, if they are used to construct:

(1) a facility for use in a trade or business located in a city that is authorized to designate a zone under section 469.1731, regardless of whether the facility is located in a zone; or

(2) housing that is located in a zone.

The exemptions under this paragraph apply regardless of whether the purchase is made by the owner, the user, or a contractor.

(c) A purchaser may claim an exemption under this subdivision for tax on the purchases up to, but not exceeding:

(1) the amount of the tax credit certificates received from the city, less

(2) any tax credit certificates used under the provisions of subdivisions 4 and 5, and section 469.1732, subdivision 2.

(d) The tax on sales of items exempted under this subdivision shall be imposed and collected as if the applicable rate under section 297A.62 applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the tax paid shall be paid to the purchaser. The application must include sufficient information to permit the commissioner to verify the sales tax paid and the eligibility of the claimant to receive the credit. No more than two applications for refunds may be filed under this subdivision in a calendar year. The provisions of section 289A.40 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds, which must be deducted from the amount of the city's allocation under section 469.169, subdivision 12, that remains available and its limitation under section 469.1735. The amount to be refunded shall bear interest at the rate in section 270.76 from the date the refund claim is filed with the commissioner.

[EFFECTIVE DATE.] This section is effective for sales made after June 30, 2002.

Sec. 3. Minnesota Statutes 2001 Supplement, section 469.1763, subdivision 6, is amended to read:

Subd. 6. **[POOLING PERMITTED FOR DEFICITS.]** (a) This subdivision applies only to districts for which the request for certification was made before August 1, 2001, and without regard to whether the request for certification was made prior to August 1, 1979.

(b) The municipality for the district may transfer available increments from another tax increment financing district located in the municipality, if the transfer is necessary to eliminate a deficit in the district to which the increments are transferred. A deficit in the district for purposes of this subdivision means the lesser of the following two amounts:

(1)(i) the amount due during the calendar year to pay preexisting obligations of the district; minus

(ii) the total increments to be collected from properties located within the district that are available for the calendar year; plus

(iii) total increments from properties located in other districts in the municipality that are available to be used to meet the district's obligations under this section, excluding this subdivision, or other provisions of law (but excluding a special tax under section 469.1791 and the grant program under Laws 1997, chapter 231, article 1, section 19, or Laws 2001, First Special Session chapter 5); or

(2) the reduction in increments collected from properties located in the district for the calendar year as a result of the changes in class rates in Laws 1997, chapter 231, article 1; Laws 1998, chapter 389, article 2; and Laws 1999, chapter 243, and Laws 2001, First Special Session chapter 5, or the elimination of the general education tax levy under Laws 2001, First Special Session chapter 5.

(c) A preexisting obligation means:

(1) bonds issued and sold before August 1, 2001, or bonds issued pursuant to a binding contract requiring the issuance of bonds entered into before July 1, 2001, and bonds issued to refund such bonds or to reimburse expenditures made in conjunction with a signed contractual agreement entered into before August 1, 2001, to the extent that the bonds are secured by a pledge of increments from the tax increment financing district; and

(2) binding contracts entered into before August 1, 2001, to the extent that the contracts require payments secured by a pledge of increments from the tax increment financing district.

(d) The municipality may require a development authority, other than a seaway port authority, to transfer available increments for any of its tax increment financing districts in the municipality to make up an insufficiency in another district in the municipality, regardless of whether the district was established by the development authority or another development authority. This authority applies notwithstanding any law to the contrary, but applies only to a development authority that:

(1) was established by the municipality; or

(2) the governing body of which is appointed, in whole or part, by the municipality or an officer of the municipality or which consists, in whole or part, of members of the governing body of the municipality. The municipality may use this authority only after it has first used all available increments of the receiving development authority to eliminate the insufficiency and exercised any permitted action under section 469.1792, subdivision 3, for preexisting districts of the receiving development authority to eliminate the insufficiency.

(e) The authority under this subdivision to spend tax increments outside of the area of the district from which the tax increments were collected:

(1) may only be exercised after obtaining approval of the use of the increments, in writing, by the commissioner of revenue;

(2) is an exception to the restrictions under section 469.176, subdivision 4i, and the other provisions of this section, and the percentage restrictions under subdivision 2 must be calculated after deducting increments spent under this subdivision from the total increments for the district; and

(3) applies notwithstanding the provisions of the Tax Increment Financing Act in effect for districts for which the request for certification was made before June 30, 1982, or any other law to the contrary.

(f) If a preexisting obligation requires the development authority to pay an amount that is limited to the increment from the district or a specific development within the district and if the obligation requires paying a higher amount to the extent that increments are available, the municipality may determine that the amount due under the preexisting obligation equals the higher amount and may authorize the transfer of increments under this subdivision to pay up to the higher amount. The existence of a guarantee of obligations by the individual or entity that would receive the payment under this paragraph is disregarded in the determination of eligibility to pool under this subdivision. The authority to transfer increments under this paragraph may only be used to the extent that the payment of all other preexisting obligations in the municipality due during the calendar year have been satisfied.

[EFFECTIVE DATE.] This section is effective for increments payable in 2002 and thereafter.

Sec. 4. Minnesota Statutes 2001 Supplement, section 469.1792, subdivision 1, is amended to read:

Subdivision 1. [SCOPE.] This section applies only to an authority with a preexisting district for which:

(1)~~(i)~~ the increments from the district were insufficient to pay preexisting obligations as a result of the class rate changes or the elimination of the state-determined general education property tax levy under this act, or both; or

~~(ii) (2)(i) the development authority has a binding contract with a person requiring the authority to pay to the person an amount that may not exceed the increment from the district or a specific development within the district and as a result of the reduction in increment because of the class rate changes or the elimination of the state-determined general education property tax levy under this act, or both; and~~

(ii) the authority is unable to pay the full amount under the contract from the pledged increments or other increments from the district that would have been due if the class rate changes or elimination of the state-determined general education property tax levy or both had not been made under Laws 2001, First Special Session chapter 5; and

~~(2) the municipality exercised its full authority to pool under section 469.1763, subdivision 6, and the transfer of increments did not eliminate the insufficiency under clause (1), item (i), or the inability to pay the full amount under clause (1), item (ii).~~

[EFFECTIVE DATE.] This section is effective for actions taken and resolutions approved after June 30, 2002.

Sec. 5. Minnesota Statutes 2000, section 469.1813, is amended by adding a subdivision to read:

Subd. 6b. [EXTENDED DURATION LIMIT.] (a) Notwithstanding the provisions of subdivision 6, a political subdivision may grant an abatement for a period of up to 20 years, if the abatement is for a qualified business.

(b) To be a qualified business for purposes of this subdivision, at least 50 percent of the payroll of the operations of the business that qualify for the abatement must be for employees engaged in one of the following lines of business or any combination of them:

(1) manufacturing;

(2) agricultural processing;

(3) mining;

(4) research and development;

(5) warehousing; or

(6) qualified high technology.

(c)(1) "Manufacturing" means the material staging and production of tangible personal property by procedures commonly regarded as manufacturing, processing, fabrication, or assembling which changes some existing material into new shapes, new qualities, or new combinations.

(2) "Mining" has the meaning given in section 613(c) of the Internal Revenue Code of 1986.

(3) "Agricultural processing" means transforming, packaging, sorting, or grading livestock or livestock products, agricultural commodities, or plants or plant products into goods that are used for intermediate or final consumption including goods for nonfood use.

(4) "Research and development" means qualified research as defined in section 41(d) of the Internal Revenue Code of 1986.

(5) "Qualified high technology" means one or more of the following activities:

(i) advanced computing, which is any technology used in the design and development of any of the following:

(A) computer hardware and software;

(B) data communications; and

(C) information technologies;

(ii) advanced materials, which are materials with engineered properties created through the development of specialized process and synthesis technology;

(iii) biotechnology, which is any technology that uses living organisms, cells, macromolecules, microorganisms, or substances from living organisms to make or modify a product, improve plants or animals, or develop microorganisms for useful purposes;

(iv) electronic device technology, which is any technology that involves microelectronics, semiconductors, electronic equipment, and instrumentation, radio frequency, microwave, and millimeter electronics, and optical and optoelectrical devices, or data and digital communications and imaging devices;

(v) engineering or laboratory testing related to the development of a product;

(vi) technology that assists in the assessment or prevention of threats or damage to human health or the environment, including, but not limited to, environmental cleanup technology, pollution prevention technology, or development of alternative energy sources;

(vii) medical device technology, which is any technology that involves medical equipment or products other than a pharmaceutical product that has therapeutic or diagnostic value and is regulated; or

(viii) advanced vehicles technology which is any technology that involves electric vehicles, hybrid vehicles, or alternative fuel vehicles, or components used in the construction of electric vehicles, hybrid vehicles, or alternative fuel vehicles. An electric vehicle is a road vehicle that draws propulsion energy only from an on-board source of electrical energy. A hybrid vehicle is a road vehicle that can draw propulsion energy from both a consumable fuel and a rechargeable energy storage system.

(d) The authority to grant new abatements under this subdivision expires on July 1, 2004.

Sec. 6. Laws 1995, chapter 264, article 5, section 45, subdivision 1, as amended by Laws 1996, chapter 471, article 7, section 22, and Laws 1997, chapter 231, article 10, section 13, is amended to read:

Subdivision 1. [CREATION OF PROJECTS.] (a) An authority may create a housing replacement project under sections 44 to 47, as provided in this section.

(b) For the cities of Crystal, Fridley, Richfield, and Columbia Heights, the authority may designate up to 50 parcels in the city to be included in a housing replacement district. No more than ten parcels may be included in year one of the district, with up to ten additional parcels added to the district in each of the following nine years. For the cities of Minneapolis, St. Paul, and Duluth, each authority may designate ~~up to 100~~ not more than 200 parcels in the city to be included in a housing replacement district over the life of the district. The only parcels that may be included in a district are (1) vacant sites, (2) parcels containing vacant houses, or (3) parcels containing houses that are structurally substandard, as defined in Minnesota Statutes, section 469.174, subdivision 10.

(c) The city in which the authority is located must pay at least 25 percent of the housing replacement project costs from its general fund, a property tax levy, or other unrestricted money, not including tax increments.

(d) The housing replacement district plan must have as its sole object the acquisition of parcels for the purpose of preparing the site to be sold for market rate housing. As used in this section, "market rate housing" means housing that has a market value that does not exceed 150 percent of the average market value of single-family housing in that municipality.

Sec. 7. [CITY OF ALBERT LEA; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [AUTHORIZATION.] The governing body of the city of Albert Lea may create a redevelopment tax increment financing district as provided in this section. The city or its port authority may be the "authority" for the purposes of Minnesota Statutes, sections 469.174 to 469.179.

Subd. 2. [DEFINITIONS.] (a) For the purposes of this section, the terms defined in this subdivision have the meanings given them.

(b) "Redevelopment parcel" means the property in the city of Albert Lea bounded by Main Street, Garfield Avenue, Front Street, the Union Pacific railway line, and Albert Lea lake.

(c) "Reconstruction parcel" means the property in the city of Albert Lea described as lot 1, block 5, Habben First Addition.

Subd. 3. [SPECIAL RULES.] (a) The district established under this section is subject to the provisions of Minnesota Statutes, sections 469.174 to 469.179, except as provided in this subdivision.

(b) The district may consist of the redevelopment parcel and the reconstruction parcel.

(c) Minnesota Statutes, section 469.174, subdivision 10, paragraph (f), does not apply to the district, and if the city finds that the redevelopment parcel meets the criteria described in Minnesota Statutes, section 469.174, subdivision 10, paragraph (a), clause (1), then both the redevelopment parcel and the reconstruction parcel and the district as a whole are considered to meet those criteria.

(d) Expenditures for activities, as defined in Minnesota Statutes, section 469.1763, subdivision 1, paragraph (b), anywhere within the district are considered costs of correcting conditions that allow designation of redevelopment districts within the meaning of Minnesota Statutes, section 469.176, subdivision 4j.

(e) For the purposes of Minnesota Statutes, section 469.1763, subdivision 3, expenditures on the redevelopment parcel are considered to have been expended on an activity within the district if a qualifying action occurs within ten years after certification of the district.

[EFFECTIVE DATE.] This section is effective upon local approval in compliance with the requirements of Minnesota Statutes, section 645.021.

Sec. 8. [RUSHFORD TAX INCREMENT FINANCING EXTENSION.]

The governing body of the city of Rushford may elect to extend the duration of its downtown redevelopment tax increment financing district by up to two additional years.

[EFFECTIVE DATE.] This section is effective upon compliance with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2; and 645.021.

Sec. 9. [CITY OF MINNEAPOLIS TAX INCREMENT DISTRICT; DURATION EXTENSION.]

(a) Upon approval of the city council of the city of Minneapolis, the Minneapolis community development agency may, notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, extend the duration of the east Hennepin and University tax increment district for a period of up to seven years, or until all amounts payable to the developers and to the agency to reimburse the agency's provision of \$1,100,000 of city of Minneapolis HOME funds to assist low-income housing are repaid, whichever is shorter.

(b) The amount of additional increment which may be paid to the district as a result of this section may not exceed:

(1) the increment that would have been collected if the class rate changes and elimination of the state-determined general education property tax levy had not been made under Laws 2001, First Special Session chapter 5, for the term of the district under general law and if the provisions of section 4 did not apply, less

(2) the actual increments collected for the term of the district under general law.

(c) Notwithstanding any law to the contrary, effective upon approval of this section, no increments may be spent on activities located outside of the area of the district, other than to pay administrative expenses.

(d) This section is effective upon compliance with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021.

Sec. 10. [CITY OF MINNEAPOLIS TAX INCREMENT DISTRICT; DURATION EXTENSION.]

(a) Upon approval of the city council of the city of Minneapolis, the Minneapolis community development agency may, with respect to the southeast Minneapolis industrial area redevelopment area phase 4 tax increment financing district, notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, extend the duration of the district for a period of up to six years.

(b) The amount of additional increment which may be paid to the district as a result of this section may not exceed:

(1) the increment that would have been collected if the class rate changes and elimination of the state-determined general education property tax levy had not been made under Laws 2001, First Special Session chapter 5, for the term of the district under general law and if the provisions of section 4 did not apply, less

(2) the actual increments collected for the term of the district under general law.

(c) Notwithstanding any law to the contrary, effective upon approval of this section, no increments may be spent on activities located outside of the area of the district, other than to pay administrative expenses.

(d) Upon payment in full of the Minneapolis community development agency amended and restated tax increment revenue note, in the original face amount of \$1,000,000, issued December 4, 1997, the district terminates and the authority granted under this section terminates.

(e) This section is effective upon compliance with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021.

Sec. 11. [GRANT TO WASHBURN-CROSBY PROJECT.]

Notwithstanding the requirements of Minnesota Statutes, section 469.1794, the commissioner of revenue shall pay a one-time grant of \$2,600,000 to the Minneapolis community development agency for the Washburn-Crosby Mill City Museum project of the historical society as described in Laws 2001, First Special Session chapter 5, article 15, section 39. The grant must be disbursed on July 1, 2002. \$2,600,000 is appropriated from the general fund to the commissioner of revenue to make the grant under this section.

Sec. 12. [DAKOTA COUNTY TAX INCREMENT DISTRICT EXTENSION.]

(a) The governing body of Dakota county may elect to extend the duration of its C.D.A. South Robert Street redevelopment tax increment financing district number 4 by up to five additional years.

(b) The amount of additional increment which may be paid to the district as a result of this section may not exceed:

(1) the increment that would have been collected if the class rate changes and elimination of the state-determined general education property tax levy had not been made under Laws 2001, First Special Session chapter 5, for the term of the district under general law and if the provisions of section 4 did not apply, less

(2) the actual increments collected for the term of the district under general law.

[EFFECTIVE DATE.] This section is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021.

Sec. 13. [REPEALER.]

Minnesota Statutes 2001 Supplement, section 469.176, subdivision 1h, is repealed.

[EFFECTIVE DATE.] This section is effective retroactive to July 1, 2001, and any early decertification of a tax increment financing district made after July 1, 2001, is ratified.

ARTICLE 8

MINERALS TAXES

Section 1. Minnesota Statutes 2001 Supplement, section 126C.21, subdivision 4, is amended to read:

Subd. 4. [TACONITE DEDUCTIONS.] (1) Notwithstanding any provisions of any other law to the contrary, the adjusted net tax capacity used in calculating general education aid may include only that property that is currently taxable in the district.

(2) For districts that received payments under sections 298.018; 298.225; 298.28; 298.34 to 298.39; 298.391 to 298.396; and 298.405, ~~or~~ any law imposing a tax upon severed mineral values; or recognized revenue under section 477A.15; the general education aid must be reduced in the final adjustment payment by the difference between the dollar amount of the payments received pursuant to those sections, or revenue recognized under section 477A.15 in the fiscal year to which the final adjustment is attributable and the amount that was calculated, pursuant to section 126C.48, subdivision 8, as a reduction of the levy attributable to the fiscal year to which the final adjustment is attributable. If the final adjustment of a district's general education aid for a fiscal year is a negative amount because of this clause, the next fiscal year's general education aid to that district must be reduced by this negative amount in the following manner: there must be withheld from each scheduled general education aid payment due the district in such fiscal year, 15 percent of the total negative amount, until the total negative amount has been withheld. The amount reduced from general education aid pursuant to this clause must be recognized as revenue in the fiscal year to which the final adjustment payment is attributable.

Sec. 2. Minnesota Statutes 2001 Supplement, section 126C.48, subdivision 8, is amended to read:

Subd. 8. [TACONITE PAYMENT AND OTHER REDUCTIONS.] (1) Reductions in levies pursuant to sections 126C.48, subdivision 1, and 273.138, must be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts which received payments pursuant to sections 298.018; 298.225; 298.28, except an amount distributed under section 298.28, subdivision 4, paragraph (c), clause (ii); 298.34 to 298.39; 298.391 to 298.396; 298.405; and any law imposing a tax upon severed mineral values; or recognized revenue under section 477A.15 must not include a portion of these aids in their permissible levies pursuant to those sections, but instead must reduce the permissible levies authorized by this chapter and chapters 120B, 122A, 123A, 123B, 124A, 124D, 125A, and 127A by the greater of the following:

(a) an amount equal to 50 percent of the total dollar amount of the payments received pursuant to those sections or revenue recognized under section 477A.15 in the previous fiscal year; or

(b) an amount equal to the total dollar amount of the payments received pursuant to those sections or revenue recognized under section 477A.15 in the previous fiscal year less the product of the same dollar amount of payments or revenue times five percent.

For levy year 2002 only, 77 percent of the amounts distributed under section 298.225 and 298.28, and 100 percent of the amounts distributed under sections 298.018; 298.34 to 298.39; 298.391 to 298.396; 298.405; and any law imposing a tax upon severed mineral values, or recognized revenue under section 477A.15, shall be used for purposes of the calculations under this paragraph. For levy year 2003 only, the levy reductions under this subdivision must be calculated as if section 298.28, subdivision 4, paragraph (f), did not apply for the 2003 distribution.

(3) ~~The amount of any increased levy authorized by referendum pursuant to section 126C.17, subdivision 9, voter approved referendum, facilities down payment, and debt levies shall not be reduced pursuant to by more than 50 percent under this subdivision. The amount of any levy authorized by section 126C.43, to make payments for bonds issued and for interest thereon, shall not be reduced pursuant to this subdivision. In administering this paragraph, the commissioner shall first reduce the nonvoter approved levies of a district; then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved referendum levies authorized under section 126C.17; then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved facilities down payment levies authorized under section 123B.63 and then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved debt levies.~~

(4) Before computing the reduction pursuant to this subdivision of the health and safety levy authorized by sections 123B.57 and 126C.40, subdivision 5, the commissioner shall ascertain from each affected school district the amount it proposes to levy under each section or subdivision. The reduction shall be computed on the basis of the amount so ascertained.

(5) ~~Notwithstanding any law to the contrary, any amounts received by districts in any fiscal year pursuant to sections 298.018; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values; and not deducted from general education aid pursuant to section 126C.21, subdivision 4, clause (2), and not applied to reduce levies pursuant to this subdivision shall be paid by the district to the St. Louis county auditor in the following amount by March 15 of each year, the amount required to be subtracted from the previous fiscal year's general education aid pursuant to section 126C.21, subdivision 4, which is in excess of the general education aid earned for that fiscal year. The county auditor shall deposit any amounts received pursuant to this clause in the St. Louis county treasury for purposes of paying the taconite homestead credit as provided in section 273.135. To the extent the levy reduction calculated under paragraph (2) exceeds the limitation in paragraph (3), an amount equal to the excess must be distributed from the school district's distribution under sections 298.225, 298.28, and 477A.15 in the following year to the cities and townships within the school district in the proportion that their taxable net tax capacity within the school district bears to the taxable net tax capacity of the school district for property taxes payable in the year prior to distribution. No city or township shall receive a distribution greater than its levy for taxes payable in the year prior to distribution. The commissioner of revenue shall certify the distributions of cities and towns under this paragraph to the county auditor by September 30 of the year preceding distribution. The county auditor shall reduce the proposed and final levies of cities and towns receiving distributions by the amount of their distribution. Distributions to the cities and towns shall be made at the times provided under section 298.27.~~

Sec. 3. Minnesota Statutes 2001 Supplement, section 298.01, subdivision 3b, is amended to read:

Subd. 3b. [DEDUCTIONS.] (a) For purposes of determining taxable income under subdivision 3, the deductions from gross income include only those expenses necessary to convert raw ores to marketable quality. Such expenses include costs associated with refinement but do not include expenses such as transportation, stockpiling, marketing, or marine insurance that are incurred after marketable ores are produced, unless the expenses are included in gross income.

(b) The provisions of section 290.01, subdivisions 19c, clauses (6) and ~~(4)~~ (9), and 19d, clauses (7) and (11), are not used to determine taxable income.

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

Sec. 4. Minnesota Statutes 2001 Supplement, 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 following modifications are allowed:~~

~~(1) the provisions of section 290.01, subdivisions 19c, clauses (6) and ~~(4)~~ (9), and 19d, clauses (7) and (11), are not used to determine taxable income; and~~

~~(2) for assets placed in service before January 1, 1990, the deduction for depreciation will be the same amount allowed under chapter 290, except that after an asset has been fully depreciated for federal income tax purposes any remaining depreciable basis is allowed as a deduction using the straight-line method over the following number of years:~~

~~(i) three-year property, one year;~~

~~(ii) five- and seven-year property, two years;~~

~~(iii) ten-year property, five years; and~~

~~(iv) all other property, seven years.~~

~~No deduction is allowed if an asset is fully depreciated for occupation tax purposes before January 1990.~~

~~(b) For purposes of determining the deduction allowed under paragraph (a), clause (2), the remaining depreciable basis of property placed in service before January 1, 1990, is calculated as follows:~~

~~(1) the adjusted basis of the property on December 31, 1989, which was used to calculate the hypothetical corporate franchise tax under Minnesota Statutes 1988, section 298.40, including salvage value; less~~

~~(2) deductions for depreciation allowed under section 290.01, subdivision 19c.~~

~~(c) The basis for determining gain or loss on sale or disposition of assets placed in service before January 1, 1990, is the basis determined under paragraph (b), less the deductions allowed under paragraph (a), clause (2).~~

~~(d) (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 for taxes payable May 1, 2002, and thereafter.

Sec. 5. Minnesota Statutes 2001 Supplement, section 298.225, subdivision 1, is amended to read:

Subdivision 1. (a) 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), ~~40.5~~ 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.

(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.

Sec. 6. Minnesota Statutes 2000, section 298.27, is amended to read:

298.27 [COLLECTION AND PAYMENT OF TAX.]

The taxes provided by section 298.24 shall be paid directly to each eligible county and the iron range resources and rehabilitation board. The commissioner of revenue shall notify each producer of the amount to be paid each recipient prior to February 15. Every person subject to taxes imposed by section 298.24 shall file a correct report covering the preceding year. The report must contain the information required by the commissioner. The report shall be filed by each producer on or before February 1. A remittance equal to 50 percent of the total tax required to be paid hereunder in 2003 and 100 percent of the total tax required to be paid hereunder in 2004 and thereafter shall be paid on or before February 24. A remittance equal to the remaining total tax required to be paid hereunder in 2003 shall be paid on or before August 24. On or before February 25, and in 2003, August 25, the county auditor shall make distribution of the payment payments previously received by the county in the manner provided by section 298.28. Reports shall be made and hearings held upon the determination of the tax in accordance with procedures established by the commissioner of revenue. The commissioner of revenue shall have authority to make reasonable rules as to the form and manner of filing reports necessary for the determination of the tax hereunder, and by such rules may require the production of such information as may be reasonably necessary or convenient for the determination and apportionment of the tax. All the provisions of the occupation tax law with reference to the assessment and determination of the occupation tax, including all provisions for appeals from or review of the orders of the commissioner of revenue relative thereto, but not including provisions for refunds, are applicable to the taxes imposed by section 298.24 except in so far as inconsistent herewith. If any person subject to section 298.24 shall fail to make the report provided for in this section at the time and in the manner herein provided, the commissioner of revenue shall in such case, upon information possessed or obtained, ascertain the kind and amount of ore mined or produced and thereon find and determine the amount of the tax due from such person. There shall be added to the amount of tax due a penalty for failure to report on or before February 1, which penalty shall equal ten percent of the tax imposed and be treated as a part thereof.

If any person responsible for making a tax payment at the time and in the manner herein provided fails to do so, there shall be imposed a penalty equal to ten percent of the amount so due, which penalty shall be treated as part of the tax due.

In the case of any underpayment of the tax payment required herein, there may be added and be treated as part of the tax due a penalty equal to ten percent of the amount so underpaid.

A person having a liability of \$120,000 or more during a calendar year must remit all liabilities by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

[EFFECTIVE DATE.] Except as otherwise provided, this section is effective for years beginning after December 31, 2001.

Sec. 7. Minnesota Statutes 2001 Supplement, section 298.28, subdivision 4, is amended to read:

Subd. 4. [SCHOOL DISTRICTS.] (a) ~~22.28~~ 17.15 cents per taxable ton plus the increase provided in paragraph (d) must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b) and (c), except as otherwise provided in paragraph (f).

(b) ~~4.46~~ 3.43 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(c)(i) ~~17.82~~ 13.72 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts in which the taconite was mined or quarried or the concentrate produced or in which there is a qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values after reduction for any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its levy reduction under section 126C.48, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i).

(d) Any school district described in paragraph (c) where a levy increase pursuant to section 126C.17, subdivision 9, was authorized by referendum for taxes payable in 2001, shall receive a distribution from a fund that receives a distribution in 1998 of 21.3 cents per ton. On July 15 of 1999, and each year thereafter, the increase over the amount established for the prior year shall be determined according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1. Each district shall receive \$175 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8 percent times the district's taxable net tax capacity in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 126C.13 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of iron range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the northeast Minnesota economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve \$25 times the number of pupil units in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of children, families, and learning.

(e) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

(f) Effective ~~with for~~ the distribution in 2003 ~~and thereafter only~~, five percent of the distributions to school districts under paragraphs (b), (c), and (e); subdivision 6, paragraph (c); subdivision 11; and section ~~477A.15~~ 298.225, shall be distributed to the general fund. The remainder less any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), shall be distributed to the cities and townships within each school district in the proportion that their taxable net tax capacity within the school district bears to the taxable net tax capacity of the school district for property taxes payable in the year prior to distribution. No city or township shall receive a distribution greater than its levy for taxes payable in the year prior to distribution northeast Minnesota economic protection trust fund created in section 298.292. Fifty percent of the amount distributed to the northeast Minnesota economic protection trust fund shall be made available for expenditure under section 298.293 as governed by section 298.296. Effective in 2003 only, 100 percent of the distributions to school districts under section 477A.15 less any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), shall be distributed to the general fund.

Sec. 8. Minnesota Statutes 2000, section 298.28, subdivision 5, is amended to read:

Subd. 5. [COUNTIES.] (a) ~~6.5~~ 26.05 cents per taxable ton is allocated to counties to be distributed, based upon certification by the commissioner of revenue, under paragraphs (b) to (d).

(b) ~~3~~ 20.525 cents per taxable ton shall be distributed to the county in which the taconite is mined or quarried or in which the concentrate is produced, less any amount which is to be distributed pursuant to paragraph (c). The apportionment formula prescribed in subdivision 2 is the basis for the distribution.

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, one cent per taxable ton of the tax distributed to the counties pursuant to paragraph (b) and imposed on and collected from such taxpayer shall be paid to the county in which the power plant is located.

(d) ~~3.5~~ 5.525 cents per taxable ton 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.

Sec. 9. Minnesota Statutes 2001 Supplement, section 298.28, subdivision 6, is amended to read:

Subd. 6. [PROPERTY TAX RELIEF.] (a) In 2002 and thereafter, ~~35.9~~ 33.9 cents per taxable ton, less any amount required to be distributed under paragraphs (b) and (c), ~~and less any amount required to be deducted under paragraph (d)~~, must be allocated to St. Louis county acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, .1875 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a school district other than a school district in which the mining and concentrating processes are conducted, ~~.7282~~ .4541 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

~~(d) Two cents per taxable ton must be deducted from the amount allocated to the St. Louis county auditor under paragraph (a).~~

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

Sec. 10. Minnesota Statutes 2001 Supplement, section 298.28, subdivision 9a, is amended to read:

Subd. 9a. [TACONITE ECONOMIC DEVELOPMENT FUND.] (a) 30.1 cents per ton for distributions in 2002 and thereafter must be paid to the taconite economic development fund. No distribution shall be made under this paragraph in 2004 or any subsequent year in which total industry production falls below 30 million tons. Distribution shall only be made to a taconite producer's fund under section 298.227 if the producer timely pays its tax under section 298.24 by the dates provided under section 298.27, or pursuant to the due dates provided by an administrative agreement with the commissioner.

(b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets shall be paid to the taconite economic development fund. The amount paid shall not exceed \$700,000 annually for all companies. If the initial amount to be paid to the fund exceeds this amount, each company's payment shall be prorated so the total does not exceed \$700,000.

Sec. 11. Minnesota Statutes 2000, section 298.28, subdivision 9b, is amended to read:

Subd. 9b. [TACONITE ENVIRONMENTAL FUND.] Five cents per ton for distributions in 1999, 2000, 2001, ~~and 2002, and 2003~~ must be paid to the taconite environmental fund for use under section 298.2961. ~~No distribution may be made under this paragraph in any year in which total industry production falls below 30,000,000 tons.~~

Sec. 12. Minnesota Statutes 2001 Supplement, section 298.28, subdivision 10, is amended to read:

Subd. 10. [INCREASE.] Beginning with distributions in 2000, the amount determined under subdivision 9 shall be increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. Beginning with distributions in 2003, the amount determined under subdivision 6, paragraph (a), shall be increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

~~The distributions per ton determined under subdivisions 5, paragraphs (b) and (d), and 6, paragraph (b), for distribution in 1988 and subsequent years shall be the distribution per ton determined for distribution in 1987. The distribution per ton under subdivision 6, paragraph (c), for distribution in 2000 and subsequent years shall be 81 percent of the distribution per ton determined for distribution in 1987.~~

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

Sec. 13. Minnesota Statutes 2000, section 298.28, subdivision 11, is amended to read:

Subd. 11. [REMAINDER.] (a) The proceeds of the tax imposed by section 298.24 which remain after the distributions and payments in subdivisions 2 to 10a, as certified by the commissioner of revenue, and paragraphs (b), (c), ~~and (d), and (e)~~ have been made, together with interest earned on all money distributed under this section prior to distribution, shall be divided between the taconite environmental protection fund created in section 298.223 and the northeast Minnesota economic protection trust fund created in section 298.292 as follows: Two-thirds to the taconite environmental protection fund and one-third to the northeast Minnesota economic protection trust fund. The proceeds shall be placed in the respective special accounts.

(b) There shall be distributed to each city, town, and county the amount that it received under section 294.26 in calendar year 1977; provided, however, that the amount distributed in 1981 to the unorganized territory number 2 of Lake county and the town of Beaver Bay based on the between-terminal trackage of Erie Mining Company will be distributed in 1982 and subsequent years to the unorganized territory number 2 of Lake county and the towns of Beaver Bay and Stony River based on the miles of track of Erie Mining Company in each taxing district.

(c) There shall be distributed to the iron range resources and rehabilitation board the amounts it received in 1977 under section 298.22. The amount distributed under this paragraph shall be expended within or for the benefit of the tax relief area defined in section 273.134.

(d) There shall be distributed to each school district ~~84~~ 62 percent of the amount that it received under section 294.26 in calendar year 1977.

(e) In 2003 only, \$100,000 must be distributed to a township located in a taconite tax relief area as defined in section 273.134, paragraph (a), that received \$119,259 of homestead and agricultural credit aid and \$182,014 in local government aid in 2001.

Sec. 14. Minnesota Statutes 2000, section 298.291, is amended to read:

298.291 [CITATION.]

Sections 298.291 to 298.294 shall be known as the "~~Northeast Minnesota~~ Douglas J. Johnson Economic Protection Trust Fund Act.

Sec. 15. Minnesota Statutes 2001 Supplement, section 298.296, subdivision 2, is amended to read:

Subd. 2. [EXPENDITURE OF FUNDS.] (a) Before January 1, ~~2003~~ 2028, funds may be expended on projects and for administration of the trust fund only from the net interest, earnings, and dividends arising from the investment of the trust at any time, including net interest, earnings, and dividends that have arisen prior to July 13, 1982, plus \$10,000,000 made available for use in fiscal year 1983, except that any amount required to be paid out of the trust fund to provide the property tax relief specified in Laws 1977, chapter 423, article X, section 4, and to make school bond payments and payments to recipients of taconite production tax proceeds pursuant to section 298.225, may be taken from the corpus of the trust.

(b) Additionally, upon recommendation by the board, up to \$13,000,000 from the corpus of the trust may be made available for use as provided in subdivision 4, and up to \$10,000,000 from the corpus of the trust may be made available for use as provided in section 298.2961.

(c) On and after January 1, 2003, Funds may be expended on projects and for administration from any assets of the trust. Additionally, an amount equal to 20 percent of the value of the corpus of the trust on the date of enactment of this act, not including the funds authorized in paragraph (b), plus the amounts made available under sections 7 and 17, may be expended on projects. Funds may be expended for projects under this paragraph only if the project:

(1) is for the purposes established under section 298.292, subdivision 1, clause (1) or (2); and

(2) is approved by the board upon an affirmative vote of at least ten of its members.

No money made available under this paragraph or paragraph (d) can be used for administrative or operating expenses of the iron range resources and rehabilitation board or expenses relating to any facilities owned or operated by the board on the effective date of this act.

(d) Upon recommendation by a unanimous vote of all members of the board, amounts in addition to those authorized under paragraphs (a), (b), and (c) may be expended on projects described in section 298.292, subdivision 1.

(e) Annual administrative costs, not including detailed engineering expenses for the projects, shall not exceed five percent of the net interest, dividends, and earnings arising from the trust in the preceding fiscal year.

(f) Principal and interest received in repayment of loans made pursuant to this section, and earnings on other investments made under section 298.292, subdivision 2, clause (4), shall be deposited in the state treasury and credited to the trust. These receipts are appropriated to the board for the purposes of sections 298.291 to 298.298.

[EFFECTIVE DATE.] This section is effective January 1, 2003.

Sec. 16. Minnesota Statutes 2000, section 477A.15, is amended to read:

477A.15 [TACONITE AID REIMBURSEMENT.]

Any school district in which is located property which had been entitled to a reduction of tax pursuant to Minnesota Statutes 1978, section 273.135, subdivision 2, clause (c), shall receive in 1981 and subsequent years an amount equal to the amount it received in 1980 pursuant to Minnesota Statutes 1978, section 298.28, subdivision 1, clause (3)(b). Payments shall be made pursuant to this section and section 126C.48, subdivision 8, paragraph (5), by the commissioner of revenue to the taxing jurisdictions on the date in each calendar year when the first installment is paid under section 477A.015.

[EFFECTIVE DATE.] This section is effective for payments in 2003 and subsequent years.

Sec. 17. [ADDITIONAL DISTRIBUTION.]

The difference between the distribution to school districts under Minnesota Statutes, sections 298.225 and 298.28, as amended by this act, and the amount the districts would have received under Minnesota Statutes 2000, sections 298.225 and 298.28 for distributions in 2004 only, shall be added to the sums available for expenditure under Minnesota Statutes, section 298.293, as governed by Minnesota Statutes, section 298.296.

Sec. 18. [INSTRUCTION TO THE REVISOR.]

In the next edition of Minnesota Statutes, the revisor of statutes shall change the phrase "Northeast Minnesota Economic Protection Trust Fund Act" to "Douglas J. Johnson Economic Protection Trust Fund Act" wherever it appears in Minnesota Statutes.

ARTICLE 9

DEPARTMENT OF REVENUE POLICY PROVISIONS

Section 1. Minnesota Statutes 2000, section 270.063, subdivision 4, is amended to read:

Subd. 4. [FEDERAL TAX REFUND OFFSET FEES; TIME LIMIT FOR SUBMITTING CLAIMS FOR OFFSET.] For fees charged by the department of the treasury of the United States for the offset of federal tax refunds that are deducted from the refund amounts remitted to the commissioner, the unpaid debts of the taxpayers whose refunds are being offset to satisfy the debts are reduced only by the actual amount of the refund payments received

by the commissioner. Notwithstanding any other provision of law to the contrary, a claim for the offset of a federal tax refund must be submitted to the department of the treasury of the United States within ten years after the date of the assessment of the tax owed by the taxpayer whose refund is to be offset to satisfy the debt.

[EFFECTIVE DATE.] This section is effective for claims for offset that were submitted before and are pending on the date of final enactment, and for claims submitted on or after the day following final enactment.

Sec. 2. Minnesota Statutes 2001 Supplement, section 270.691, subdivision 8, is amended to read:

Subd. 8. [EXPIRATION DATE.] The program authorized under this section terminates on June 30, ~~2002~~ 2003.

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

Sec. 3. Minnesota Statutes 2000, section 273.125, subdivision 4, is amended to read:

Subd. 4. [PETITIONS OF GRIEVANCE.] A person who claims that the person's manufactured home has been unfairly or unequally assessed, or that the property has been assessed at a valuation greater than its real or actual value, or that the tax levied against it 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 in court. The determination must be made by the district court of the county in which the tax is levied or by the tax court. A person can request the determination by filing a petition for it in the office of the court administrator of the district court on or before ~~September~~ October 1 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.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2003 and thereafter.

Sec. 4. Minnesota Statutes 2000, 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 ~~March 31~~ 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 required by section 273.121 but prior to ~~April~~ May 1 of the year in which the taxes are payable.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2003 and thereafter.

Sec. 5. Minnesota Statutes 2000, section 279.01, subdivision 3, is amended to read:

Subd. 3. [AGRICULTURAL PROPERTY.] In the case of class 1b agricultural homestead, class 2a agricultural homestead property, and class 2b(3) agricultural nonhomestead property, no penalties shall attach to the second one-half property tax payment as provided in this section if paid by November 15. Thereafter for class 1b agricultural homestead and class 2a homestead property, on November 16 following, a penalty of six percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional two percent shall be charged on all such unpaid taxes. Thereafter for class 2b(3) agricultural nonhomestead property, on November 16 following, a penalty of eight percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional four percent shall be charged on all such unpaid taxes.

If the owner of class 1b agricultural homestead, class 2a, or class 2b(3) 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, class 2a, or class 2b(3) agricultural property, the aggregate tax and special assessments shown due on the property by the consolidated statement will be due on November 15 ~~provided that at least 50 percent of the property's market value is classified class 1b agricultural, class 2a, or class 2b(3) agricultural.~~

[EFFECTIVE DATE.] This section is effective for taxes payable in 2003 and thereafter.

Sec. 6. Minnesota Statutes 2000, section 289A.19, subdivision 1, is amended to read:

Subdivision 1. [FIDUCIARY INCOME, ENTERTAINMENT TAX, AND INFORMATION RETURNS.] When, in the commissioner's judgment, good cause exists, the commissioner may extend the time for filing entertainment tax returns for not more than six months. ~~If an extension to file the federal fiduciary income tax return or information return has been granted under section 6081 of the Internal Revenue Code, the time for filing the state return is extended for that period. The commissioner may require the taxpayer to file a tentative return when the regularly required return is due, and to pay a tax on the basis of the tentative return at the times required for the payment of taxes on the basis of the regularly required return from the taxpayer. The commissioner shall grant an automatic extension of six months to file a partnership, "S" corporation, or fiduciary income tax return if all of the taxes imposed on the entity for the year by chapter 290 and section 289A.08, subdivision 7, have been paid by the date prescribed by section 289A.18, subdivision 1.~~

[EFFECTIVE DATE.] This section is effective for returns due after December 31, 2002.

Sec. 7. Minnesota Statutes 2000, section 295.53, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTIONS.] (a) The following payments are excluded from the gross revenues subject to the hospital, surgical center, or health care provider taxes under sections 295.50 to 295.57:

(1) payments received for services provided under the Medicare program, including payments received from the government, and organizations governed by sections 1833 and 1876 of title XVIII of the federal Social Security Act, United States Code, title 42, section 1395, and enrollee deductibles, coinsurance, and copayments, whether paid by the Medicare enrollee or by a Medicare supplemental coverage as defined in section 62A.011, subdivision 3, clause (10). Payments for services not covered by Medicare are taxable;

(2) medical assistance payments including payments received directly from the government or from a prepaid plan;

(3) payments received for home health care services;

(4) payments received from hospitals or surgical centers for goods and services on which liability for tax is imposed under section 295.52 or the source of funds for the payment is exempt under clause (1), (2), (7), (8), (10), (13), or (20);

(5) payments received from health care providers for goods and services on which liability for tax is imposed under this chapter or the source of funds for the payment is exempt under clause (1), (2), (7), (8), (10), (13), or (20);

(6) amounts paid for legend drugs, other than nutritional products, to a wholesale drug distributor who is subject to tax under section 295.52, subdivision 3, reduced by reimbursements received for legend drugs ~~under clauses (1), (2), (7), and (8)~~ otherwise exempt under chapter 295;

(7) payments received under the general assistance medical care program including payments received directly from the government or from a prepaid plan;

(8) payments received for providing services under the MinnesotaCare program including payments received directly from the government or from a prepaid plan and enrollee deductibles, coinsurance, and copayments. For purposes of this clause, coinsurance means the portion of payment that the enrollee is required to pay for the covered service;

(9) payments received by a health care provider or the wholly owned subsidiary of a health care provider for care provided outside Minnesota;

(10) payments received from the chemical dependency fund under chapter 254B;

(11) payments received in the nature of charitable donations that are not designated for providing patient services to a specific individual or group;

(12) payments received for providing patient services incurred through a formal program of health care research conducted in conformity with federal regulations governing research on human subjects. Payments received from patients or from other persons paying on behalf of the patients are subject to tax;

(13) payments received from any governmental agency for services benefiting the public, not including payments made by the government in its capacity as an employer or insurer;

(14) payments received for services provided by community residential mental health facilities licensed under Minnesota Rules, parts 9520.0500 to 9520.0690, community support programs and family community support programs approved under Minnesota Rules, parts 9535.1700 to 9535.1760, and community mental health centers as defined in section 245.62, subdivision 2;

(15) government payments received by a regional treatment center;

(16) payments received for hospice care services;

(17) payments received by a health care provider for hearing aids and related equipment or prescription eyewear delivered outside of Minnesota;

(18) payments received by an educational institution from student tuition, student activity fees, health care service fees, government appropriations, donations, or grants. Fee for service payments and payments for extended coverage are taxable;

(19) payments received for services provided by: assisted living programs and congregate housing programs; and

(20) payments received under the federal Employees Health Benefits Act, United States Code, title 5, section 8909(f), as amended by the Omnibus Reconciliation Act of 1990.

(b) Payments received by wholesale drug distributors for legend drugs sold directly to veterinarians or veterinary bulk purchasing organizations are excluded from the gross revenues subject to the wholesale drug distributor tax under sections 295.50 to 295.59.

[EFFECTIVE DATE.] This section is effective for payments received after December 31, 2001.

Sec. 8. Minnesota Statutes 2000, section 295.57, is amended by adding a subdivision to read:

Subd. 5. [EXEMPTION FOR AMOUNTS PAID FOR LEGEND DRUGS.] If a hospital or health care provider cannot determine the actual cost or reimbursement of legend drugs under the exemption provided in section 295.53, subdivision 1, paragraph (a), clause (6), the following method must be used:

A hospital or health care provider must determine the amount paid for legend drugs used during the month or quarter and multiply that amount by a ratio, the numerator of which is the total amount received for taxable patient services, and the denominator of which is the total amount received for all patient services, including amounts exempt under section 295.53, subdivision 1. The result represents the allowable exemption for the monthly or quarterly cost of drugs.

[EFFECTIVE DATE.] This section is effective for payments received on or after July 1, 2002.

Sec. 9. Minnesota Statutes 2001 Supplement, section 295.60, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Commissioner" means the commissioner of revenue.

(c) "Furrier" means a retailer that sells clothing made of fur.

(d) "Clothing made of fur" means articles of clothing made of fur on the hide or pelt, and articles of clothing of which such fur is the component material of chief value, but only if such value is more than three times the value of the next most valuable material.

(e) "Retail sale" has the meaning given in section 297A.61, subdivision 4.

(f) "Delivered outside of Minnesota" means fur clothing which the furrier delivers to a common carrier for delivery outside Minnesota, places in the United States mail or parcel post directed to the purchaser outside Minnesota, or delivers to the purchaser outside Minnesota by means of the seller's own delivery vehicles, and which is not returned to a point within Minnesota, except in the course of interstate commerce.

[EFFECTIVE DATE.] This section is effective January 1, 2002.

Sec. 10. Minnesota Statutes 2001 Supplement, section 295.60, is amended by adding a subdivision to read:

Subd. 2a. [EXEMPTIONS.] Payments received by a furrier for clothing made of fur delivered outside of Minnesota are exempt from gross revenues subject to the fur clothing tax.

[EFFECTIVE DATE.] This section is effective for payments received on or after January 1, 2002.

Sec. 11. Minnesota Statutes 2001 Supplement, section 297A.61, subdivision 26, is amended to read:

Subd. 26. [PRIVATE COMMUNICATION SERVICE.] "Private communication service" means a ~~communication~~ telecommunication service ~~furnished to a subscriber which that~~ entitles the subscriber customer to:

~~(1) exclusive or priority use of any a communication channel or group of channels;~~

~~(2) the use of an intercommunication system for the subscriber's stations, or regardless of whether the channel, group of channels, or intercommunication system may be connected through switching;~~

~~(3) the between or among termination points, regardless of the manner in which the channel or channels are connected, and includes switching capacity, extension lines and stations, or and any other associated services that are provided in connection with, and are necessary or unique to the use of, the use of the channel or channels or systems described in clause (1); or~~

~~(4) any combination of tunneling, encryption, authentication, and access control technologies and services used to carry traffic over the Internet, a managed Internet provider network or provider's backbone.~~

[EFFECTIVE DATE.] This section is effective retroactively for sales and purchases occurring after July 31, 2001.

Sec. 12. Minnesota Statutes 2000, section 297A.68, is amended by adding a subdivision to read:

Subd. 37. [DELIVERY OR DISTRIBUTION CHARGES; PRINTED MATERIALS.] Charges for the delivery or distribution of printed materials, including individual account information, are exempt if (1) the charges are separately stated, (2) the delivery or distribution is to a mass audience or to a mailing list provided at the direction of the customer, and (3) the cost of the materials is not billed directly to the recipients.

[EFFECTIVE DATE.] This section is effective retroactive to delivery charges on sales and purchases made after December 31, 2001, and before January 1, 2006.

Sec. 13. Minnesota Statutes 2000, section 297G.07, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTIONS.] The following are not subject to the excise tax:

- (1) Sales by a manufacturer, brewer, or wholesaler for shipment outside the state in interstate commerce.
- (2) Alcoholic beverages sold or transferred between Minnesota wholesalers.
- (3) Sales to common carriers engaged in interstate transportation of passengers, except as provided in this chapter.
- (4) Malt beverages served by a brewery for on-premise consumption at no charge, or distributed to brewery employees for on-premise consumption under a labor contract.
- (5) Shipments of wine to Minnesota residents under section 340A.417.
- (6) Fruit juices naturally fermented or beer naturally brewed in the home for family use.
- (7) Sales of wine for sacramental purposes under section 340A.316.
- (8) Alcoholic beverages sold to authorized manufacturers of food products or pharmaceutical firms. The alcoholic beverage must be used exclusively in the manufacture of food products or medicines. For purposes of this clause, "manufacturer" means a person who manufactures food products intended for sale to wholesalers or retailers for ultimate sale to the consumer.
- (9) Liqueur-filled candy.
- (10) Sales to a federal agency, that the state of Minnesota is prohibited from taxing under the constitution or laws of the United States or under the constitution of Minnesota.
- (11) Sales to Indian tribes as defined in section 297G.08.
- (12) Shipments of intoxicating liquor from foreign countries to diplomatic personnel of foreign countries assigned to service in this state.

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

Sec. 14. Minnesota Statutes 2001 Supplement, section 469.1763, subdivision 6, is amended to read:

Subd. 6. [POOLING PERMITTED FOR DEFICITS.] (a) This subdivision applies only to districts for which the request for certification was made before August 1, 2001, and without regard to whether the request for certification was made prior to August 1, 1979.

(b) The municipality for the district may transfer available increments from another tax increment financing district located in the municipality, if the transfer is necessary to eliminate a deficit in the district to which the increments are transferred. A deficit in the district for purposes of this subdivision means the lesser of the following two amounts:

(1)(i) the amount due during the calendar year to pay preexisting obligations of the district; minus

(ii) the total increments collected or to be collected from properties located within the district that are available for the calendar year including amounts collected in prior years that are currently available; plus

(iii) total increments from properties located in other districts in the municipality including amounts collected in prior years that are available to be used to meet the district's obligations under this section, excluding this subdivision, or other provisions of law (but excluding a special tax under section 469.1791 and the grant program under Laws 1997, chapter 231, article 1, section 19, or Laws 2001, First Special Session chapter 5); or

(2) the reduction in increments collected from properties located in the district for the calendar year as a result of the changes in class rates in Laws 1997, chapter 231, article 1; Laws 1998, chapter 389, article 2; and Laws 1999, chapter 243, and Laws 2001, First Special Session chapter 5, or the elimination of the general education tax levy under Laws 2001, First Special Session chapter 5.

(c) A preexisting obligation means:

(1) bonds issued and sold before August 1, 2001, or bonds issued pursuant to a binding contract requiring the issuance of bonds entered into before July 1, 2001, and bonds issued to refund such bonds or to reimburse expenditures made in conjunction with a signed contractual agreement entered into before August 1, 2001, to the extent that the bonds are secured by a pledge of increments from the tax increment financing district; and

(2) binding contracts entered into before August 1, 2001, to the extent that the contracts require payments secured by a pledge of increments from the tax increment financing district.

(d) The municipality may require a development authority, other than a seaway port authority, to transfer available increments including amounts collected in prior years that are currently available for any of its tax increment financing districts in the municipality to make up an insufficiency in another district in the municipality, regardless of whether the district was established by the development authority or another development authority. This authority applies notwithstanding any law to the contrary, but applies only to a development authority that:

(1) was established by the municipality; or

(2) the governing body of which is appointed, in whole or part, by the municipality or an officer of the municipality or which consists, in whole or part, of members of the governing body of the municipality. The municipality may use this authority only after it has first used all available increments of the receiving development authority to eliminate the insufficiency and exercised any permitted action under section 469.1792, subdivision 3, for preexisting districts of the receiving development authority to eliminate the insufficiency.

(e) The authority under this subdivision to spend tax increments outside of the area of the district from which the tax increments were collected:

(1) may only be exercised after obtaining approval of the use of the increments, in writing, by the commissioner of revenue;

(2) is an exception to the restrictions under section 469.176, subdivision 4i, and the other provisions of this section, and the percentage restrictions under subdivision 2 must be calculated after deducting increments spent under this subdivision from the total increments for the district; and

(3) applies notwithstanding the provisions of the Tax Increment Financing Act in effect for districts for which the request for certification was made before June 30, 1982, or any other law to the contrary.

(f) If a preexisting obligation requires the development authority to pay an amount that is limited to the increment from the district or a specific development within the district and if the obligation requires paying a higher amount to the extent that increments are available, the municipality may determine that the amount due under the preexisting obligation equals the higher amount and may authorize the transfer of increments under this subdivision to pay up to the higher amount. The authority to transfer increments under this paragraph may only be used to the extent that the payment of all other preexisting obligations in the municipality due during the calendar year have been satisfied.

[EFFECTIVE DATE.] This section is effective retroactively to January 2, 2002, and thereafter.

ARTICLE 10

DEPARTMENT OF REVENUE TECHNICAL PROVISIONS

Section 1. Minnesota Statutes 2001 Supplement, 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 shall 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' 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, plus the payment amounts received under section 2971.05, subdivision 8, since the last aid apportionment, and reduced by the amount required to pay the costs and expenses of the state auditor for audits or exams of police relief associations. 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 after subtracting the amount required to pay the state auditor's cost and expenses of the audits or exams of the police relief associations.

(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) The amount for apportionment in respect to peace officer state aid under paragraph (b) must be further reduced by \$1,779,000 in fiscal year 1999, \$2,077,000 in fiscal year 2000, and \$2,404,000 in fiscal year 2001. These reductions in this paragraph cancel to the general fund.

(e) In addition to the amount for apportionment of police state aid under paragraph (b) is annually increased by an amount equal to the revenues under the tax on automobile risk self-insurance under Minnesota Statutes 2000, section 297L.05, subdivision 8, that were collected in fiscal year 2001, each year \$100,000 shall 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 beginning with fiscal year 2003.

Sec. 2. Minnesota Statutes 2001 Supplement, section 126C.17, subdivision 7a, is amended to read:

Subd. 7a. [REFERENDUM TAX BASE REPLACEMENT AID.] For each school district that had a referendum allowance for fiscal year 2002 exceeding \$415, for each separately authorized referendum levy, the commissioner of revenue, in consultation with the commissioner of children, families, and learning, shall certify the amount of the referendum levy in taxes payable year 2001 attributable to the portion of the referendum allowance exceeding \$415 levied against property classified as class 2, noncommercial 4c(1), or 4c(4), under section 273.13, excluding the portion of the tax paid by the portion of class 2a property consisting of the house, garage, and surrounding one acre of land. The resulting amount must be used to reduce the district's referendum levy amount otherwise determined, and must be paid to the district each year that the referendum authority remains in effect. The aid payable under this subdivision must be subtracted from the district's referendum equalization aid under subdivision 7. The referendum equalization aid after the subtraction must not be less than zero.

For the purposes of this subdivision, the referendum levy with the latest year of expiration is assumed to be at the highest level of equalization, and the referendum levy with the earliest year of expiration is assumed to be at the lowest level of equalization.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2002 and thereafter.

Sec. 3. Minnesota Statutes 2001 Supplement, section 270.69, subdivision 2, is amended to read:

Subd. 2. [FILING OF LIENS NECESSARY FOR ENFORCEABILITY AGAINST CERTAIN PERSONS; METHODS OF FILING; FEES.] (a) The lien imposed by subdivision 1 is not enforceable against any purchaser, mortgagee, pledgee, holder of a Uniform Commercial Code security interest, mechanic's lienor, or judgment lien creditor whose interest has been duly perfected or is a conveyance or interest entitled to protection against judgments and attachments under section 507.34 or under any other applicable provisions of state law, until a notice of lien has been filed by the commissioner of revenue in the office of the county recorder of the county in which real property is situated, or in the case of personal property belonging to an individual who is not a resident of this state or to a corporation, partnership, or other organization, in the office of the secretary of state, or in the case of personal property belonging to a resident individual, in the office of the county recorder of the county of residence of the individual.

(b)(1) Notices of liens, and lien releases, transcriptions, and renewals, in a form prescribed by the commissioner of revenue, may be filed with the county recorder or the secretary of state by mail, personal delivery, or by electronic transmission by the commissioner or a delegate into the computerized filing system of the secretary of state. The secretary of state shall transmit the notice electronically to the office of the county recorder, if that is the place of filing, in the county or counties shown on the computer entry. The filing officer, whether the county recorder or the secretary of state, shall endorse and index a printout of the notice in the same manner as if the notice had been mailed or delivered.

(2) County recorders and the secretary of state shall enter information relative to lien notices, transcriptions, renewals, and releases filed in their offices into the central database of the secretary of state. For notices filed electronically with the county recorders, the date and time of receipt of the notice and county recorder's file number, and for notices filed electronically with the secretary of state, the secretary of state's recording information, must be entered by the filing officer into the central database before the close of the working day following the day of the original data entry by the department of revenue.

The filing and indexing of all notices must be in accordance with the filing and indexing of notices of federal liens, certificates of release, and refiled notices under section 272.483.

(c) Notwithstanding any other law to the contrary, the department of revenue is exempt from payment of fees when a lien, lien renewal, or lien transcription is offered for recording. The recording fees must be paid along with the release fee at the end of the month in which the release of lien is recorded, after receipt of a monthly statement from a county recorder or the secretary of state. The department of revenue shall add the recording fees to the delinquent tax liability of the taxpayer. Notwithstanding any other law to the contrary, the fee for filing or recording a notice of lien, or lien release, transcription, or renewal is \$15.

(d) There is appropriated to the commissioner of revenue an amount representing the cost of payment of recording fees to the county recorders and the secretary of state. The commissioner shall keep a separate accounting of the costs and of payments for recording fees remitted by taxpayers, and make the records available to the legislature upon request.

[EFFECTIVE DATE.] As to the protection of interests in property of third parties, this section is effective for liens of record and enforceable as of the day following final enactment, and for liens filed thereafter. As to the place of filing of liens against personal property, this section is effective for liens filed on or after the day following final enactment.

Sec. 4. Minnesota Statutes 2000, section 272.02, subdivision 15, is amended to read:

Subd. 15. [PROPERTY USED TO GENERATE HYDROELECTRIC OR HYDROMECHANICAL POWER.] ~~To the extent provided by section 295.44~~ Notwithstanding the provisions of subdivision 39, and sections 272.01, subdivision 2, and 273.19, subdivision 1, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power on a site owned by the federal government, the state, or a local governmental unit ~~which is and~~ developed and operated pursuant to ~~the provisions of~~ section 103G.535 is exempt ~~from property tax for all years during which the site is developed and operated under the terms of a lease or agreement authorized by section 103G.535.~~

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

Sec. 5. Minnesota Statutes 2001 Supplement, section 273.121, is amended to read:

273.121 [VALUATION OF REAL PROPERTY, NOTICE.]

Any county assessor or city assessor having the powers of a county assessor, valuing or classifying taxable real property shall in each year notify those persons whose property is to be included on the assessment roll that year if the person's address is known to the assessor, otherwise the occupant of the property. The notice shall be in writing and shall be sent by ordinary mail at least ten days before the meeting of the local board of appeal and equalization under section 274.01 or the review process established under section 274.13, subdivision 1c. It shall contain: (1) the market value for the current and prior assessment, (2) the limited market value under section 273.11, subdivision 1a, for the current and prior assessment, (3) the qualifying amount of any improvements under section 273.11, subdivision 16, for the current assessment, (4) the market value subject to taxation after subtracting the amount of any qualifying improvements for the current assessment, (5) the classification of the property for the current and prior assessment, (6) a note that if the property is homestead and at least ~~35~~ 45 years old, improvements made to the property may be eligible for a valuation exclusion under section 273.11, subdivision 16, (7) the assessor's office address, and (8) the dates, places, and times set for the meetings of the local board of appeal and equalization, the review process established under section 274.13, subdivision 1c, and the county board of appeal and equalization. The commissioner of revenue shall specify the form of the notice. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any assessor who is not provided sufficient funds from the assessor's governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and, if satisfied that the assessor does not have the necessary funds, issue a certification to the commissioner of finance of the amount

necessary to provide such notices. The commissioner of finance shall issue a warrant for such amount and shall deduct such amount from any state payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

[EFFECTIVE DATE.] This section is effective for notices required to be mailed in 2002 and thereafter.

Sec. 6. Minnesota Statutes 2001 Supplement, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Commercial and industrial property and utility real and personal property is class 3a.

(1) Except as otherwise provided, each parcel of commercial, industrial, or utility real property has a class rate of 1.5 percent of the first tier of market value, and 2.0 percent of the remaining market value. In the case of contiguous parcels of property owned by the same person or entity, only the value equal to the first-tier value of the contiguous parcels qualifies for the reduced class rate, except that contiguous parcels owned by the same person or entity shall be eligible for the first-tier value class rate on each separate business operated by the owner of the property, provided the business is housed in a separate structure. For the purposes of this subdivision, the first tier means the first \$150,000 of market value. Real property owned in fee by a utility for transmission line right-of-way shall be classified at the class rate for the higher tier.

For purposes of this subdivision, parcels are considered to be contiguous even if they are separated from each other by a road, street, waterway, or other similar intervening type of property. Connections between parcels that consist of power lines or pipelines do not cause the parcels to be contiguous. Property owners who have contiguous parcels of property that constitute separate businesses that may qualify for the first-tier class rate shall notify the assessor by July 1, for treatment beginning in the following taxes payable year.

(2) ~~All railroad operating property~~ and All personal property that is: (i) part of an electric generation, transmission, or distribution system; or (ii) part of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; and (iii) not described in clause (3), and all railroad operating property has a class rate as provided under clause (1) for the first tier of market value and the remaining market value. In the case of multiple parcels in one county that are owned by one person or entity, only one first tier amount is eligible for the reduced rate.

(3) The entire market value of personal property that is: (i) tools, implements, and machinery of an electric generation, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) the mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, has a class rate as provided under clause (1) for the remaining market value in excess of the first tier.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b. The class rates for class 3b property are determined under paragraph (a).

[EFFECTIVE DATE.] This section is effective for taxes payable in 2002 and thereafter.

Sec. 7. Minnesota Statutes 2001 Supplement, section 273.1392, is amended to read:

273.1392 [PAYMENT; SCHOOL DISTRICTS.]

The amounts of conservation tax credits under section 273.119; disaster or emergency reimbursement under section 273.123; attached machinery aid under section 273.138; homestead and agricultural credits under section 273.1384; aids and credits under section 273.1398; wetlands reimbursement under section 275.295; enterprise zone property credit payments under section 469.171; and metropolitan agricultural preserve reduction under section 473H.10 for school districts, shall be certified to the department of children, families, and learning by the department of revenue. The amounts so certified shall be paid according to section 127A.45, subdivisions 9 and 13.

[EFFECTIVE DATE.] This section is effective for aids and credits payable in 2002 and thereafter.

Sec. 8. Minnesota Statutes 2001 Supplement, section 273.1398, subdivision 4c, is amended to read:

Subd. 4c. [TEMPORARY AID; COURT ADMINISTRATION COSTS.] For calendar years 2004 and 2005, each county in a judicial district that has not been transferred to the state by January 1 of that year shall receive additional homestead and agricultural credit aid. This amount is in addition to the amount calculated under subdivision 2 and must not be included in the definition of homestead and agricultural credit base under subdivision 1, paragraph (j). The amount of additional aid is equal to the difference between (1) the amount budgeted for court administration costs in 2001 as determined under subdivision 4b, paragraph ~~(c)~~ (b), multiplied by the maintenance of effort percent for the calendar year as determined under subdivision 4b, paragraph ~~(d)~~ (a), and (2) the amount calculated under subdivision 4b, paragraph (a), for calendar year 2003. This additional aid must be used only to fund court administration expenditures as defined in section 480.183, subdivision 3. This amount must be added to the state court's base budget in the year when the court in that judicial district in which the county is located is transferred to the state.

[EFFECTIVE DATE.] This section is effective retroactively to July 1, 2001, and thereafter.

Sec. 9. Minnesota Statutes 2001 Supplement, section 275.74, subdivision 2, is amended to read:

Subd. 2. [AUTHORIZATION FOR SPECIAL LEVIES.] A local governmental unit may request authorization to levy for unreimbursed costs for ~~other~~ natural disasters under section 275.70, subdivision 5, clause ~~(6)~~ (7). The local governmental unit shall submit a request to levy under section 275.70, subdivision 5, clause ~~(6)~~ (7), to the commissioner of revenue by September 30 of the levy year and the request must include information documenting the estimated unreimbursed costs. The commissioner of revenue may grant levy authority, up to the amount requested based on the documentation submitted. All decisions of the commissioner are final.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2002 and 2003.

Sec. 10. Minnesota Statutes 2001 Supplement, section 289A.60, subdivision 2, is amended to read:

Subd. 2. [PENALTY FOR FAILURE TO MAKE AND FILE RETURN.] If a taxpayer fails to make and file a tax return within the time prescribed, including an extension, or fails to file an individual income tax return within six months after the due date, a penalty of five percent of the amount of tax not paid by the end of that period is added to the tax.

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

Sec. 11. Minnesota Statutes 2000, section 290.067, subdivision 2a, is amended to read:

Subd. 2a. [INCOME.] (a) For purposes of this section, "income" means the sum of the following:

(1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code; and

(2) the sum of the following amounts to the extent not included in clause (1):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, supplemental security income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump sum distribution under section 402(e)(3) of the Internal Revenue Code;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code; and

(xii) nontaxable scholarship or fellowship grants.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" means federal adjusted gross income reflected in the fiscal year ending in the next calendar year. Federal adjusted gross income may not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(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 that were exclusively funded by the claimant or spouse if the funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) surplus food or other relief in kind supplied by a governmental agency;

(4) relief granted under chapter 290A; ~~and~~

(5) child support payments received under a temporary or final decree of dissolution or legal separation; and

(6) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law Number 107-16.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2000.

Sec. 12. Minnesota Statutes 2001 Supplement, section 290.0675, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section the following terms have the meanings given.

(b) "Earned income" means the sum of the following, to the extent included in Minnesota taxable income:

(1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;

(2) income received from a retirement pension, profit-sharing, stock bonus, or annuity plan; and

(3) social security benefits as defined in section 86(d)(1) of the Internal Revenue Code.

(c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

(d) "Earned income of lesser-earning spouse" means the earned income of the spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable year minus the sum of (i) the amount for one exemption under section 151(d) of the Internal Revenue Code and (ii) one-half the amount of the standard deduction under section 63(c)(2)(A) and (4) of the Internal Revenue Code.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2000.

Sec. 13. Minnesota Statutes 2001 Supplement, section 290.0675, subdivision 3, is amended to read:

Subd. 3. [CREDIT AMOUNT.] The credit amount is the difference between the tax on the couple's joint Minnesota taxable income under the rates in section 290.06, subdivision 2c, paragraph (a), and the sum of the tax under the rates of section 290.06, subdivision 2c, paragraph (b), on the earned income of the lesser-earning spouse, and the tax under the rates of section 290.06, subdivision 2c, paragraph (b), on the couple's joint Minnesota taxable income, minus the earned income of the lesser-earning spouse.

~~For taxable years beginning after December 31, 2001, The commissioner of revenue shall prepare and make available to taxpayers a comprehensive table showing the credit under this section at brackets of earnings of the lesser-earning spouse and joint taxable income. The brackets of earnings shall not be more than \$2,000.~~

~~For taxable years beginning after December 31, 2002, the commissioner shall update the table as necessary to provide a credit that reflects the relationship between the marginal tax rates imposed under section 290.06; subdivision 2c.~~

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2000.

Sec. 14. Minnesota Statutes 2001 Supplement, section 290.0921, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given them.

(b) "Alternative minimum taxable net income" is alternative minimum taxable income,

(1) less the exemption amount, and

(2) apportioned or allocated to Minnesota under section 290.17, 290.191, or 290.20.

(c) The "exemption amount" is \$40,000, reduced, but not below zero, by 25 percent of the excess of alternative minimum taxable income over \$150,000.

(d) "Minnesota alternative minimum taxable income" is alternative minimum taxable net income, less the deductions for alternative tax net operating loss under subdivision 4; ~~charitable contributions under subdivision 5;~~ and dividends received under subdivision 6. The sum of the deductions under this paragraph may not exceed 90 percent of alternative minimum taxable net income. This limitation does not apply to a deduction for dividends paid to or received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2001.

Sec. 15. Minnesota Statutes 2000, 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), (a)(3), and (a)(4), 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 Number 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.

(4) Wages, otherwise assigned to this state under clause (1) and not qualifying under clause (3), are not taxable under this chapter if the following conditions are met:

(i) the recipient was not a resident of this state for any part of the taxable year in which the wages were received; and

(ii) the wages are for work performed while the recipient was a resident of this state.

(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 goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was assignable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on ~~Minnesota pari-mutuel betting tickets, the Minnesota state lottery, and lawful gambling as defined in section 349.12, subdivision 24, conducted within the boundaries of the state of Minnesota shall be assigned to this state~~ 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 for tax years beginning after December 31, 2001.

Sec. 16. Minnesota Statutes 2000, section 290.17, subdivision 3, is amended to read:

Subd. 3. [TRADE OR BUSINESS INCOME; GENERAL RULE.] All income of a trade or business is subject to apportionment except nonbusiness income. Income derived from carrying on a trade or business must be assigned to this state if the trade or business is conducted wholly within this state, assigned outside this state if conducted wholly without this state and apportioned between this state and other states and countries under this subdivision if conducted partly within and partly without this state. For purposes of determining whether a trade or business is carried on exclusively within or without this state:

(a) A trade or business physically located exclusively within this state is nevertheless carried on partly within and partly without this state if any of the principles set forth in section 290.191 for the allocation of sales or receipts within or without this state when applied to the taxpayer's situation result in the allocation of any sales or receipts without this state.

(b) A trade or business physically located exclusively without this state is nevertheless carried on partly within and partly without this state if any of the principles set forth in section 290.191 for the allocation of sales or receipts within or without this state when applied to the taxpayer's situation result in the allocation of any sales or receipts ~~without~~ within this state. The jurisdiction to tax such a business under this chapter must be determined in accordance with sections 290.014 and 290.015.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2001.

Sec. 17. Minnesota Statutes 2000, section 290A.03, subdivision 3, is amended to read:

Subd. 3. [INCOME.] (1) "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code; and

(b) the sum of the following amounts to the extent not included in clause (a):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, supplemental security income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump sum distribution under section 402(e)(3) of the Internal Revenue Code;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code; and

(xii) nontaxable scholarship or fellowship grants.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(2) "Income" does not include:

(a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(b) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(c) surplus food or other relief in kind supplied by a governmental agency;

(d) relief granted under this chapter;

(e) child support payments received under a temporary or final decree of dissolution or legal separation; or

(f) ~~holocaust settlement payments as defined in section 290.01, subdivision 32~~ 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 Number 107-16.

(3) The sum of the following amounts may be subtracted from income:

(a) for the claimant's first dependent, the exemption amount multiplied by 1.4;

(b) for the claimant's second dependent, the exemption amount multiplied by 1.3;

(c) for the claimant's third dependent, the exemption amount multiplied by 1.2;

(d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

(e) for the claimant's fifth dependent, the exemption amount; and

(f) if the claimant or claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported.

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

Sec. 18. Minnesota Statutes 2001 Supplement, section 290A.04, subdivision 2h, is amended to read:

Subd. 2h. [ADDITIONAL REFUND.] (a) ~~Beginning with gross property taxes payable in 2003,~~ If the gross property taxes payable on a homestead increase more than 12 percent over the property taxes payable in the prior year on the same property that is owned and occupied by the same owner on January 2 of both years, and the amount of that increase is \$100 or more, a claimant who is a homeowner shall be allowed an additional refund equal to 60 percent of the amount of the increase over the greater of 12 percent of the prior year's property taxes payable or \$100. This subdivision shall not apply to any increase in the gross property taxes payable attributable to improvements made to the homestead after the assessment date for the prior year's taxes. This subdivision shall not apply to any increase in the gross property taxes payable attributable to the termination of valuation exclusions under section 273.11, subdivision 16.

The maximum refund allowed under this subdivision is \$1,000.

(b) For purposes of this subdivision "gross property taxes payable" means property taxes payable determined without regard to the refund allowed under this subdivision.

(c) In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the property tax refund return a copy of the property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

(d) Upon request, the appropriate county official shall make available the names and addresses of the property taxpayers who may be eligible for the additional property tax refund under this section. The information shall be provided on a magnetic computer disk. The county may recover its costs by charging the person requesting the information the reasonable cost for preparing the data. The information may not be used for any purpose other than for notifying the homeowner of potential eligibility and assisting the homeowner, without charge, in preparing a refund claim.

[EFFECTIVE DATE.] This section is effective beginning with refunds based on gross property taxes payable in 2002.

Sec. 19. Minnesota Statutes 2001 Supplement, section 295.60, is amended by adding a subdivision to read:

Subd. 1a. [USE TAX; CREDIT FOR TAXES PAID.] (a) A person that receives fur clothing for use or storage in Minnesota, other than from a furrier that paid the tax under subdivision 1, is subject to tax at the rate imposed under subdivision 1. Liability for the tax is incurred when the person has possession of the fur clothing in Minnesota. The tax must be remitted to the commissioner in the manner prescribed by subdivision 3.

(b) A person that has paid taxes to another jurisdiction on the same transaction and is subject to tax under this section is entitled to a credit for the tax legally due and paid to another jurisdiction to the extent of the lesser of (1) the tax actually paid to the other jurisdiction, or (2) the amount of tax imposed by Minnesota on the transaction subject to tax in the other jurisdiction.

[EFFECTIVE DATE.] This section is effective for fur clothing purchased and brought into Minnesota on or after January 1, 2002.

Sec. 20. Minnesota Statutes 2001 Supplement, section 295.60, is amended by adding a subdivision to read:

Subd. 1b. [TAX COLLECTION REQUIRED.] A furrier with nexus in Minnesota, who is not subject to tax under subdivision 1, is required to collect the tax imposed under subdivision 1a from the purchaser of the clothing made from fur and give the purchaser a receipt for the tax paid. The tax collected must be remitted to the commissioner in the manner prescribed by subdivision 3.

[EFFECTIVE DATE.] This section is effective for fur clothing purchased and brought into Minnesota on or after January 1, 2002.

Sec. 21. Minnesota Statutes 2001 Supplement, section 295.60, is amended by adding a subdivision to read:

Subd. 1c. [TAXES PAID TO ANOTHER JURISDICTION; CREDIT.] A furrier that has paid taxes to another jurisdiction measured by gross revenue and is subject to tax under this section on the same gross revenues is entitled to a credit for the tax legally due and paid to another jurisdiction to the extent of the lesser of (1) the tax actually paid to the other jurisdiction, or (2) the amount of tax imposed by Minnesota on the gross revenues subject to tax in the other taxing jurisdictions.

[EFFECTIVE DATE.] This section is effective for gross revenues received on or after January 1, 2002.

Sec. 22. Minnesota Statutes 2001 Supplement, section 295.60, subdivision 7, is amended to read:

Subd. 7. [APPLICATION OF OTHER CHAPTERS.] Unless specifically provided otherwise by this section, the enforcement, interest, and penalty provisions under chapter 294, appeal provisions in sections 289A.43 and 289A.65, criminal penalties in section 289A.63, and refunds provisions in section 289A.50 chapter 289A, civil penalty provisions applicable to withholding and sales taxes under section 289A.60, and collection and rulemaking provisions under chapter 270, apply to a liability for the taxes imposed under this section.

[EFFECTIVE DATE.] This section is effective January 1, 2002.

Sec. 23. Minnesota Statutes 2000, section 296A.18, subdivision 8, is amended to read:

Subd. 8. [~~AVIATION FUEL TAX STATE AIRPORTS FUND.~~] The revenues derived from the excise taxes on aviation gasoline and on special fuel received, sold, stored, or withdrawn from storage as substitutes for aviation gasoline, shall be paid into the state treasury and credited to the ~~aviation fuel tax state airports fund~~. There is hereby appropriated such sums as are needed to carry out the provisions of this subdivision.

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

Sec. 24. Minnesota Statutes 2001 Supplement, section 297A.70, subdivision 3, is amended to read:

Subd. 3. [SALES OF CERTAIN GOODS AND SERVICES TO GOVERNMENT.] (a) The following sales to or use by the specified governments and political subdivisions of the state are exempt:

(1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire apparatus to a political subdivision;

(2) machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10;

(3) chore and homemaking services to a political subdivision of the state to be provided to elderly or disabled individuals;

(4) telephone services to the department of administration that are used to provide telecommunications services through the intertechnologies revolving fund;

(5) firefighter personal protective equipment as defined in paragraph (b), if purchased or authorized by and for the use of an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision;

(6) bullet-resistant body armor that provides the wearer with ballistic and trauma protection, if purchased by a law enforcement agency of the state or a political subdivision of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

(7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(8) equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment; ~~and materials used to construct buildings to house the equipment, if the materials are purchased after June 30, 1998, and before July 1, 2001;~~ and

(9) sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of motor vehicles exempt from tax under section 297B.03, clause (10).

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

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

Sec. 25. Minnesota Statutes 2000, section 297I.05, subdivision 11, is amended to read:

Subd. 11. [RETALIATORY PROVISIONS.] (a) If any other state or country imposes any taxes, fines, deposits, penalties, licenses, or fees upon any insurance companies of this state and their agents doing business in another state or country that are in addition to or in excess of those imposed by the laws of this state upon foreign insurance companies and their agents doing business in this state, the same taxes, fines, deposits, penalties, licenses, and fees are imposed upon every similar insurance company of that state or country and their agents doing or applying to do business in this state.

(b) If any conditions precedent to the right to do business in any other state or country are imposed by the laws of that state or country, beyond those imposed upon foreign companies by the laws of this state, the same conditions precedent are imposed upon every similar insurance company of that state or country and their agents doing or applying to do business in that state.

(c) For purposes of this subdivision, "taxes, fines, deposits, penalties, licenses, or fees" means an amount of money that is deposited in the general revenue fund of the state or other similar fund in another state or country and is not dedicated to a special purpose or use or money deposited in the general revenue fund of the state or other similar fund in another state or country and appropriated to the commissioner of commerce or insurance for the operation of the department of commerce or other similar agency with jurisdiction over insurance. Taxes, fines, deposits, penalties, licenses, or fees do not include:

(1) special purpose obligations or assessments imposed in connection with particular kinds of insurance, including but not limited to assessments imposed in connection with residual market mechanisms; or

(2) assessments made by the insurance guaranty association, life and health guarantee association, or similar association.

(d) This subdivision applies to taxes imposed under subdivisions 1, 3, 4, 6, and 12, paragraph (a), clauses (1) and ~~(2)~~ (2).

(e) This subdivision does not apply to insurance companies organized or domiciled in a state or country, the laws of which do not impose retaliatory taxes, fines, deposits, penalties, licenses, or fees or which grant, on a reciprocal basis, exemptions from retaliatory taxes, fines, deposits, penalties, licenses, or fees to insurance companies domiciled in this state.

[EFFECTIVE DATE.] This section is effective retroactively to tax years beginning on or after January 1, 2001.

Sec. 26. Minnesota Statutes 2000, section 477A.011, subdivision 20, is amended to read:

Subd. 20. [CITY NET TAX CAPACITY.] "City net tax capacity" means (1) the net tax capacity computed using the net tax capacity rates in section 273.13 for taxes payable in the year of the aid distribution, and the market values for taxes payable in the year prior to the aid distribution plus (2) a city's fiscal disparities distribution tax capacity under section 276A.06, subdivision 2, paragraph (b), or 473F.08, subdivision 2, paragraph (b), for taxes payable in the year prior to that for which aids are being calculated. The market value utilized in computing city net tax capacity shall be reduced by the sum of (1) a city's market value of commercial industrial property as defined in section 276A.01, subdivision 3, or 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 276A.06, subdivision 2, paragraph (a), or 473F.08, subdivision 2, paragraph (a), (2) the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the market value of transmission lines deducted from a city's total net tax capacity under section 273.425. The city net tax capacity will be computed using equalized market values.

[EFFECTIVE DATE.] This section is effective for aid payable in 2002 and thereafter.

Sec. 27. Minnesota Statutes 2001 Supplement, section 477A.013, subdivision 9, is amended to read:

Subd. 9. [CITY AID DISTRIBUTION.] (a) In calendar year 2002 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, and (2) its city aid base.

(b) The percentage increase for a first class city in calendar year 1995 and thereafter, except for 2002, shall not exceed the percentage increase in the sum of the aid to all cities under this section in the current calendar year compared to the sum of the aid to all cities in the previous year. For aids payable in 2002 only, the amount of the aid paid to a first class city shall not exceed the sum of its aid amount for calendar year 2001 under this section and its aid payment in calendar year 2001 under section 273.1398, subdivision 2, by more than 2.5 percent.

(c) For aids payable in all years except 2002, the total aid for any city, except a first class city, shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid in the previous year ~~before any increases or decreases under sections 16A.711, subdivision 5, and 477A.0132~~. For aids payable in 2002 only, the total aid for any city, except a first class city, shall not exceed ~~40 percent~~ of the sum of (1) 40 percent of the city's net levy for taxes payable in the year prior to the aid distribution plus (2) 40 percent of its total aid in the previous year under section 273.1398, subdivision 2, ~~before any increases or decreases under sections 16A.711, subdivision 5, and 477A.0132~~ plus (3) its total aid in the previous year under this section.

[EFFECTIVE DATE.] This section is effective for aid payable in 2002 and thereafter.

Sec. 28. Minnesota Statutes 2001 Supplement, section 477A.07, subdivision 1, is amended to read:

Subdivision 1. [AID AMOUNT.] (a) For aid payable in 2003, each county and city is eligible for aid equal to the amount by which (i) 0.3 percent of the assessment year 2001 taxable market value of class 4a property, plus 0.25 percent of the assessment year 2001 market value of class 4b property, as defined in section 273.13, subdivision 25, multiplied by the jurisdiction's average tax rate for taxes payable in 2002, exceeds (ii) 0.4 percent of the jurisdiction's total taxable net tax capacity for taxes payable in 2002, ~~multiplied by the jurisdiction's average tax rate for taxes payable in 2002~~.

(b) For aid payable in 2004, each county and city is eligible for aid equal to the amount by which (i) 0.25 percent of the assessment year 2002 taxable market value of class 4a property, as defined in section 273.13, subdivision 25, multiplied by the jurisdiction's average tax rate for taxes payable in 2003, exceeds (ii) 0.4 percent of the jurisdiction's total taxable net tax capacity for taxes payable in 2003, ~~multiplied by the jurisdiction's average tax rate for taxes payable in 2003~~.

[EFFECTIVE DATE.] This section is effective for aid payable in 2003 and thereafter.

Sec. 29. Minnesota Statutes 2001 Supplement, section 477A.07, subdivision 3, is amended to read:

Subd. 3. [CITY AID.] Each city's 2003 aid amount determined under subdivision 1 must be permanently added to its city aid base under section 477A.011, subdivision 36, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is increased by the same amount for aid payable in 2003. Each city's 2004 aid amount determined under subdivision 1 must be permanently added to its city aid base under section 477A.011, subdivision 36, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is increased by the same amount for aid payable in 2004.

[EFFECTIVE DATE.] This section is effective for aids payable in calendar years 2003 and 2004.

Sec. 30. Laws 1993, chapter 375, article 5, section 42, is amended to read:

Sec. 42. [REPORT TO LEGISLATURE.]

By ~~February~~ March 1 of each year, the commissioner of revenue shall make a report to the legislature on the use of limited market value under section 273.13, subdivision 1a, and the valuation exclusion under section 273.13, subdivision 16. For the limited market value provision, the report shall include the total value excluded from taxation by type of property for each city and town. For the valuation exclusion provision, the report shall include the total market value excluded from taxation for each city and town, as well as a breakdown of the excluded improvement amounts by age and value of the property being improved and the amount of the qualifying improvement. The county assessors shall provide the information necessary for the commissioner to compile the report in a manner prescribed by the commissioner.

Sec. 31. Laws 2001, First Special Session chapter 5, article 9, section 3, the effective date, is amended to read:

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2001, except that the amendment to ~~clause~~ clauses (3) ~~is~~ and (12) are effective for tax years beginning after December 31, 2000.

Sec. 32. [REPEALER.]

(a) Minnesota Statutes 2000, sections 272.02, subdivision 40; 290.01, subdivisions 19g and 32; and 295.44, are repealed effective the day following final enactment.

(b) Minnesota Statutes 2000, section 290.0921, subdivision 5, is repealed effective for taxable years beginning after December 31, 2001.

(c) Minnesota Rules, parts 8130.1400; 8130.2100; 8130.2350; 8130.2600; 8130.3000; 8130.3850; and 8130.5000, are repealed effective the day following final enactment.

ARTICLE 11

LOCAL LAWS

Section 1. [CITY OF MOORHEAD; TAX LEVY AUTHORIZED.]

(a) Each year the city of Moorhead may impose a tax on all class 3a and class 3b property located in the city in an amount which the city determines is equal to the reduction in revenues from increment from all tax increment financing districts in the city resulting from the class rate changes and the elimination of the state-determined general education property levy under Laws 2001, First Special Session chapter 5. The proceeds of this tax may only be used to pay preexisting obligations as defined in Minnesota Statutes, section 469.1763, subdivision 6, whether general obligations or payable wholly from tax increments. The tax must be levied and collected in the same manner and as part of the property tax levied by the city and is subject to the same administrative, penalty, and enforcement provisions. A tax imposed under this section is a special levy and is not subject to levy limitations under Minnesota Statutes, section 275.71.

(b) This section expires December 31, 2005.

[EFFECTIVE DATE.] This section is effective upon approval by and compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the city of Moorhead.

Sec. 2. [ST. CLOUD AREA CITIES; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAX.] (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the following cities may, by ordinance, impose a sales and use tax of one-half of one percent for the purposes specified in subdivision 2:

(1) the city of St. Cloud, pursuant to the approval of the city voters at the general election held on November 7, 2000;

(2) the city of Sartell, pursuant to the approval of the city voters at an election held in November 1999; and

(3) each of the cities of Sauk Rapids, Waite Park, St. Joseph, and St. Augusta, pursuant to the approval of the voters of that city at the next general election following the date of final enactment of this act, as provided for in subdivision 3.

(b) The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

(c) The tax in Sartell must be used for the purposes listed in subdivision 2, notwithstanding other purposes listed in the referendum, and are not subject to the requirements of Minnesota Statutes, section 297A.99, subdivision 3.

Subd. 2. [USE OF REVENUES.] (a) Revenues received from the taxes authorized under subdivision 1 must be used for the cost of collecting and administering the taxes and to pay all or part of the capital or administrative costs of the acquisition, construction, and improvement of the main runway improvements to the St. Cloud Regional Airport, as provided for in the city of St. Cloud capital improvement program 2000 to 2005, adopted by the St. Cloud planning commission on July 14, 1999. Authorized expenses include, but are not limited to, acquiring property, paying construction expenses related to the development of these facilities, and securing and paying debt service on bonds or other obligations issued to finance construction or improvement of the authorized facility.

(b) If revenues collected from the taxes imposed under subdivision 1 are greater than the amount needed to meet obligations under paragraph (a) in any year, the surplus may be returned to the cities in a manner agreed upon by the participating cities under this section, to be used by the cities for projects of regional significance, limited to: the acquisition and improvement of park land and open space; the purchase, renovation, and construction of public buildings and land primarily used for the arts, libraries, and community centers; major roadway improvements; and for debt service on bonds issued for these purposes. Authorized expenses include, but are not limited to, acquiring property, paying construction expenses related to the development of these facilities, and securing and paying debt service on bonds or other obligations issued to finance construction or improvement of the authorized facility. The distribution of surplus revenues raised by the tax must be determined by an applicable joint powers agreement. The revenues returned to each city may only be used to fund projects that have been approved by voters at the referendum authorizing the tax.

(c) Pursuant to the approval of the St. Cloud voters at the general election held on November 7, 2000, the surplus returned to St. Cloud under paragraph (b) must be used for the following projects:

(1) intersection improvements to the 25th Avenue and trunk highway No. 23, I-94 interchange at county road 75, 10th Street South improvements, the West Metro corridor improvements, and other regionally significant road projects; and

(2) park and nature land purchase, trail development, and improvements and expansions of existing regional park facilities, as provided for in the city of St. Cloud capital improvement program 2000 to 2005, adopted by the St. Cloud planning commission on July 14, 1999.

(d) Pursuant to approval of the Sartell voters at the election held in November 1999, the surplus returned to the city of Sartell under paragraph (b) must be used to fund construction, expansion, and improvements to a community center and for park land acquisition and improvement.

Subd. 3. [SEPARATE REFERENDA REQUIRED.] Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, each city listed in subdivision 1, clause (3), shall have a separate vote on each project that it proposes to fund with the surplus tax revenues it receives under subdivision 2, paragraph (b). For these cities, the cost of each project to be funded by the taxes authorized in subdivision 1 must be listed. Revenue may be used to repay debt for a project that the city has already funded if the project meets one of the authorized uses listed in subdivision 2, paragraph (b), and the referenda states the maximum amount of debt that will be repaid from the revenue. The referendum must state that approval of using the tax authorized in subdivision 1 for any project shall also indicate approval to share the revenues collected from the tax with the other cities in the area which have also passed a sales tax. The sharing must be done in a manner agreed upon by all affected cities under a joint powers agreement.

Subd. 4. [IMPOSITION AND TERMINATION OF TAX.] The tax authorized by each city under subdivision 1 shall be imposed beginning January 1, 2003, and shall expire December 31, 2005.

[EFFECTIVE DATE.] This section is effective July 1, 2002, with respect to any city listed in subdivision 1, upon compliance of the governing body of that city with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 12

MISCELLANEOUS

Section 1. Minnesota Statutes 2000, section 16A.152, is amended by adding a subdivision to read:

Subd. 1b. [BUDGET RESERVE INCREASE.] On June 30, 2003, the commissioner of finance shall transfer \$3,900,000 to the budget reserve account in the general fund. On June 30, 2004, the commissioner of finance shall transfer \$12,300,000 to the budget reserve account in the general fund. On June 30, 2005, the commissioner of finance shall transfer \$12,000,000 to the budget reserve account in the general fund. The amounts necessary for this purpose are appropriated from the general fund.

Sec. 2. Minnesota Statutes 2000, section 40A.151, subdivision 1, is amended to read:

Subdivision 1. [ESTABLISHMENT.] The Minnesota conservation fund is established as an account in the state treasury. Money from counties under section 40A.152 must be deposited in the state treasury and credited one-half to the Minnesota conservation fund account and one-half to the general fund.

[EFFECTIVE DATE.] This section is effective for money from counties deposited in the state treasury after June 30, 2002.

Sec. 3. Minnesota Statutes 2000, section 40A.152, subdivision 1, is amended to read:

Subdivision 1. [FEE.] A county that is a metropolitan county under section 473.121, subdivision 4, has allowed exclusive agricultural zones to be created under this chapter, or has elected to become an agricultural land preservation pilot county, shall impose an additional fee of \$5 per transaction on the recording or registration of a mortgage subject to the tax under section 287.05 and an additional \$5 on the recording or registration of a deed subject to the tax under section 287.21. One-half of the fee must be deposited in a special conservation account to be created in the county general revenue fund and one-half must be transferred to the commissioner of revenue for deposit in the state treasury ~~and credited to the Minnesota conservation fund pursuant to section 40A.151, subdivision 1.~~

[EFFECTIVE DATE.] This section is effective July 1, 2002, and thereafter.

Sec. 4. Minnesota Statutes 2000, section 40A.152, subdivision 3, is amended to read:

Subd. 3. [TRANSFER TO STATE FUND.] Money in the county conservation account that is not encumbered by the county within one year of deposit in the account must be transferred to the commissioner of revenue for deposit in the ~~Minnesota conservation fund~~ state treasury pursuant to section 40A.151, subdivision 1.

Sec. 5. Minnesota Statutes 2000, section 270B.01, subdivision 8, is amended to read:

Subd. 8. [MINNESOTA TAX LAWS.] For purposes of this chapter only, unless expressly stated otherwise, "Minnesota tax laws" means the taxes, refunds, and fees administered by or paid to the commissioner under chapters 115B (except taxes imposed under sections 115B.21 to 115B.24), 289A (except taxes imposed under sections 298.01, 298.015, and 298.24), 290, 290A, 291, 295, 297A, and 297H ~~and sections 295.50 to 295.59~~, or any similar Indian tribal tax administered by the commissioner pursuant to any tax agreement between the state and the Indian tribal government, and includes any laws for the assessment, collection, and enforcement of those taxes, refunds, and fees.

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

Sec. 6. Minnesota Statutes 2001 Supplement, section 270B.02, subdivision 3, is amended to read:

Subd. 3. [CONFIDENTIAL DATA ON INDIVIDUALS; PROTECTED NONPUBLIC DATA.] (a) Except as provided in paragraph (b), the name or existence of an informer, informer letters, and other data, in whatever form, given to the department of revenue by a person, other than the data subject, who informs that a specific taxpayer person is not or may not be in compliance with tax laws, or nontax laws administered by the department of revenue, including laws other than those relating to property taxes not listed in section 270B.01, subdivision 8, are confidential data on individuals or protected nonpublic data as defined in section 13.02, subdivisions 3 and 13.

(b) Data under paragraph (a) may be disclosed with the consent of the informer or upon a written finding by a court that the information provided by the informer was false and that there is evidence that the information was provided in bad faith. This subdivision does not alter disclosure responsibilities or obligations under the rules of criminal procedure.

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

Sec. 7. Minnesota Statutes 2000, section 270B.02, subdivision 4, is amended to read:

Subd. 4. [PUBLIC DATA.] Information required to be filed by exempt individuals, corporations, organizations, estates, and trusts under section 290.05, subdivisions 1 and 4, or that relates to exempt status under section 290.05, subdivision 2, is public data on individuals or public data not on individuals, as defined in section 13.02, subdivisions 14 and 15. The commissioner may publish a list of organizations exempt from taxation under section 290.05, except that the name or address of any contributor to any organization that is or was exempt, or that has applied for tax exempt status, or any other information that could not be disclosed under section 6104 of the Internal Revenue Code of 1986, as amended through December 31, 1988, is classified as private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12.

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

Sec. 8. Minnesota Statutes 2001 Supplement, section 270B.08, subdivision 2, is amended to read:

Subd. 2. [REVOCATION.] When a taxpayer's sales tax permit has been revoked under section 297A.86, the commissioner may disclose data identifying the holder of the revoked permit ~~and~~, stating the basis for the revocation, and stating whether the permit has been reinstated.

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

Sec. 9. Minnesota Statutes 2000, section 270B.14, subdivision 8, is amended to read:

Subd. 8. [EXCHANGE BETWEEN DEPARTMENTS OF LABOR AND INDUSTRY AND REVENUE.] The departments of labor and industry and revenue may exchange information as follows:

- (1) data used in determining whether a business is an employer or a contracting agent;
- (2) taxpayer identity information relating to employers and employees for purposes of supporting tax administration and ~~chapter~~ chapters 176, 177, and 181; and
- (3) data to the extent provided in and for the purpose set out in section 176.181, subdivision 8.

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

Sec. 10. Minnesota Statutes 2000, 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, ~~in instances in which a federal estate tax return is required to be filed~~ if the federal

gross estate exceeds \$700,000 for estates of decedents dying after December 31, 2001, and before January 1, 2004; \$850,000 for estates of decedents dying after December 31, 2003, and before January 1, 2005; \$950,000 for estates of decedents dying after December 31, 2004, and before January 1, 2006; and \$1,000,000 for estates of decedents dying after December 31, 2005.

The return must contain a computation of the Minnesota estate tax due. The return must be signed by the personal representative.

[EFFECTIVE DATE.] This section is effective for estates of decedents dying after December 31, 2001.

Sec. 11. Minnesota Statutes 2001 Supplement, section 291.005, subdivision 1, is amended to read:

Subdivision 1. Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Federal gross estate" means the gross estate of a decedent as valued and otherwise determined for federal estate tax purposes by federal taxing authorities pursuant to the provisions of the Internal Revenue Code.

(2) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota and pensions exempt from tax under this chapter pursuant to section 352.15, subdivision 1; 353.15, subdivision 1; 354.10, subdivision 1; 354B.30; or 354C.165, and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(3) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(4) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

(7) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through December 31, 2000.

[EFFECTIVE DATE.] This section is effective for estates of decedents dying after December 31, 2001.

Sec. 12. Minnesota Statutes 2000, section 291.03, subdivision 1, is amended to read:

Subdivision 1. [TAX AMOUNT.] The tax imposed shall be an amount equal to the proportion of the maximum credit ~~allowable~~ computed under section 2011 of the Internal Revenue Code for state death taxes as the Minnesota gross estate bears to the value of the federal gross estate. For a resident decedent, the tax shall be the maximum credit ~~allowable~~ computed under section 2011 of the Internal Revenue Code reduced by the amount of the death tax paid the other state and credited against the federal estate tax if this results in a larger amount of tax than the

proportionate amount of the credit. The tax determined under this paragraph shall not be greater than the ~~maximum credit allowable under section 2011 of the Internal Revenue Code~~ federal estate tax computed under section 2001 of the Internal Revenue Code after the allowance of the federal credits allowed under sections 2010, 2012, 2013, and 2015 of the Internal Revenue Code of 1986, as amended through December 31, 2000.

[EFFECTIVE DATE.] This section is effective for estates of decedents dying after December 31, 2001.

Sec. 13. Minnesota Statutes 2000, section 297H.06, subdivision 2, is amended to read:

Subd. 2. [MATERIALS.] The tax is not imposed upon charges to generators of mixed municipal solid waste or upon the volume of non-mixed-municipal solid waste for waste management services to manage the following materials:

- (1) mixed municipal solid waste and non-mixed-municipal solid waste generated outside of Minnesota;
- (2) recyclable materials that are separated for recycling by the generator, collected separately from other waste, and recycled, to the extent the price of the service for handling recyclable material is separately itemized;
- (3) recyclable non-mixed-municipal solid waste that is separated for recycling by the generator, collected separately from other waste, delivered to a waste facility for the purpose of recycling, and recycled;
- (4) industrial waste, when it is transported to a facility owned and operated by the same person that generated it;
- (5) mixed municipal solid waste from a recycling facility that separates or processes recyclable materials and reduces the volume of the waste by at least 85 percent, provided that the exempted waste is managed separately from other waste;
- (6) recyclable materials that are separated from mixed municipal solid waste by the generator, collected and delivered to a waste facility that recycles at least 85 percent of its waste, and are collected with mixed municipal solid waste that is segregated in leakproof bags, provided that the mixed municipal solid waste does not exceed five percent of the total weight of the materials delivered to the facility and is ultimately delivered to a waste facility identified as a preferred waste management facility in county solid waste plans under section 115A.46;
- (7) ~~through December 31, 2002;~~ source-separated compostable waste, if the waste is delivered to a facility exempted as described in this clause. To initially qualify for an exemption, a facility must apply for an exemption in its application for a new or amended solid waste permit to the pollution control agency. The first time a facility applies to the agency it must certify in its application that it will comply with the criteria in items (i) to (v) and the commissioner of the agency shall so certify to the commissioner of revenue who must grant the exemption. For each subsequent calendar year, by October 1 of the preceding year, the facility must apply to the agency for certification to renew its exemption for the following year. The application must be filed according to the procedures of, and contain the information required by, the agency. The commissioner of revenue shall grant the exemption if the commissioner of the pollution control agency finds and certifies to the commissioner of revenue that based on an evaluation of the composition of incoming waste and residuals and the quality and use of the product:
 - (i) generators separate materials at the source;
 - (ii) the separation is performed in a manner appropriate to the technology specific to the facility that:
 - (A) maximizes the quality of the product;
 - (B) minimizes the toxicity and quantity of residuals; and
 - (C) provides an opportunity for significant improvement in the environmental efficiency of the operation;

(iii) the operator of the facility educates generators, in coordination with each county using the facility, about separating the waste to maximize the quality of the waste stream for technology specific to the facility;

(iv) process residuals do not exceed 15 percent of the weight of the total material delivered to the facility; and

(v) the final product is accepted for use;

(8) waste and waste by-products for which the tax has been paid; and

(9) daily cover for landfills that has been approved in writing by the Minnesota pollution control agency.

Sec. 14. Minnesota Statutes 2001 Supplement, section 349.12, subdivision 25, is amended to read:

Subd. 25. [LAWFUL PURPOSE.] (a) "Lawful purpose" means one or more of the following:

(1) any expenditure by or contribution to a 501(c)(3) or festival organization, as defined in subdivision 15a, provided that the organization and expenditure or contribution are in conformity with standards prescribed by the board under section 349.154, which standards must apply to both types of organizations in the same manner and to the same extent;

(2) a contribution to an individual or family suffering from poverty, homelessness, or physical or mental disability, which is used to relieve the effects of that poverty, homelessness, or disability;

(3) a contribution to an individual for treatment for delayed posttraumatic stress syndrome or a contribution to a program recognized by the Minnesota department of human services for the education, prevention, or treatment of compulsive gambling;

(4) a contribution to or expenditure on a public or private nonprofit educational institution registered with or accredited by this state or any other state;

(5) a contribution to a scholarship fund for defraying the cost of education to individuals where the funds are awarded through an open and fair selection process;

(6) activities by an organization or a government entity which recognize humanitarian or military service to the United States, the state of Minnesota, or a community, subject to rules of the board, provided that the rules must not include mileage reimbursements in the computation of the per occasion reimbursement limit and must impose no aggregate annual limit on the amount of reasonable and necessary expenditures made to support:

(i) members of a military marching or color guard unit for activities conducted within the state;

(ii) members of an organization solely for services performed by the members at funeral services; or

(iii) members of military marching, color guard, or honor guard units may be reimbursed for participating in color guard, honor guard, or marching unit events within the state or states contiguous to Minnesota at a per participant rate of up to \$35 per occasion;

(7) recreational, community, and athletic facilities and activities intended primarily for persons under age 21, provided that such facilities and activities do not discriminate on the basis of gender and the organization complies with section 349.154;

(8) payment of local taxes authorized under this chapter, taxes imposed by the United States on receipts from lawful gambling, the taxes imposed by section 297E.02, subdivisions 1, 4, 5, and 6, and the tax imposed on unrelated business income by section 290.05, subdivision 3;

(9) payment of real estate taxes and assessments on permitted gambling premises wholly owned by the licensed organization paying the taxes, or wholly leased by a licensed veterans organization under a national charter organized under section 501(c)(19) of the Internal Revenue Code, not to exceed:

(i) for premises used for bingo, the amount that an organization may expend under board rules on rent for bingo; and

(ii) \$35,000 per year for premises used for other forms of lawful gambling;

(10) a contribution to the United States, this state or any of its political subdivisions, or any agency or instrumentality thereof other than a direct contribution to a law enforcement or prosecutorial agency;

(11) a contribution to or expenditure by a nonprofit organization which is a church or body of communicants gathered in common membership for mutual support and edification in piety, worship, or religious observances;

(12) payment of the reasonable costs of an audit required in section 297E.06, subdivision 4, provided the annual audit is filed in a timely manner with the department of revenue;

(13) a contribution to or expenditure on a wildlife management project that benefits the public at-large, provided that the state agency with authority over that wildlife management project approves the project before the contribution or expenditure is made;

(14) expenditures, approved by the commissioner of natural resources, by an organization for grooming and maintaining snowmobile trails and all-terrain vehicle trails that are (1) grant-in-aid trails established under section 85.019, or (2) other trails open to public use, including purchase or lease of equipment for this purpose; or

(15) conducting nutritional programs, food shelves, and congregate dining programs primarily for persons who are age 62 or older or disabled; or

(16) a contribution to a community arts organization, or an expenditure to sponsor arts programs in the community, including but not limited to visual, literary, performing, or musical arts.

(b) Notwithstanding paragraph (a), "lawful purpose" does not include:

(1) any expenditure made or incurred for the purpose of influencing the nomination or election of a candidate for public office or for the purpose of promoting or defeating a ballot question;

(2) any activity intended to influence an election or a governmental decision-making process;

(3) the erection, acquisition, improvement, expansion, repair, or maintenance of real property or capital assets owned or leased by an organization, unless the board has first specifically authorized the expenditures after finding that (i) the real property or capital assets will be used exclusively for one or more of the purposes in paragraph (a); (ii) with respect to expenditures for repair or maintenance only, that the property is or will be used extensively as a meeting place or event location by other nonprofit organizations or community or service groups and that no rental fee is charged for the use; (iii) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building, a building owned by the organization and destroyed or made uninhabitable by fire or natural disaster, provided that the expenditure may be only for that part of the replacement cost not reimbursed by insurance; (iv) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building a building owned by the organization that was acquired from the organization by eminent domain or sold by the organization to a purchaser that the organization reasonably believed would otherwise have acquired the building by eminent domain, provided that the expenditure may be only for that part of the replacement cost that exceeds the compensation received by the organization for the building being replaced; or (v) with respect to an expenditure to bring an existing building into

compliance with the Americans with Disabilities Act under item (ii), an organization has the option to apply the amount of the board-approved expenditure to the erection or acquisition of a replacement building that is in compliance with the Americans with Disabilities Act;

(4) an expenditure by an organization which is a contribution to a parent organization, foundation, or affiliate of the contributing organization, if the parent organization, foundation, or affiliate has provided to the contributing organization within one year of the contribution any money, grants, property, or other thing of value;

(5) a contribution by a licensed organization to another licensed organization unless the board has specifically authorized the contribution. The board must authorize such a contribution when requested to do so by the contributing organization unless it makes an affirmative finding that the contribution will not be used by the recipient organization for one or more of the purposes in paragraph (a); or

(6) a contribution to a statutory or home rule charter city, county, or town by a licensed organization with the knowledge that the governmental unit intends to use the contribution for a pension or retirement fund.

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

Sec. 15. Laws 2001, First Special Session chapter 6, article 5, section 12, is amended to read:

Sec. 12. [SCHOOL DISTRICT FORMULA ADJUSTMENTS.]

Subdivision 1. [TAX RATE ADJUSTMENT.] The commissioner of children, families, and learning must adjust each tax rate established under Minnesota Statutes, chapters 120A to 127A, by multiplying the rate by the ratio of the statewide net tax capacity as calculated using the class rates in effect for assessment year 2000 to the statewide total net tax capacity as calculated using the class rates in effect for assessment year 2001, in both cases using taxable market values for assessment year 2000.

Subd. 2. [EQUALIZING FACTORS.] The commissioner of children, families, and learning must adjust each equalizing factor based upon adjusted net tax capacity per actual pupil unit established under Minnesota Statutes, chapters 120A to 127A, by multiplying the equalizing factor by the ratio of the statewide net tax capacity as calculated using the class rates in effect for assessment year 2001 to the statewide total net tax capacity as calculated using the class rates in effect for assessment year 2000, in both cases using taxable market values for assessment year 2000.

Subd. 3. [DEBT SERVICE TAX RATES AND EQUALIZING FACTORS.] The provisions in subdivisions 1 and 2 do not apply to the equalizing factors and tax rates of the debt service equalization aid program under Minnesota Statutes, section 123B.53.

Subd. 4. [SCHOOL DISTRICT BONDS.] The commissioner of children, families, and learning must adjust the net debt limit percentage for special school district No. 1, Minneapolis, based upon net tax capacity established under Minnesota Statutes, section 128D.11, subdivision 8, by multiplying the net debt limit percentage by the ratio of the district's net tax capacity as calculated using the class rates in effect for assessment year 2000 to the district's total net tax capacity as calculated using the class rates in effect for assessment year 2001, in both cases using taxable market values for assessment year 2000.

[EFFECTIVE DATE.] This section is effective retroactively for bonds issued after July 1, 2001.

Sec. 16. [CITY OF THIEF RIVER FALLS; NONPROFIT CORPORATION.]

Subdivision 1. [NONPROFIT CORPORATION MAY BE ESTABLISHED.] The city of Thief River Falls may incorporate or authorize the incorporation of a nonprofit corporation to operate a community or regional center in the city.

Subd. 2. [BOARD OF DIRECTORS.] The corporation must be governed by a board of five directors. The directors must be named by the Thief River Falls city council. No more than three of the directors may be persons currently serving on the Thief River Falls city council. Board members must not be compensated for their services but may be reimbursed for reasonable expenses incurred in connection with their duties as board members.

Subd. 3. [ARTICLES AND BYLAWS.] The entity must be incorporated under Minnesota Statutes, chapter 317A, and otherwise must comply with Minnesota Statutes, chapter 317A, except to the extent Minnesota Statutes, chapter 317A, is inconsistent with this section.

Subd. 4. [EMPLOYEES.] Persons employed by the nonprofit corporation are not public employees and must not participate in retirement, deferred compensation, insurance, or other plans that apply to public employees generally.

Subd. 5. [STATUTORY COMPLIANCE.] The nonprofit corporation must comply with Minnesota Statutes, section 465.719, subdivisions 9, 10, 11, 12, 13, and 14.

Sec. 17. [APPROPRIATION.]

(a) \$585,000 in fiscal year 2002 and \$7,015,000 in fiscal year 2003 are appropriated to the commissioner of revenue from the general fund for tax compliance activities, including identification and collection of tax liabilities from individuals and businesses that currently do not pay all taxes owed, and audit and collection activity in the income tax, sales tax, lawful gambling, insurance, and corporate areas. The base funding for these activities in fiscal years 2004 and 2005 is increased by \$4,750,000 each year.

(b) The commissioner must include these tax compliance activities in the report required by Laws 2001, First Special Session chapter 10, article 1, section 16, subdivision 2, paragraph (c).

(c) Laws 2002, chapter 220, article 10, section 38, does not apply to the positions necessary to carry out the compliance activities identified in this section.

(d) If the legislative auditor determines that:

(1) actual revenue collections generated from tax compliance activities funded by Laws 2001, First Special Session chapter 10, article 1, section 16, subdivision 2, paragraphs (a) and (b), will not generate at least \$52,000,000 in additional general fund revenue for the biennium ending June 30, 2003; or

(2) actual revenue collections generated from new tax compliance activities funded by the appropriation in this section will not generate at least \$7,600,000 in additional general fund revenue for the biennium ending June 30, 2003;

then the commissioner of finance must cancel from the budget reserve account to the general fund the difference between the \$52,000,000 or the \$7,600,000 and the actual additional general fund revenue. The legislative auditor's determination under this paragraph must be made in the February 1, 2003, report to the legislature required by Laws 2001, First Special Session chapter 10, article 1, section 16.

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

Sec. 18. [REPEALER.]

Minnesota Statutes 2000, section 291.03, subdivision 2, is repealed effective for estates of decedents dying after December 31, 2001."

Delete the title and insert:

"A bill for an act relating to financing and operation of state and local government; modifying provisions relating to income, franchise, sales and use, property, MinnesotaCare, gross receipts, liquor, insurance, solid waste management, estate, minerals, and other taxes, property tax refunds, tax liens, and tax administration; imposing a wind energy production tax; modifying property tax and other state aids and credits; changing education aids and levies; modifying tax court jurisdiction; authorizing local units of government to levy, impose, or abate taxes, issue debt, and exercise other powers; extending and authorizing certain expenditures from the northeast Minnesota economic protection trust fund; modifying levy limits; providing powers to and imposing duties on the commissioner of revenue and other officials; clarifying utility rate reduction provisions mandated by property tax reductions; modifying tax increment financing and other economic development provisions; providing a time limit for offset of federal tax refunds; changing lawful purpose for purposes of lawful gambling; providing for data privacy and exchange of data; modifying certain debt limits; repealing an annexation provision; making technical corrections; providing for the transfer of funds; providing for a budget reserve; appropriating money; amending Minnesota Statutes 2000, sections 16A.152, by adding a subdivision; 40A.151, subdivision 1; 40A.152, subdivisions 1, 3; 69.77, by adding a subdivision; 126C.44; 168A.05, by adding subdivisions; 270.063, subdivision 4; 270.60, subdivision 4; 270B.01, subdivision 8; 270B.02, subdivision 4; 270B.14, subdivision 8; 272.02, subdivision 15, by adding subdivisions; 272.0212, subdivision 4; 273.125, subdivisions 3, 4; 273.1398, subdivisions 1a, 2, 3; 278.01, subdivision 1; 279.01, subdivision 3; 289A.10, subdivision 1; 289A.19, subdivision 1; 290.01, subdivision 19a; 290.067, subdivisions 1, 2a; 290.081; 290.17, subdivisions 2, 3; 290.191, subdivision 4; 290A.03, subdivision 3; 291.03, subdivision 1; 295.53, subdivision 1; 295.57, by adding a subdivision; 296A.18, subdivision 8; 297A.66, by adding a subdivision; 297A.67, subdivision 5, by adding a subdivision; 297A.68, by adding a subdivision; 297A.71, by adding subdivisions; 297A.96; 297G.07, subdivision 1; 297H.06, subdivision 2; 297I.05, subdivision 11; 298.27; 298.28, subdivisions 5, 9b, 11; 298.291; 469.1813, by adding a subdivision; 477A.011, subdivision 20; 477A.15; Minnesota Statutes 2001 Supplement, sections 69.021, subdivision 5; 124D.86, subdivision 3; 126C.17, subdivision 7a; 126C.21, subdivision 4; 126C.40, subdivision 1; 126C.43, subdivision 3; 126C.48, subdivision 8; 216B.1646; 270.69, subdivision 2; 270.691, subdivision 8; 270B.02, subdivision 3; 270B.08, subdivision 2; 271.01, subdivision 5; 271.21, subdivision 2; 272.02, subdivision 22; 272.028; 273.121; 273.124, subdivision 11; 273.13, subdivisions 22, 24, 25; 273.1384, subdivisions 1, 2; 273.1392; 273.1398, subdivisions 4c, 4d; 275.065, subdivision 3; 275.70, subdivision 5; 275.71, subdivisions 2, 3, 6; 275.74, subdivision 2; 276.04, subdivision 2; 289A.02, subdivision 7; 289A.20, subdivisions 2, 4; 289A.60, subdivision 2; 290.01, subdivisions 19, 19b, 19c, 19d, 31; 290.0675, subdivisions 1, 3; 290.091, subdivision 2; 290.0921, subdivisions 2, 3, 6; 290.21, subdivision 4; 290A.03, subdivision 15; 290A.04, subdivision 2h; 291.005, subdivision 1; 295.60, subdivisions 2, 7, by adding subdivisions; 297A.61, subdivisions 3, 26, 31; 297A.66, subdivision 1; 297A.67, subdivisions 25, 29; 297A.68, subdivision 3; 297A.70, subdivisions 3, 10; 297A.71, subdivision 23; 297A.75; 297A.995, subdivision 4; 298.01, subdivisions 3b, 4c; 298.225, subdivision 1; 298.28, subdivisions 4, 6, 9a, 10; 298.296, subdivision 2; 349.12, subdivision 25; 469.1734, subdivision 6; 469.1763, subdivision 6; 469.1792, subdivision 1; 477A.011, subdivision 36; 477A.0123; 477A.013, subdivision 9; 477A.03, subdivision 2; 477A.07, subdivisions 1, 2, 3; Laws 1990, chapter 604, article 6, section 9, subdivision 1, as amended; Laws 1993, chapter 375, article 5, section 42; Laws 1995, chapter 264, article 5, section 45, subdivision 1, as amended; Laws 1998, chapter 389, article 3, section 42; Laws 1998, chapter 389, article 8, section 37, subdivision 2; Laws 2001, First Special Session chapter 5, article 9, section 3; Laws 2001, First Special Session chapter 5, article 12, sections 11, 82, 95; Laws 2001, First Special Session chapter 6, article 1, section 53; Laws 2001, First Special Session chapter 6, article 4, sections 25, 27, subdivision 9; Laws 2001, First Special Session chapter 6, article 5, section 12; proposing coding for new law in Minnesota Statutes, chapters 126C; 272; repealing Minnesota Statutes 2000, sections 272.02, subdivision 40; 290.01, subdivisions 19g, 32; 290.0921, subdivision 5; 291.03, subdivision 2; 295.44; 297A.68, subdivision 26; Minnesota Statutes 2001 Supplement, sections 469.176, subdivision 1h; Laws 2001, First Special Session chapter 5, article 3, section 88; Minnesota Rules, parts 8130.1400; 8130.2100; 8130.2350; 8130.2600; 8130.3000; 8130.3850; 8130.5000."

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

House Conferees: RON ABRAMS, DAN MCELROY, BOB MILBERT, ROXANN DAGGETT AND ANN LENCZEWSKI.

Senate Conferees: LAWRENCE J. POGEMILLER, DOUGLAS J. JOHNSON, DICK DAY AND LEONARD R. PRICE.

Abrams moved that the report of the Conference Committee on H. F. No. 2498 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 2498, A bill for an act relating to the financing and operation of government in this state; providing a sales tax rebate; providing property tax reform; making changes to income, franchise, sales and use, property, motor vehicle sales, motor vehicle registration, mortgage registry, deed, motor fuels, cigarette and tobacco, liquor, insurance premiums, lawful gambling, minerals, estate, and special taxes; changing and allowing tax credits, subtractions, and exemptions, including an income tax subtraction for capital gains; providing a biomedical innovation initiative; conforming with changes in federal income tax provisions; providing for allocation and apportionment of income; imposing a state general tax levy on certain property; providing a property tax homestead credit; imposing general levy limits; providing for property tax levy reverse referenda; changing property tax valuation, assessment, levy, classification, homestead, credit, aid, exemption, deferral, review, appeal, abatement, and distribution provisions; abolishing certain property tax levies for transit and establishing a transit fund; providing and modifying certain aids to local units of government; changing levy authority; reducing certain utility taxes and requiring a corresponding rate reduction; changing certain provisions relating to biomass facilities; providing for disposition of local lodging tax proceeds; providing priorities for disposition of production tax proceeds by the iron range resources and rehabilitation board; providing for certain payments in lieu of taxes; reducing rates on lawful gambling taxes; reducing rates on solid waste management taxes; providing for state takeover of certain costs of district court administration and out-of-home placement; providing for uniform sales and use tax administration; providing for taxation and incentive payments on forest lands; providing for electronic filing and payment of taxes; changing procedures for disposition of seized contraband; abolishing certain health care provider taxes and health plan premium taxes; providing for deposit of certain tobacco settlement and cigarette tax proceeds to the health care access fund; changing tax increment financing provisions and authorizing certain grants, duration extensions, and expenditures; requiring registration of tax increment financing consultants; creating a health care access fund reserve; reducing the tax on life insurance premiums; increasing property tax refunds and changing calculation of rent constituting property taxes for purposes of property tax refunds; reducing taconite production tax and occupation tax rates; providing special authority to certain political subdivisions; authorizing special taxing districts; changing and clarifying tax administration, collection, enforcement, interest, and penalty provisions; changing revenue recapture provisions; authorizing abatements and waivers of fees and certain taxes in disaster areas; changing and imposing fees; changing debt collection provisions for student loans; providing certain duties and powers to the commissioner of revenue; authorizing publication of names of certain delinquent taxpayers; authorizing border city allocations; changing provisions relating to tax-forfeited lands and providing for tax-forfeited lands transfers; defining terms; classifying data; establishing a legislative commission; requiring studies; imposing a criminal penalty; appropriating money; amending Minnesota Statutes 2000, sections 16D.08, subdivision 2; 62J.041, subdivision 1; 62Q.095, subdivision 6; 69.021, subdivision 5; 84.922, by adding a subdivision; 88.49, subdivisions 5, 9a; 88.491, subdivision 2; 97A.065, subdivision 2; 103D.905, subdivision 3; 115B.24, subdivision 2; 123B.55; 126C.01, subdivision 3; 126C.13, subdivision 4; 126C.17, by adding a subdivision; 144.3831, subdivision 2; 168.013, subdivision 1a; 174.24, subdivision 3b; 179A.101, subdivision 1; 179A.102, subdivision 6; 179A.103, subdivision 1; 214.16, subdivisions 2, 3; 216B.2424, subdivision 5; 239.101, subdivision 3; 260.765, by adding a subdivision; 260.771, by adding a subdivision; 270.06; 270.07, subdivision 3; 270.11, by adding a subdivision; 270.12, subdivision 2; 270.271, subdivisions 1, 3; 270.60, subdivision 4, by adding a subdivision; 270.70, subdivision 13; 270.73, subdivision 1; 270.771; 270.78; 270A.03, subdivisions 5, 7; 270A.11; 270B.01, subdivision 8; 270B.02, subdivisions 2, 3; 270B.03, subdivision 6; 270B.14, subdivision 1; 271.01, subdivision 5; 271.21, subdivision 2; 272.02, subdivisions 9, 10, 22, by adding subdivisions; 273.061, subdivisions 1, 2, 8; 273.072, subdivision 1; 273.11, subdivisions 1a, 14, by adding subdivisions; 273.1104, subdivision 2; 273.111, subdivision 4; 273.121; 273.124, subdivisions 8, 13, 14; 273.13, subdivisions 22, 23, 24, 25, 31; 273.1392; 273.1393; 273.1398, subdivisions 1a, 4a, by adding subdivisions; 274.01, subdivision 1; 274.13, subdivision 1; 275.02; 275.065, subdivisions 1, 3, 5a, 6, 8, by adding a subdivision; 275.066; 275.07, subdivision 1; 275.16; 275.62, subdivision 1; 275.70, subdivision 5, by adding subdivisions; 276.04, subdivision 2; 276.11, subdivision 1; 276A.01, subdivision 3; 276A.06, subdivision 3; 282.01, subdivisions 1a, 1b; 282.04, subdivision 2; 287.035; 287.04; 287.08; 287.12; 287.13, by adding a subdivision; 287.20,

subdivisions 2, 9; 287.21, subdivision 1; 287.28; 289A.02, subdivision 7, by adding a subdivision; 289A.08, subdivision 16; 289A.11, subdivision 1; 289A.12, subdivision 3; 289A.18, subdivision 4; 289A.20, subdivisions 1, 2, 4; 289A.26, subdivision 2a; 289A.31, subdivision 7; 289A.50, subdivisions 2, 2a; 289A.60, subdivisions 7, 21; 290.01, subdivisions 6b, 7, 19, 19b, 19c, 19d, 22, 29, 31, by adding a subdivision; 290.014, subdivision 5; 290.05, subdivision 1; 290.06, subdivisions 2c, 22; 290.067, subdivisions 1, 2, 2b; 290.0671, subdivisions 1, 1a, 7; 290.0674, subdivisions 1, 2; 290.0675, subdivisions 1, 3; 290.068, subdivisions 1, 3, 4; 290.091, subdivisions 2, 3; 290.0921, subdivisions 1, 2, 3, 6; 290.0922, subdivision 2; 290.093; 290.095, subdivision 2; 290.17, subdivisions 1, 4; 290.191, subdivisions 2, 3; 290.21, subdivision 4; 290.9725; 290A.03, subdivisions 6, 11, 12, 13, 15; 290A.04, subdivisions 2, 2a, 4; 290A.15; 291.005, subdivision 1; 295.55, subdivision 4; 296A.15, subdivisions 1, 7; 296A.16, subdivision 2; 296A.21, subdivisions 1, 4; 296A.24, subdivisions 1, 2; 297A.01, subdivision 3; 297A.07, subdivision 3; 297A.25, subdivisions 3, 11, 28; 297A.61, subdivisions 2, 3, 4, 6, 7, 9, 10, 12, 14, 16, 17, 19, 22, 23, by adding subdivisions; 297A.62, subdivision 3; 297A.64, subdivisions 3, 4; 297A.66, subdivisions 1, 3; 297A.67, subdivisions 2, 8, 23, 24, 25, by adding subdivisions; 297A.68, subdivisions 2, 3, 5, 11, 13, 14, 18, 25, by adding subdivisions; 297A.69, subdivision 2; 297A.70, subdivisions 1, 2, 3, 4, 7, 8, 10, 13, 14; 297A.71, subdivisions 3, 6, by adding subdivisions; 297A.72, subdivision 1; 297A.75; 297A.77, subdivision 1; 297A.80; 297A.82, subdivision 3, by adding a subdivision; 297A.89, subdivision 1; 297A.90, subdivision 1; 297A.91; 297A.92, subdivision 2; 297A.94; 297A.99, subdivisions 7, 9, 11; 297B.03; 297B.09, subdivision 1; 297E.02, subdivisions 1, 4, 6; 297E.16, subdivisions 1, 2; 297F.09, subdivision 7; 297F.10, subdivision 1; 297F.16, subdivision 4; 297F.20, subdivision 3; 297F.21, subdivisions 1, 2, 3; 297G.09, subdivision 6; 297G.15, subdivision 4; 297G.16, subdivisions 5, 7; 297G.20, subdivisions 3, 4; 297H.02, subdivision 2; 297H.03, subdivision 2; 297H.04, subdivision 2, by adding a subdivision; 297H.05; 297H.06, by adding a subdivision; 297H.13, by adding a subdivision; 297I.05, by adding a subdivision; 297I.15, by adding a subdivision; 297I.20; 297I.35, subdivision 2; 297I.40, subdivisions 1, 2, 7; 297I.85, subdivision 7; 298.01, subdivisions 3, 3a, 3b, 4, 4a, 4c; 298.22, subdivision 2, by adding a subdivision; 298.225, subdivision 1; 298.24, subdivision 1; 298.27; 298.28, subdivisions 6, 9a; 298.2961, subdivision 2; 298.75, subdivisions 1, 2, by adding a subdivision; 299D.03, subdivision 5; 345.41; 345.42, by adding a subdivision; 349.19, subdivision 2a; 357.021, subdivision 1a; 461.12, by adding a subdivision; 469.040, subdivision 5; 469.169, by adding a subdivision; 469.1732, subdivision 1; 469.174, subdivisions 1, 3, 10, 10a, 12, 25; 469.175, subdivisions 1, 3, 6, 6b, by adding a subdivision; 469.176, subdivisions 1b, 1c, 1e, 3, 4, 4g, by adding a subdivision; 469.1763, subdivision 6; 469.177, subdivisions 1, 11, by adding a subdivision; 469.1771, subdivision 1; 469.178, by adding a subdivision; 469.1791, subdivisions 1, 3, 9; 469.1812, subdivision 2; 469.1813, subdivisions 4, 6; 469.190, subdivision 3; 469.202, subdivision 2; 473.388, subdivisions 4, 7; 473.446, subdivision 1, by adding a subdivision; 473.843, subdivision 3; 473F.08, subdivision 3; 473H.10, subdivision 3; 475.58, subdivision 1; 477A.011, subdivisions 35, 36; 477A.0121, by adding a subdivision; 477A.0122, by adding a subdivision; 477A.013, subdivisions 1, 9; 477A.03, subdivision 2, by adding a subdivision; 477A.12; 477A.14; 480.181, subdivision 1; 487.33, subdivision 5; 574.34, subdivision 1; Laws 1986, chapter 396, section 5; Laws 1997, chapter 231, article 10, section 25; Laws 1998, chapter 389, article 16, section 35, subdivision 1; Laws 1999, chapter 216, article 7, section 46, subdivision 3; Laws 1999, chapter 243, article 4, section 19; Laws 2000, chapter 490, article 8, section 17; Laws 2000, chapter 490, article 11, section 26; proposing coding for new law in Minnesota Statutes, chapters 3; 12; 16A; 62Q; 103B; 116J; 123B; 144F; 245; 256L; 270; 272; 273; 275; 290; 290A; 295; 296A; 297A; 469; 471; 473; 477A; 480; 484; proposing coding for new law as Minnesota Statutes, chapters 126C; 216B; 290C; repealing Minnesota Statutes 2000, sections 13.4967, subdivision 3; 16A.1521; 16A.76; 62T.10; 126C.13, subdivisions 1, 2, 3; 144.1484, subdivision 2; 256L.02, subdivision 3; 270.31; 270.32; 270.33; 270.34; 270.35; 270.36; 270.37; 270.38; 270.39; 273.13, subdivision 24a; 273.1382; 273.1399; 275.078; 275.08, subdivision 1e; 289A.60, subdivision 15; 290.06, subdivisions 25, 26; 290.0673; 290.095, subdivisions 1a, 7; 290.191, subdivision 4; 290.21, subdivision 3; 290.23; 290.25; 290.31, subdivisions 2, 2a, 3, 4, 5, 19; 290.35; 290.9726, subdivision 7; 290A.04, subdivision 2j; 290A.18, subdivision 2; 295.50; 295.51; 295.52; 295.53; 295.54; 295.55; 295.56; 295.57; 295.58; 295.582; 295.59; 296A.16, subdivision 6; 296A.24, subdivision 3; 297A.61, subdivision 16; 297A.62, subdivision 2; 297A.64, subdivision 1; 297A.68, subdivision 21; 297A.71, subdivisions 2, 15, 16, 21; 297B.032; 297E.16, subdivision 3; 297F.21, subdivision 4; 297G.20, subdivision 5; 297I.05, subdivisions 5, 8; 297I.30, subdivision 3; 298.01, subdivisions 3c, 3d, 4d, 4e; 469.1732, subdivision 2; 469.1734, subdivision 4; 469.1782, subdivision 1; 473.446, subdivision 8; Laws 1988, chapter 426, section 1; Laws 1988, chapter 702, section 16; Laws 1992, chapter

511, article 2, section 52, as amended; Laws 1996, chapter 471, article 8, section 45; Laws 1999, chapter 243, article 6, section 14; Laws 1999, chapter 243, article 6, section 15; Laws 2000, chapter 490, article 6, section 17; Minnesota Rules, parts 8120.0200; 8120.0500; 8120.0700; 8120.0900; 8120.1300; 8120.1600; 8120.2000; 8120.2100; 8120.2200; 8120.2300; 8120.2500; 8120.2700; 8120.2800; 8120.3000; 8120.3200; 8120.4300; 8120.4400; 8120.4500; 8120.4600; 8120.4900; 8120.5000; 8120.5100; 8120.5300.

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

The question was taken on the repassage of the bill and the roll was called. There were 129 yeas and 4 nays as follows:

Those who voted in the affirmative were:

Abeler	Dorman	Holberg	Leighton	Osthoff	Solberg
Abrams	Dorn	Holsten	Lenczewski	Otremba	Stanek
Anderson, I.	Eastlund	Howes	Leppik	Ozment	Stang
Bakk	Entenza	Huntley	Lieder	Paulsen	Swenson
Bernardy	Erhardt	Jacobson	Lindner	Pawlenty	Sykora
Biernat	Erickson	Jaros	Lipman	Paymar	Thompson
Bishop	Evans	Jennings	Mahoney	Pelowski	Tingelstad
Blaine	Finseth	Johnson, J.	Mares	Penas	Tuma
Boudreau	Folliard	Johnson, R.	Mariani	Peterson	Vandever
Bradley	Fuller	Johnson, S.	Marko	Pugh	Wagenius
Buesgens	Gerlach	Jordan	Marquart	Rhodes	Walz
Carlson	Goodno	Juhnke	McElroy	Rifenberg	Wasiluk
Cassell	Goodwin	Kahn	McGuire	Rukavina	Westerberg
Clark, J.	Gray	Kalis	Milbert	Ruth	Westrom
Clark, K.	Greiling	Kelliher	Molnau	Schumacher	Wilkin
Daggett	Gunther	Kielkucki	Mulder	Seagren	Winter
Davids	Haas	Knoblach	Mullery	Seifert	Wolf
Davnie	Hackbarth	Koskinen	Murphy	Sertich	Workman
Dawkins	Harder	Krinkie	Ness	Skoe	Spk. Sviggum
Dehler	Hausman	Kubly	Nornes	Skoglund	
Dempsey	Hilstrom	Kuisle	Opatz	Slawik	
Dibble	Hilty	Larson	Osskopp	Smith	

Those who voted in the negative were:

Gleason	Olson	Swapinski	Walker
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The bill was repassed, as amended by Conference, and its title agreed to.

CALENDAR FOR THE DAY

Abrams moved that the Calendar for the Day be continued. The motion prevailed.

MOTIONS AND RESOLUTIONS

Holsten moved that the name of Marquart be added as an author on H. F. No. 1671. The motion prevailed.

Schumacher introduced:

House Resolution No. 30, A house resolution honoring the veterans of the Philippine Campaign.

The resolution was referred to the Committee on Governmental Operations and Veterans Affairs Policy.

ADJOURNMENT

Pawlenty moved that when the House adjourns today it adjourn until 12:00 noon, Thursday, May 16, 2002. The motion prevailed.

Pawlenty moved that the House adjourn. The motion prevailed, and the Speaker declared the House stands adjourned until 12:00 noon, Thursday, May 16, 2002.

EDWARD A. BURDICK, Chief Clerk, House of Representatives